

**ADCB SECURITIES L.L.C.**

**Review report and condensed interim financial information  
for the three month period ended March 31, 2019**

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

**Review report and condensed interim financial information  
for the three month period ended March 31, 2019**

	<b>Page</b>
<b>Report on review of condensed interim financial information</b>	<b>1</b>
<b>Condensed interim statement of financial position</b>	<b>2</b>
<b>Condensed interim statement of comprehensive income (unaudited)</b>	<b>3</b>
<b>Condensed interim statement of changes in equity (unaudited)</b>	<b>4</b>
<b>Condensed interim statement of cash flows (unaudited)</b>	<b>5</b>
<b>Notes to the condensed interim financial information</b>	<b>6 - 11</b>



Deloitte & Touche (M.E.)  
Level 11, Al Sila Tower  
Abu Dhabi Global Market Square  
Al Maryah Island  
P.O. Box 990  
Abu Dhabi  
United Arab Emirates

Tel: +971 (0) 2 408 2424  
Fax: +971 (0) 2 408 2525  
www.deloitte.com

## 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 31 March 2019 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the three-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*".

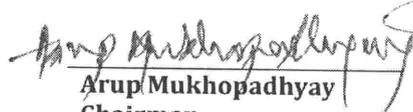
Deloitte & Touche (M.E.)

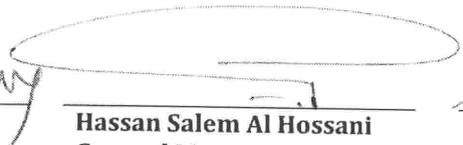
Mohammad Khamees Al Tah  
Registration No. 717  
13 May 2019  
Abu Dhabi  
United Arab Emirates

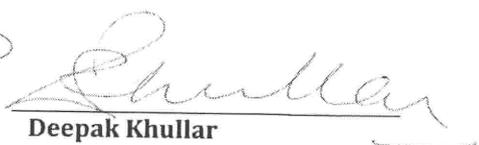
ADCB Securities L.L.C.

**Condensed interim statement of financial position**  
As at March 31, 2019

	Notes	As at March 31 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment, net		1,225	1,357
Investment securities	3	300	333
<b>Total non-current assets</b>		<b>1,525</b>	<b>1,690</b>
<b>Current assets</b>			
Trade and other receivables	4	15,657	8,223
Margin trade receivables	5	500,208	568,503
Bank balances	6	9,832	8,675
<b>Total current assets</b>		<b>525,697</b>	<b>585,401</b>
<b>Total assets</b>		<b>527,222</b>	<b>587,091</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		71,000	71,000
Legal reserve	7	10,448	10,448
Revaluation reserve of investment designated at FVTOCI		(129)	(96)
Retained earnings		64,567	63,584
<b>Total equity</b>		<b>145,886</b>	<b>144,936</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term borrowing		100,000	100,000
Provision for employees' end of service benefit	8	3,574	3,485
<b>Total non-current liabilities</b>		<b>103,574</b>	<b>103,485</b>
<b>Current liabilities</b>			
Trade and other payables	9	16,145	10,163
Bank overdraft	6	251,772	324,009
Due to Parent Company	11	9,845	4,498
<b>Total current liabilities</b>		<b>277,762</b>	<b>338,670</b>
<b>Total liabilities</b>		<b>381,336</b>	<b>442,155</b>
<b>Total equity and liabilities</b>		<b>527,222</b>	<b>587,091</b>

  
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 three month period ended March 31, 2019**

	Notes	3 months ended March 31	
		2019 AED'000	2018 AED'000
<b>Income</b>			
Brokerage commission	11	1,103	2,567
Interest income	10 & 11	7,052	6,227
Interest expense	11	(3,339)	(2,698)
Net interest income		3,713	3,529
Other income		-	21
		<b>4,816</b>	<b>6,117</b>
<b>Expenses</b>			
Staff expenses		(2,848)	(3,718)
Depreciation		(132)	(104)
Other operating expenses	11	(853)	(862)
		<b>(3,833)</b>	<b>(4,684)</b>
<b>Net profit for the period</b>		<b>983</b>	<b>1,433</b>
<b>Other comprehensive income</b>			
<i>Items that may not be re-classified subsequently to profit or loss</i>			
Fair value changes of equity instrument designated at FVTOCI	3	(33)	(34)
<b>Total comprehensive income for the period</b>		<b>950</b>	<b>1,399</b>

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 three month period ended March 31, 2019

	Share capital AED'000	Legal reserve AED'000	Revaluation reserve of investment designated at FVTOCI AED'000	Retained earnings AED'000	Total equity AED'000
<b>Balance as at January 1, 2019</b>	71,000	10,448	(96)	63,584	144,936
Net profit for the period	-	-	-	983	983
Fair value changes of equity instrument designated at FVTOCI	-	-	(33)	-	(33)
Total comprehensive (loss)/income for the period	-	-	(33)	983	950
<b>Balance as at March 31, 2019</b>	71,000	10,448	(129)	64,567	145,886
<b>Balance as at January 1, 2018</b> (as previously reported)	71,000	10,370	38	61,816	143,224
Effect of change in accounting policy for IFRS 9	-	-	-	1,072	1,072
<b>Balance as at January 1, 2018</b> (restated)	71,000	10,370	38	62,888	144,296
Net profit for the period	-	-	-	1,433	1,433
Fair value changes of equity instrument designated at FVTOCI	-	-	(34)	-	(34)
Total comprehensive (loss)/income for the period	-	-	(34)	1,433	1,399
<b>Balance as at March 31, 2018</b>	71,000	10,370	4	64,321	145,695

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 three month period ended March 31, 2019**

	<b>3 months ended March 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Operating activities</b>		
Net profit for the period	983	1,433
<b>Adjustments for:</b>		
Depreciation on property and equipment	132	104
Employees' end of service benefit charge	89	96
	<u>1,204</u>	<u>1,633</u>
<b>Movements in working capital</b>		
(Increase)/decrease in trade and other receivables	(7,434)	80,656
Decrease/(increase) in margin trade receivables	68,295	(56,424)
Net movement in due to Parent Company	5,347	(8,170)
Increase/(decrease) in trade and other payables	5,982	(81,414)
	<u>73,394</u>	<u>(63,719)</u>
<b>Net cash from/(used in) operating activities</b>		
<b>Investing activities</b>		
Purchase of property and equipment	-	(185)
	<u>-</u>	<u>(185)</u>
<b>Net cash used in investing activities</b>		
	<u>-</u>	<u>(185)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	73,394	(63,904)
Cash and cash equivalents at the beginning of the period	(315,334)	(239,036)
	<u>(241,940)</u>	<u>(302,940)</u>
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<u>(241,940)</u>	<u>(302,940)</u>

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 three month period ended March 31, 2019**

#### **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, 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**

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

The Company has also applied the following IFRS and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2019. 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.

- Annual Improvements to IFRSs 2015-2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23
- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments in IFRS 9 Financial Instruments relating to prepayment features with negative compensation
- Amendment to IAS 19 Employee Benefits
- Amendments in IAS 28 Investments in Associates and Joint Ventures relating to long-term interests in associates and joint ventures

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, 2019.

##### **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, 2018, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) Interpretations.

## ADCB Securities L.L.C.

### Notes to the condensed interim financial information for the three month period ended March 31, 2019

#### 2 Summary of significant accounting policies (continued)

The results for the three month period ended March 31, 2019 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2019.

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, 2018.

#### 3 Investment securities

	As at March 31 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
<b>Investment in equity instrument designated at FVTOCI</b>		
<b>Quoted:</b>		
Opening balance	333	467
Change in fair value	(33)	(134)
Closing balance	<u>300</u>	<u>333</u>

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

#### 4 Trade and other receivables

	As at March 31 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
Trade receivables from customers	8,566	7,878
Receivables from exchanges	6,102	12
Other receivables	989	333
	<u>15,657</u>	<u>8,223</u>

#### Trade receivables

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 approximates their carrying value

ADCB Securities L.L.C.

**Notes to the condensed interim financial information  
for the three month period ended March 31, 2019**

**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.

	<b>As at March 31 2019 (unaudited) AED'000</b>	<b>As at December 31 2018 (audited) AED'000</b>
Margin trade receivables	<b>500,208</b>	<b>568,503</b>

The fair value of securities held as collateral against margin trade receivables amounts to AED 940,508 thousand as at March 31, 2019 (December 31, 2018: AED 1,011,642 thousand).

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

**6 Bank balances**

	<b>As at March 31 2019 (unaudited) AED'000</b>	<b>As at December 31 2018 (audited) AED'000</b>
Call and current accounts	<b>9,832</b>	<b>8,675</b>
Bank overdraft	<b>(251,772)</b>	<b>(324,009)</b>
Cash and cash equivalents	<b>(241,940)</b>	<b>(315,334)</b>

**7 Share capital**

	<b>Authorised</b>		<b>Issued and fully paid</b>	
	<b>As at March 31 2019 (unaudited) AED'000</b>	<b>As at December 31 2018 (audited) AED'000</b>	<b>As at March 31 2019 (unaudited) AED'000</b>	<b>As at December 31 2018 (audited) AED'000</b>
Ordinary shares of AED 1,000 each	<b>141,000</b>	<b>141,000</b>	<b>71,000</b>	<b>71,000</b>

## ADCB Securities L.L.C.

### Notes to the condensed interim financial information for the three month period ended March 31, 2019

#### 8 Long term borrowing

The Company has borrowed subordinated long term debt from its Parent Company for a period of 5 years. 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 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 March 31 2019 (unaudited) AED'000	As at December 31 2018 (audited) AED'000
Trade payables to customers	14,640	5,959
Payable to exchanges	-	1,913
Other payables	1,505	2,291
	<u>16,145</u>	<u>10,163</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)

	<u>3 months ended March 31</u>	
	2019 AED'000	2018 AED'000
Interest income - margin trading	7,050	6,225
Interest income - call deposits	2	2
	<u>7,052</u>	<u>6,227</u>

#### 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, 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.

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.

ADCB Securities L.L.C.

**Notes to the condensed interim financial information  
for the three month period ended March 31, 2019**

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

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

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

	<b>Parent Company and its related entities AED '000</b>	<b>Directors and key management personnel of the Company AED '000</b>
<b>Balances :</b>		
<b>As at March 31, 2019 (unaudited)</b>		
Margin trade receivables	-	1,145
Bank balances with Parent Company :		
Current accounts*	9,501	-
Bank overdraft	(251,772)	-
Due to Parent Company	(9,845)	-
Long term borrowing	(100,000)	-
Other payable	(11)	-
<b>As at December 31, 2018 (audited)</b>		
Margin trade receivables	-	625
Bank Balances with Parent Company :		
Current accounts*	8,004	-
Bank overdraft	(324,009)	-
Due to Parent Company	(4,498)	-
Long term borrowing	(100,000)	-
Other payable	(11)	-
<b>Transactions :</b>		
<b>For the three month period ended (unaudited)</b>		
<b>March 31, 2019</b>		
Brokerage commission	13	4
Interest income	2	13
Interest expense	(3,339)	-
Commission expense on bank guarantees**	(54)	-
Rent expense	(112)	-
<b>March 31, 2018</b>		
Brokerage commission	16	24
Interest income	26	26
Interest expenses	(2,698)	-
Commission expense on bank guarantees**	(53)	-
Rent expense	(58)	-

\*Includes AED 2,604 thousand (December 2018: AED 1,085 thousand) of current account balances maintained with related entity of ultimate controlling party.

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

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

**Notes to the condensed interim financial information  
for the three month period ended March 31, 2019**

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

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**

	<b>As at March 31 2019 (unaudited) AED'000</b>	<b>As at December 31 2018 (audited) AED'000</b>
Bank guarantees	<b>355,000</b>	<b>355,000</b>

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.

**13 Approval of condensed interim financial information**

This condensed interim financial information was approved by the Board of Directors and authorised for issue on May 13, 2019.