

# ADCB Securities L.L.C.

**Review report and condensed interim  
financial information for the three month  
period ended March 31, 2022**



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

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For the three month period ended March 31, 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 condensed interim statement of financial position of ADCB Securities L.L.C. ("the Company") as at 31 March 2022, the condensed interim statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, 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.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 31 March 2022 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 three-month period ended 31 March 2021 was reviewed by another auditor who expressed an unqualified conclusion on those condensed interim financial information on 10 May 2021.

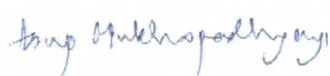
KPMG Lower Gulf Limited

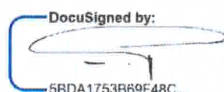
Richard Ackland  
Registration No.: 1015  
Abu Dhabi, United Arab Emirates

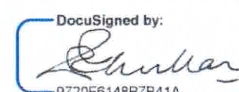
Date: 11 May 2022

**ADCB Securities L.L.C.****Condensed interim statement of financial position  
As at March 31, 2022**

		As at March 31 2022 (unaudited) AED'000	As at December 31 2021 (audited) AED'000
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment, net		987	1,076
Investment security	3	2,208	2,602
<b>Total non-current assets</b>		<b>3,195</b>	<b>3,678</b>
<b>Current assets</b>			
Trade and other receivables	4	87,803	21,884
Margin trade receivables	5	349,969	285,784
Cash and bank balances	6	8,277	9,967
<b>Total current assets</b>		<b>446,049</b>	<b>317,635</b>
<b>Total assets</b>		<b>449,244</b>	<b>321,313</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7	71,000	71,000
Legal reserve		11,565	11,565
Revaluation reserve of investment designated at FVTOCI		1,344	1,738
Retained earnings		76,241	73,625
<b>Total equity</b>		<b>160,150</b>	<b>157,928</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term borrowing	8	100,000	100,000
Provision for employees' end of service benefit		3,828	3,740
<b>Total non-current liabilities</b>		<b>103,828</b>	<b>103,740</b>
<b>Current liabilities</b>			
Trade and other payables	9	88,813	24,907
Due to Parent Company	10	662	876
Bank overdraft	6	95,791	33,862
<b>Total current liabilities</b>		<b>185,266</b>	<b>59,645</b>
<b>Total liabilities</b>		<b>289,094</b>	<b>163,385</b>
<b>Total equity and liabilities</b>		<b>449,244</b>	<b>321,313</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, 2022**

	Notes	<b>3 months ended March 31</b>	
		<b>2022</b>	<b>2021</b>
		<b>AED'000</b>	<b>AED'000</b>
<b>Income</b>			
Brokerage commission		<b>3,539</b>	2,629
Interest income from margin lending		<b>3,587</b>	2,878
Interest expense		<b>(479)</b>	(429)
Net interest income		<b>3,108</b>	2,449
		<b>6,647</b>	5,078
<b>Expenses</b>			
Staff expenses		<b>(3,005)</b>	(3,261)
Depreciation		<b>(118)</b>	(104)
Other operating expenses		<b>(908)</b>	(872)
		<b>(4,031)</b>	(4,237)
<b>Profit for the period</b>		<b>2,616</b>	841
<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	<b>3</b>	<b>(394)</b>	92
<b>Total comprehensive income for the period</b>		<b>2,222</b>	933

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, 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
<b>Balance as at January 1, 2022</b>	71,000	11,565	1,738	73,625	157,928
Profit for the period	-	-	-	2,616	2,616
Fair value changes of equity instrument designated at FVTOCI	-	-	(394)	-	(394)
Total comprehensive (loss)/income for the period	-	-	(394)	2,616	2,222
<b>Balance as at March 31, 2022</b>	71,000	11,565	1,344	76,241	160,150
<b>Balance as at January 1, 2021</b>	71,000	10,860	(12)	67,283	149,131
Profit for the period	-	-	-	841	841
Fair value changes of equity instrument designated at FVTOCI	-	-	92	-	92
Total comprehensive income for the period	-	-	92	841	933
<b>Balance as at March 31, 2021</b>	71,000	10,860	80	68,142	150,064

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, 2022**

	<b>3 months ended March 31</b>	
	<b>2022</b>	<b>2021</b>
	<b>AED'000</b>	<b>AED'000</b>
<b>Operating activities</b>		
Profit for the period	<b>2,616</b>	841
<b>Adjustments for:</b>		
Depreciation on property and equipment	<b>118</b>	104
Employees' end of service benefit charge	<b>88</b>	78
	<b>2,822</b>	1,023
<b>Movements in working capital</b>		
Increase in trade and other receivables	<b>(65,919)</b>	(18,353)
(Increase)/decrease in margin trade receivables	<b>(64,185)</b>	6,809
Net movement in due to Parent Company *	<b>(214)</b>	(982)
Increase in trade and other payables	<b>63,906</b>	16,949
<b>Net cash (used in)/from operating activities</b>	<b>(63,590)</b>	5,446
<b>Investment activity</b>		
Purchase of property and equipment	<b>(29)</b>	-
<b>Net cash used in investing activity</b>	<b>(29)</b>	-
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(63,619)</b>	5,446
Cash and cash equivalents at the beginning of the period	<b>(23,895)</b>	(1,093)
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<b>(87,514)</b>	4,353
<b>*Non-cash transactions :</b>		
Transfer of employees' end of service benefit	-	(79)

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



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**Notes to the condensed interim financial information  
For the three month period ended March 31, 2022**

**1 Activities and area of operations**

ADCB Securities L.L.C. (the "Company") is a limited liability company incorporated in the Emirate of Abu Dhabi, United Arab Emirates (U.A.E.). The Company was established on February 7, 2005 and commenced its operations on May 14, 2005 and is a wholly owned subsidiary of Abu Dhabi Commercial Bank 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 consolidated financial statements for the year ended December 31, 2021.

The results for the three months period ended March 31, 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.

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

	<b>As at March 31 2022 (unaudited) AED’000</b>	<b>As at December 31 2021 (audited) AED’000</b>
<b>Investment in equity instrument designated at FVTOCI</b>		
<b>Quoted:</b>		
Opening balance	<b>2,602</b>	852
Change in fair value	<b>(394)</b>	1,750
<b>Closing balance</b>	<b>2,208</b>	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**

	<b>As at March 31 2022 (unaudited) AED’000</b>	<b>As at December 31 2021 (audited) AED’000</b>
Trade receivables from customers	<b>42,696</b>	19,980
Receivables from exchanges	<b>43,918</b>	1,747
Prepayments and other receivables	<b>1,189</b>	157
	<b>87,803</b>	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 three month period ended March 31, 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.

	<b>As at March 31 2022 (unaudited) AED'000</b>	<b>As at December 31 2021 (audited) AED'000</b>
Margin trade receivables	<b>349,969</b>	<b>285,784</b>

The fair value of securities held as collateral against margin trade receivables amounts to AED 934,240 thousand as at March 31, 2022 (December 31, 2021: AED 788,448 thousand).

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

**6 Cash and cash equivalents**

	<b>As at March 31 2022 (unaudited) AED'000</b>	<b>As at December 31 2021 (audited) AED'000</b>
Cash	<b>5</b>	<b>5</b>
Call and current accounts	<b>8,272</b>	<b>9,962</b>
<b>Cash and bank balances</b>	<b>8,277</b>	<b>9,967</b>
Bank overdraft	<b>(95,791)</b>	<b>(33,862)</b>
<b>Cash and cash equivalents</b>	<b>(87,514)</b>	<b>(23,895)</b>

**7 Share capital**

	<b>Authorised</b>		<b>Issued and fully paid</b>	
	<b>As at March 31 2022 (unaudited) AED'000</b>	<b>As at December 31 2021 (audited) AED'000</b>	<b>As at March 31 2022 (unaudited) AED'000</b>	<b>As at December 31 2021 (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, 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 March 31 2022 (unaudited) AED'000	As at December 31 2021 (audited) AED'000
Trade payables to customers	86,457	20,327
Payable to exchanges	-	1,350
Other payables	2,356	3,230
	<u>88,813</u>	<u>24,907</u>

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.

**Notes to the condensed interim financial information**  
**For the three month period ended March 31, 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:

	<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, 2022 (unaudited)</b>		
Margin trade receivables	27,746	260
Bank balances with Parent Company :		
Call and current accounts <sup>1</sup>	8,221	-
Bank overdraft	(95,791)	-
Due to Parent Company <sup>2</sup>	(662)	-
Long term borrowing	(100,000)	-
Other payables	(7)	-
<b>As at December 31, 2021 (audited)</b>		
Margin trade receivables	1,461	342
Bank balances with Parent Company :		
Current accounts <sup>1</sup>	8,270	-
Bank overdraft	(33,862)	-
Due to Parent Company <sup>2</sup>	(876)	-
Long term borrowing	(100,000)	-
Other payables	(8)	-
<b>Transactions :</b>		
<b>For the three month period ended (unaudited)</b>		
<b>March 31, 2022</b>		
Brokerage commission	221	3
Interest income	51	4
Interest expense	(479)	-
Commission expense on bank guarantees <sup>3</sup>	(54)	-
<b>March 31, 2021</b>		
Brokerage commission	429	3
Interest income	44	16
Interest expense	(429)	-
Commission expense on bank guarantees <sup>3</sup>	(54)	-

<sup>1</sup> Includes AED 5 thousand (December 31, 2021: AED 80) of current account balances maintained with related entity of ultimate controlling party.

<sup>2</sup> Net of AED Nil transfer of employees' end of service benefit (December 31, 2021: AED 79 thousand)

<sup>3</sup> 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 three month period ended March 31, 2022**

#### **11 Commitments and contingent liabilities**

	<b>As at March 31 2022 (unaudited) AED'000</b>	<b>As at December 31 2021 (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.

#### **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 May 11, 2022.