

ADCB Securities L.L.C.

**Review report and condensed interim
financial information for the three month
period ended March 31, 2023**



ADCB Securities L.L.C.

**Review report and condensed interim financial information
For the three month period ended March 31, 2023**

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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 31 March 2023 condensed interim financial information of ADCB Securities L.L.C. ("the Company"), which comprises:

- the condensed interim statement of financial position as at 31 March 2023;
- the condensed interim statement of comprehensive income for the three-month period ended 31 March 2023;
- the condensed interim statement of changes in equity for the three-month period ended 31 March 2023;
- the condensed interim statement of cash flows for the three-month period ended 31 March 2023; 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
31 March 2023*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2023 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

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

Date: 12 May 2023

ADCB Securities L.L.C.**Condensed interim statement of financial position**
As at March 31, 2023

		As at March 31 2023 (unaudited) AED'000	As at December 31 2022 (audited) AED'000
ASSETS	Notes		
Non-current assets			
Property and equipment, net		692	761
Investment security	3	1,173	1,402
Total non-current assets		1,865	2,163
Current assets			
Trade and other receivables	4	26,001	15,299
Margin trade receivables	5	446,180	459,395
Cash and bank balances	6	9,455	10,184
Total current assets		481,636	484,878
Total assets		483,501	487,041
EQUITY AND LIABILITIES			
Equity			
Share capital	7	71,000	71,000
Legal reserve		12,513	12,513
Revaluation reserve of investment designated at FVTOCI		309	538
Retained earnings		83,130	82,150
Total equity		166,952	166,201
Liabilities			
Non-current liabilities			
Long term borrowing	8	100,000	100,000
Provision for employees' end of service benefit		3,845	4,034
Total non-current liabilities		103,845	104,034
Current liabilities			
Trade and other payables	9	27,678	18,231
Due to Parent Company	10	2,856	894
Bank overdraft	6	182,170	197,681
Total current liabilities		212,704	216,806
Total liabilities		316,549	320,840
Total equity and liabilities		483,501	487,041

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Nabil Juma
Director

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Hassan Salem Al Hossani
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Hassan Salem Al Hossani
General Manager

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Deepak Khullar
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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 three month period ended March 31, 2023

	Notes	3 months ended March 31	
		2023 AED'000	2022 AED'000
Income			
Brokerage commission		2,029	3,539
Interest income		6,649	3,587
Interest expense	10	(3,545)	(479)
Net interest income		3,104	3,108
		5,133	6,647
Expenses			
Staff expenses		(3,227)	(3,005)
Depreciation		(69)	(118)
Other operating expenses		(857)	(908)
		(4,153)	(4,031)
Profit for the period		980	2,616
Other comprehensive 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	(229)	(394)
Total comprehensive income for the period		751	2,222

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, 2023

	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, 2023	71,000	12,513	538	82,150	166,201
Profit for the period	-	-	-	980	980
Fair value changes of equity instrument designated at FVTOCI	-	-	(229)	-	(229)
Total comprehensive (loss)/income for the period	-	-	(229)	980	751
Balance as at March 31, 2023	71,000	12,513	309	83,130	166,952
Balance as at January 1, 2022	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
Balance as at March 31, 2022	71,000	11,565	1,344	76,241	160,150

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, 2023**

	3 months ended March 31	
	2023	2022
	AED'000	AED'000
Operating activities		
Profit for the period	980	2,616
Adjustments for:		
Depreciation on property and equipment	69	118
Employees' end of service benefit charge	114	88
	1,163	2,822
Movements in working capital		
Increase in trade and other receivables	(10,702)	(65,919)
Decrease/(increase) in margin trade receivables	13,215	(64,185)
Net movement in due to Parent Company *	1,659	(214)
Increase in trade and other payables	9,447	63,906
Net cash from/(used in) operating activities	14,782	(63,590)
Investment activity		
Purchase of property and equipment	-	(29)
Net cash used in investing activity	-	(29)
Net increase/(decrease) in cash and cash equivalents	14,782	(63,619)
Cash and cash equivalents at the beginning of the period	(187,497)	(23,895)
Cash and cash equivalents at the end of the period (Note 6)	(172,715)	(87,514)
*Non-cash transactions :		
Transfer of employees' end of service benefit	(303)	-

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

**Notes to the condensed interim financial information
For the three month period ended March 31, 2023**

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, 2022, 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, 2022.

The results for the three months period ended March 31, 2023 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2023.

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, 2022.

ADCB Securities L.L.C.

Notes to the condensed interim financial information For the three month period ended March 31, 2023

2 Summary of significant accounting policies (continue)

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

In the current period, the Company has applied the amendments to IFRS 16, IAS 1, IAS 8, IAS 12 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, 2023. 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, 2023.

3 Investment security

	As at March 31 2023 (unaudited) AED'000	As at December 31 2022 (audited) AED'000
Investment in equity instrument designated at FVTOCI		
Quoted:		
Opening balance	1,402	2,602
Change in fair value	(229)	(1,200)
Closing balance	1,173	1,402

The above represents investment of 916,341 shares (December 31, 2022: 916,341 shares) in Dubai Financial Market P.J.S.C.

4 Trade and other receivables

	As at March 31 2023 (unaudited) AED'000	As at December 31 2022 (audited) AED'000
Trade receivables from customers	25,212	11,784
Receivables from exchanges	-	3,214
Prepayments and other receivables	789	301
	26,001	15,299

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, 2023****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 March 31 2023 (unaudited) AED'000	As at December 31 2022 (audited) AED'000
Margin trade receivables	446,180	459,395

The fair value of securities held as collateral against margin trade receivables amounts to AED 1,068,359 thousand as at March 31, 2023 (December 31, 2022: AED 1,103,143 thousand).

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

6 Cash and cash equivalents

	As at March 31 2023 (unaudited) AED'000	As at December 31 2022 (audited) AED'000
Cash	18	29
Call and current accounts	9,437	10,155
Cash and bank balances	9,455	10,184
Bank overdraft	(182,170)	(197,681)
Cash and cash equivalents	(172,715)	(187,497)

7 Share capital

	Authorised		Issued and fully paid	
	As at March 31 2023 (unaudited) AED'000	As at December 31 2022 (audited) AED'000	As at March 31 2023 (unaudited) AED'000	As at December 31 2022 (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 three month period ended March 31, 2023

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 October 31, 2020. Effective November 1, 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 2023 (unaudited) AED'000	As at December 31 2022 (audited) AED'000
Trade payables to customers	19,071	12,109
Payable to exchanges	6,093	2,865
Other payables	2,514	3,257
	<u>27,678</u>	<u>18,231</u>

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 Fourteenth Investment Company – Sole Proprietorship 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 three month period ended March 31, 2023****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:

	Ultimate controlling party and its related entities AED'000	Parent company and its related entities AED'000	Directors and key management personnel of the Company AED'000
Balances :			
As at March 31, 2023 (unaudited)			
Margin trade receivables	-	3,712	107
Bank balances with Parent Company:			
Current account	1,190	8,209	-
Bank overdraft	-	(182,170)	-
Due to Parent Company ¹	-	(2,856)	-
Long term borrowing	-	(100,000)	-
Other payable - interest payable	-	(17)	-
As at December 31, 2022			
Margin trade receivables	-	5,603	650
Bank balances with Parent Company:			
Current account	5	8,196	-
Bank overdraft	-	(197,681)	-
Due to Parent Company	-	(894)	-
Long term borrowing	-	(100,000)	-
Other payable - interest payable	-	(14)	-
Transactions:			
For the three month ended (unaudited)			
March 31, 2023			
Brokerage commission	-	46	7
Interest income	-	82	5
Interest expense	-	(3,545)	-
Commission expense on bank guarantee ²	-	(54)	-
Staff expenses	-	(68)	-
Rent	-	(100)	-
March 31, 2022			
Brokerage commission	-	221	3
Interest income	-	51	4
Interest expense	-	(479)	-
Commission expense on bank guarantee ²	-	(54)	-

¹ Net of AED 303 thousand (December 31, 2022 AED Nil) transfer of employees' end of service benefit.

² For bank guarantees issued by the Parent Company refer note 11.

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, 2023

11 Commitments and contingent liabilities

	As at March 31 2023 (unaudited) AED'000	As at December 31 2022 (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 Taxation

On December 9, 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after June 1, 2023. For the Company, CT will apply on and from January 1, 2024. A rate of 9% will apply to taxable income exceeding AED 375,000. In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant. The Company shall continue to monitor critical Cabinet Decisions to determine the impact on the condensed interim financial information, both from current and deferred tax perspective.

14 Approval of condensed interim financial information

This condensed interim financial information was approved by the Board of Directors and authorised for issue on May 10, 2023.