

ADCB Securities L.L.C.

Review report and condensed interim
financial information for the three month
period ended March 31, 2024



ADCB Securities L.L.C.

**Review report and condensed interim financial information
For the three month period ended March 31, 2024**

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF 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 of 31 March 2024 and the related statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and material accounting policy information and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). 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 of the Company is not prepared, in all material respects, in accordance with IAS 34.

Other Matter

The Company's financial statements for the year ended 31 December 2023 and interim financial information for the three-month period ended 31 March 2023 were audited and reviewed respectively by another auditor who expressed an unmodified opinion and unmodified conclusion on those statements and that information on 29 February 2024 and 12 May 2023, respectively.


Deloitte & Touche (M.E.)




Mohammad Khamees Al Tah
Registration No. 717
9 May 2024
Abu Dhabi
United Arab Emirates

Condensed interim statement of financial position
As at March 31, 2024


		As at March 31 2024 (unaudited) AED'000	As at December 31 2023 (audited) AED'000
	Notes		
ASSETS			
Non-current assets			
Property and equipment, net		415	484
Investment security	3	1,356	1,274
Total non-current assets		1,771	1,758
Current assets			
Trade and other receivables	4	38,009	41,298
Margin trade receivables	5	554,725	584,940
Cash and bank balances	6	25,917	15,482
Total current assets		618,651	641,720
Total assets		620,422	643,478
EQUITY AND LIABILITIES			
Equity			
Share capital	7	71,000	71,000
Statutory reserve		13,185	13,185
Revaluation reserve of investment designated at FVTOCI		492	410
Retained earnings		90,536	88,198
Total equity		175,213	172,793
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefit		4,005	3,828
Current liabilities			
Bank overdraft	6	298,761	314,648
Long term borrowing	8	100,000	100,000
Trade and other payables	9	39,625	44,373
Due to Parent Company	10	2,818	7,836
Total current liabilities		441,204	466,857
Total liabilities		445,209	470,685
Total equity and liabilities		620,422	643,478

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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.

Condensed interim statement of comprehensive income (unaudited)
For the three month period ended March 31, 2024

		3 months ended March 31	
	Notes	2024 AED'000	2023 AED'000
Income			
Brokerage commission		2,870	2,029
Interest income		9,799	6,649
Interest expense	10	(5,919)	(3,545)
Net interest income		3,880	3,104
		6,750	5,133
Expenses			
Staff expenses		(3,089)	(3,227)
Depreciation		(69)	(69)
Other operating expenses		(1,023)	(857)
		(4,181)	(4,153)
Profit before tax		2,569	980
Income tax charge	13	(231)	-
Profit for the period		2,338	980
Other comprehensive income			
<i>Items that may not be re-classified subsequently to profit or loss</i>			
Fair value changes of equity instrument designated at FVTOCI	3	82	(229)
Total comprehensive income for the period		2,420	751

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, 2024

	Share capital AED'000	Statutory 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, 2024	71,000	13,185	410	88,198	172,793
Profit for the period	-	-	-	2,338	2,338
Fair value changes of equity instrument designated at FVTOCI	-	-	82	-	82
Total comprehensive income for the period	-	-	82	2,338	2,420
Balance as at March 31, 2024	71,000	13,185	492	90,536	175,213
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

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, 2024**

	<u>3 months ended March 31</u>	
	2024	2023
	AED'000	AED'000
Operating activities		
Profit for the period	2,338	980
Adjustments for:		
Depreciation on property and equipment	69	69
Employees' end of service benefit charge	71	114
	2,478	1,163
Movements in working capital		
Decrease/(increase) in trade and other receivables	3,289	(10,702)
Decrease in margin trade receivables	30,215	13,215
Net movement in due to Parent Company *	(4,912)	1,659
(Decrease)/increase in trade and other payables	(4,748)	9,447
Net cash generated from operating activities	26,322	14,782
Net increase in cash and cash equivalents	26,322	14,782
Cash and cash equivalents at the beginning of the period	(299,166)	(187,497)
Cash and cash equivalents at the end of the period (Note 6)	(272,844)	(172,715)
*Non-cash transactions :		
Transfer of employees' end of service benefit	106	(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, 2024**

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 material 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, 2023, which were prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standard Board (IASB) (IFRS Accounting standards), International Financial Reporting Interpretation Committee (IFRIC) Interpretations and requirements of applicable 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, 2023.

The results for the three months period ended March 31, 2024 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2024.

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 IFRS Accounting Standards 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, 2023.

Notes to the condensed interim financial information
For the three month period ended March 31, 2024
2 Summary of material 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 IAS 1, IAS 7, IFRS 7 and IFRS 16. The application of these amendments to IFRS 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 IFRS Accounting Standards, amendments or interpretations that were effective for the first time for the financial year beginning on or after January 1, 2024.

2.3 Standards and Interpretations in issue but not yet effective

The Company has not early adopted any new and revised IFRS Accounting Standards that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Company:	Effective for annual periods beginning on or after
Lack of Exchangeability (amendments to IAS 21) - The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.	January 1, 2025
Presentation and disclosures in financial statements (IFRS 18) - The new standard contains requirements for all entities applying IFRS for the presentation and disclosure of information in financial statements.	January 1, 2027
Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. The impact of these standards are currently being assessed by the management.	

3 Investment security

	As at March 31 2024 (unaudited) AED'000	As at December 31 2023 (audited) AED'000
Investment in equity instrument designated at FVTOCI		
Quoted:		
Opening balance	1,274	1,402
Change in fair value	82	(128)
Closing balance	1,356	1,274

The above represents investment of 916,341 shares (December 31, 2023: 916,341 shares) in Dubai Financial Market P.J.S.C.

Notes to the condensed interim financial information
For the three month period ended March 31, 2024
4 Trade and other receivables

	As at March 31 2024 (unaudited) AED'000	As at December 31 2023 (audited) AED'000
Trade receivables from customers	36,701	28,809
Receivables from exchanges	-	11,992
Prepayments and other receivables	1,308	497
	38,009	41,298

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 carrying value of trade and other receivables approximates their fair value.

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 2024 (unaudited) AED'000	As at December 31 2023 (audited) AED'000
Margin trade receivables	554,725	584,940

The fair value of securities held as collateral against margin trade receivables amounts to AED 1,217,743 thousand as at March 31, 2024 (December 31, 2023: AED 1,103,143 thousand).

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

**Notes to the condensed interim financial information
For the three month period ended March 31, 2024**
6 Cash and cash equivalents

	As at March 31 2024 (unaudited) AED'000	As at December 31 2023 (audited) AED'000
Cash	17	24
Call and current accounts	25,900	15,458
Cash and bank balances	25,917	15,482
Bank overdraft	(298,761)	(314,648)
Cash and cash equivalents	(272,844)	(299,166)

7 Share capital

	Authorised		Issued and fully paid	
	As at March 31 2024 (unaudited) AED'000	As at December 31 2023 (audited) AED'000	As at March 31 2024 (unaudited) AED'000	As at December 31 2023 (audited) AED'000
Ordinary shares of AED 1,000 each	141,000	141,000	71,000	71,000

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 2024 (unaudited) AED'000	As at December 31 2023 (audited) AED'000
Trade payables to customers	19,408	39,560
Payable to exchanges	17,216	1,155
Other payables	3,001	3,658
	39,625	44,373

Notes to the condensed interim financial information
For the three month period ended March 31, 2024
9 Trade and other payables (continue)

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.

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, 2024 (unaudited)			
Margin trade receivables	-	6,496	726
Bank balances with related parties:			
Current account	2,605	9,225	-
Bank overdraft	-	(298,761)	-
Due to Parent Company ¹	-	(2,818)	-
Long term borrowing	-	(100,000)	-
Other payable - interest payable	-	(34)	-
As at December 31, 2023 (audited)			
Margin trade receivables	-	3,789	1,039
Bank balances with related parties:			
Current account	1	9,172	-
Bank overdraft	-	(314,648)	-
Due to Parent Company	-	(7,836)	-
Long term borrowing	-	(100,000)	-
Other payable - interest payable	-	(36)	-

Notes to the condensed interim financial information
For the three month period ended March 31, 2024

10 Transactions and balances with related parties (continued)

	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
Transactions:			
For the three month ended (unaudited)			
March 31, 2024			
Brokerage commission	-	43	6
Interest income	-	87	15
Interest expense	-	(5,919)	-
Commission expense on bank guarantee ²	-	(54)	-
Staff expenses	-	(93)	-
Rent	-	(186)	-
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)	-

¹ Net of AED 106 thousand (December 31, 2023: AED 544 thousand) 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.

11 Commitments and contingent liabilities

	As at March 31 2024 (unaudited) AED'000	As at December 31 2023 (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.

**Notes to the condensed interim financial information
For the three month period ended March 31, 2024**

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 United Arab Emirates (UAE) Ministry of Finance (MoF) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (CT Law) to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after June 1, 2023. As the Company's accounting year ends on December 31, the first tax period will be the period from January 1, 2024 to December 31, 2024, with the respective tax return to be filed on or before September 30, 2025. The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% corporate tax.

The tax charge through income statement for the three month period ended March 31, 2024 is AED 231 thousand (for the three month period ended March 31, 2023: AED nil), representing an Effective Tax Rate ("ETR") of 9% (March 31, 2023: nil).

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 9, 2024.