



ADCB SECURITIES L.L.C.

**Review report and condensed interim financial information
for the six month period ended June 30, 2018**

ADCB Securities L.L.C.

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

The Board of Directors
ADCB Securities L.L.C.
Abu Dhabi
United Arab Emirates

Introduction

We have reviewed the accompanying condensed interim statement of financial position of ADCB Securities L.L.C. (the "Company") as at 30 June 2018 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

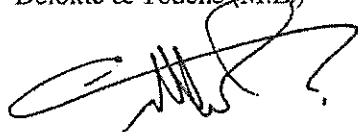
Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of 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.

Conclusion

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

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
Abu Dhabi
26 July 2018
Abu Dhabi
United Arab Emirates

ADCB Securities L.L.C.

Condensed interim statement of financial position
As at June 30, 2018

		June 30 2018 (unaudited) AED'000	December 31 2017 (audited) AED'000
	Notes		
ASSETS			
Non-current assets			
Property and equipment		1,631	1,280
Investment Securities	3	404	467
Total non-current assets		2,035	1,747
Current assets			
Trade and other receivables	4	39,475	124,027
Margin trade receivables	5	587,955	495,964
Bank balances	6	6,997	17,727
Total current assets		634,427	637,718
Total assets		636,462	639,465
EQUITY AND LIABILITIES			
Equity			
Share capital	7	71,000	71,000
Statutory reserve		10,370	10,370
Investment revaluation reserve		(25)	38
Retained earnings		64,268	61,816
Total equity		145,613	143,224
Liabilities			
Non-current liabilities			
Long term borrowing	8	100,000	100,000
Provision for employees' end of service benefit		3,470	3,152
Total non-current liabilities		103,470	103,152
Current liabilities			
Trade and other payables	9	40,232	125,208
Bank overdraft	6	344,098	256,763
Due to Parent Company	11	3,049	11,118
Total current liabilities		387,379	393,089
Total liabilities		490,849	496,241
Total equity and liabilities		636,462	639,465

Arup Mukhopadhyay
Chairman

Hassan Salem Al Hossani
General Manager

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 six month period ended June 30, 2018**

		3 months ended June 30		6 months ended June 30	
		2018	2017	2018	2017
	Notes	AED'000	AED'000	AED'000	AED'000
Income					
Brokerage commission		1,692	3,536	4,259	10,339
Interest income	10	6,479	6,731	12,706	12,794
Interest expense		(3,234)	(2,541)	(5,932)	(5,059)
Net interest income		3,245	4,190	6,774	7,735
Other income		21	-	42	-
		4,958	7,726	11,075	18,074
Expenses					
Staff expenses		(4,116)	(3,175)	(7,834)	(6,169)
Depreciation		(135)	(218)	(239)	(443)
Other operating expenses		(760)	(668)	(1,622)	(1,660)
		(5,011)	(4,061)	(9,695)	(8,272)
Net (loss)/ profit for the period		(53)	3,665	1,380	9,802
Other comprehensive income					
<i>Items that will not be re-classified subsequently to profit or loss</i>					
Net movement in fair value of investment securities	3	(29)	(58)	(63)	(58)
Total comprehensive (loss)/income for the period		(82)	3,607	1,317	9,744



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
for the six month period ended June 30, 2018**

	Share capital AED'000	Statutory reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance at January 1, 2017 (audited)	71,000	9,090	92	50,301	130,483
Net profit for the period	-	-	-	9,802	9,802
Net movement in fair value of investment securities	-	-	(58)	-	(58)
Total comprehensive (loss)/income for the period	-	-	(58)	9,802	9,744
Balance at June 30, 2017 (unaudited)	71,000	9,090	34	60,103	140,227
Balance at January 1, 2018 (as previously reported)	71,000	10,370	38	61,816	143,224
Effect of change in accounting policy for IFRS 9 (Note 2.1)	-	-	-	1,072	1,072
Balance at January 1, 2018 (restated)	71,000	10,370	38	62,888	144,296
Net profit for the period	-	-	-	1,380	1,380
Net movement in fair value of investment securities	-	-	(63)	-	(63)
Total comprehensive (loss)/income for the period	-	-	(63)	1,380	1,317
Balance at June 30, 2018 (unaudited)	71,000	10,370	(25)	64,268	145,613

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 six month period ended June 30, 2018**

	<u>6 months ended June 30</u>	
	2018	2017
	AED'000	AED'000
Operating activities		
Net profit for the period	1,380	9,802
Adjustments for:		
Depreciation on property and equipment	239	443
Employees' end of service benefit charge	375	174
	1,994	10,419
Movements in working capital		
Decrease in trade and other receivables	84,552	67,885
Increase in margin trade receivables	(90,919)	(158,752)
Net movement in due to/from Parent Company *	(8,126)	(36,713)
Decrease in trade and other payables	(84,976)	(65,887)
Net cash used in operating activities	(97,475)	(183,048)
Investing activities		
Purchase of property and equipment	(590)	(654)
Net movement in term deposits	-	100,000
Net cash (used in)/ generated from investing activities	(590)	99,346
Net decrease in cash and cash equivalents	(98,065)	(83,702)
Cash and cash equivalents at the beginning of the period	(239,036)	(145,784)
Cash and cash equivalents at the end of the period (Note 6)	(337,101)	(229,486)
Non cash transactions		
* Transfer of employees' end of service benefit	(57)	-

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 six month period ended June 30, 2018

1 General

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, Sheikh Zayed Bin Sultan Street, P. O. Box 939, Abu Dhabi, U.A.E.

The Company is registered as a brokerage company in accordance with U.A.E. Federal Law No. 4 of 2000.

The principal activities of the Company are to provide brokerage services pertaining to financial instruments and commodities, margin trading activity, financial consultation and financial analysis.

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

2 Summary of significant accounting policies

Basis of preparation

These 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, 2017, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2018, have been adopted in these condensed interim financial information.

The Company applied for the first time, IFRS 9 Financial Instruments that are required to be applied retrospectively with adjustments to be made in the opening balance of equity. As required by IAS 34, the nature and effect of these changes are disclosed in Note 2.1 of the condensed interim financial information.

In the current period, the Company has also applied the following new accounting standard and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018. The application of these new accounting standard and amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Company's future transactions or arrangements.

- IFRS 15 Revenue from Contracts with Customers
- Conceptual Framework for Financial Reporting 2018
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards deleting short-term exemptions for first-time adopters
- Amendments to IFRS 2 Amendments to IFRS 2 Share-based Payment Transactions clarifying the classification and measurement of share-based payment transactions

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the six month period ended June 30, 2018

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9
- Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception
- Amendments to IAS 40 Investment properties clarifying transfers or property to, or from, investment property
- Annual Improvements to IFRSs 2014–2016 Cycle to remove short-term exemptions and clarifying certain fair value measurements
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 28 Investments in Associates and Joint Ventures providing clarification on measuring investees at fair value through profit or loss is an investment-by-investment choice

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

The results for the six month period ended June 30, 2018 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2018.

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, 2017.

2.1 Change in accounting policies

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

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

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the six month period ended June 30, 2018

2.1 Change in Accounting policy policies (continued)

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

Classification and measurement of financial instruments

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

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

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

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

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

2.2 Significant accounting policies introduced on adoption of IFRS 9

Financial assets

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

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);

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the six month period ended June 30, 2018

2. Summary of significant accounting policies (continued)

2.2 Significant accounting policies introduced on adoption of IFRS 9 (continued)

Financial assets (continued)

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

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

Impairment

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

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

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

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

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

Definition of default

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

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

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

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

ADCB Securities L.L.C.**Notes to the condensed interim financial information
for the six month period ended June 30, 2018****2. Summary of significant accounting policies (continued)****2.5 Significant accounting policies introduced on adoption of IFRS 9 (continued)****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 Investment securities

	June 30 2018 (unaudited) AED'000	December 31 2017 (audited) AED'000
Equity Instruments - quoted		
Balance at beginning of period/year	467	521
Change in fair value	(63)	(54)
Balance at end of period/year	404	467

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

4 Trade and other receivables

	June 30 2018 (unaudited) AED'000	December 31 2017 (audited) AED'000
Trade receivables from customers	34,835	103,813
Receivables from exchanges	3,617	19,851
Other receivables	1,023	363
	39,475	124,027

Trade receivables from customers

The credit period for trade receivables is two days (trade date plus two working days). The Company has an obligation to settle these amounts to the eventual recipient (markets), even if the equivalent amounts are not collected.

The fair value of trade and other receivables does not materially differ from their carrying value.

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the six month period ended June 30, 2018

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 may provide finance to its clients as a percentage of the market value of securities. The underlying 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.

	June 30 2018 (unaudited) AED'000	December 31 2017 (audited) AED'000
Margin trade receivables	587,955	497,036
Less : Collective impairment allowance (refer note 2.1)	-	(1,072)
Margin trade receivables, net	<u>587,955</u>	<u>495,964</u>

The fair value of securities held as collateral against margin trade receivables amounts to AED 1,085,414 thousand as at June 30, 2018 (December 31, 2017: AED 1,073,173 thousand).

The fair value of margin trade receivables does not materially differ from their carrying value.

6 Bank balances

	June 30 2018 (unaudited) AED'000	December 31 2017 (audited) AED'000
Current accounts	<u>6,997</u>	<u>17,727</u>
Bank balances	<u>6,997</u>	<u>17,727</u>
Cash and cash equivalents		
Bank balances	6,997	17,727
Bank overdraft	<u>(344,098)</u>	<u>(256,763)</u>
Cash and cash equivalents	<u>(337,101)</u>	<u>(239,036)</u>

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the six month period ended June 30, 2018

7 Share capital

	Authorised		Issued and fully paid	
	June 30 2018 (unaudited) AED'000	December 31 2017 (audited) AED'000	June 30 2018 (unaudited) AED'000	December 31 2017 (audited) AED'000
Ordinary shares of AED 1,000 each	141,000	141,000	71,000	71,000

8 Long term borrowing

The Company has borrowed subordinated long-term debt from its Parent Company for a period of 5 years, mature in 2019. Interest on this loan is payable quarterly in arrears at a fixed rate of 4% p.a. The Company has the option to repay prior to maturity date subject to SCA approval.

This debt is qualified as tier 2 Capital as per SCA Board decision No. 12/R of 2010 dated February 24 2010 concerning criteria for capital adequacy of a brokerage firm.

9 Trade and other payables

	June 30 2018 (unaudited) AED'000	December 31 2017 (audited) AED'000
Trade payables to customers	36,144	102,543
Payable to exchanges	2,225	20,887
Other payables	1,863	1,778
	<u>40,232</u>	<u>125,208</u>

Trade payables to customers consist only of those customers holding a current account with the Parent Company. The settlement date of these balances is after two working days from the transaction date and are settled to the customer's current account that it holds with the Parent Company.

10 Interest income (unaudited)

	3 months ended June 30		6 months ended June 30	
	2018 AED'000	2017 AED'000	2018 AED'000	2017 AED'000
Interest income - margin trading	6,478	6,729	12,703	11,970
Interest income - term and call deposits	1	2	3	824
	<u>6,479</u>	<u>6,731</u>	<u>12,706</u>	<u>12,794</u>

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the six month period ended June 30, 2018

11 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 and directors of the Company in the ordinary course of business at commercial interest and commission rates.

Abu Dhabi Investment Council is the Parent Company of ADCB. Abu Dhabi Investment Council was established by the Government of Abu Dhabi pursuant to law No. 16 of 2006 and so the Ultimate Controlling Party is the Government of Abu Dhabi.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

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

	Parent Company and its related entities AED '000	Directors and key management personnel of the Company AED '000
Balances :		
June 30, 2018 (unaudited)		
Margin trade receivables	2,115	4,715
Bank balances with Parent Company :		
Current account	6,951	-
Bank overdraft	(344,098)	-
Due to Parent Company	(3,049)	-
Long-term borrowing	(100,000)	-
Bank guarantees	355,000	-
Other payable	(11)	-
December 31, 2017 (audited)		
Margin trade receivables	2,067	5,175
Bank Balances with Parent Company :		
Current account	6,845	-
Bank overdraft	(256,762)	-
Due to Parent Company	(11,118)	-
Long-term borrowing	(100,000)	-
Bank guarantees	355,000	-
Other payable	(11)	-
Transactions :		
6 months period ended (unaudited)		
June 30, 2018		
Brokerage commission	74	55
Interest income	67	34
Interest expense	(5,932)	-
Commission expense on bank guarantee	(117)	-
Rent expenses	(117)	-
Transfer of employees' end of service benefit	(57)	-

ADCB Securities L.L.C.

Notes to the condensed interim financial information for the six month period ended June 30, 2018

11 Transactions and balances with related parties (continued)

	Parent Company and its related entities AED '000	Directors and key management personnel of the Company AED '000
June 30, 2017		
Brokerage commission	59	167
Interest income	846	71
Interest expenses	(5,059)	-
Commission expense on bank guarantee	(82)	-
Rent expenses	(117)	-
Transfer of employees' end of service benefit	315	-

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

12 Commitments and contingent liabilities

	As at June 30 2018 (unaudited) AED'000	As at December 31 2017 (audited) AED'000
Bank guarantees	355,000	355,000

The above bank guarantees have been issued by the Parent Company in the normal course of business.

13 Approval of condensed interim financial information

This condensed interim financial information were approved by the Board of Directors and authorised for issue on July 26, 2018.