**AL DHABI BROKERAGE SERVICES L.L.C.**

**Reports and financial statements for the year ended December 31, 2010**

# AL DHABI BROKERAGE SERVICES L.L.C.

**Reports and financial statements**
**for the year ended December 31, 2010**


| | Page |
|---|---|
| **Directors' report** | **1** |
| **Independent auditor's report** | **2 - 3** |
| **Statement of financial position** | **4** |
| **Statement of comprehensive income** | **5** |
| **Statement of changes in equity** | **6** |
| **Statement of cash flows** | **7** |
| **Notes to the financial statements** | **8 - 23** |

**Directors' Report**

On behalf of the Board of Directors, I am delighted to present the audited financial statements of Al Dhabi Brokerage Services LLC for the year ended December 31, 2010.

**Financial results**

Al Dhabi Brokerage Services LLC has reported a net loss of AED 9.3 million for the year ended December 31, 2010 compared to a net loss of AED 1.5 million for the last year. LBIDA (Losses before interest, depreciation and amortisation) for the year was AED 7.6 million compared to EBIDA (Earnings before interest, depreciation and amortisation) AED 2.9 million for 2009.

Net asset value at the end of the reporting period was AED 75.5 million depicting a decrease of 12% over last year.

The appropriation of profits is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **AED'000** | AED'000 |
| Retained earnings at the beginning of the year | **49,037** | 50,586 |
| Net (loss)/profit for the year | **(9,332)** | (1,549) |
| Retained earnings at the end of the year | **39,705** | 49,037 |

**Directors**

The Directors who served during the year are:

| | |
|---|---|
| Mr. Ala'a Eraiqat | Chairman |
| Mr. Sultan Al Mahmoud | Director |
| Mr. Ahmed Barakat | Director |
| Mr. Hassan Al Hossaini | Director |
| Mr. Nabil Juma | Director |

**Release**

The Directors release from liability the external auditor in connection with their duties for the year ended December 31 2010.

**On behalf of the Board of Directors:**

..................................

**Ala'a Eraiqat**
**Chairman**

Deloitte.

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# INDEPENDENT AUDITOR'S REPORT

The Shareholders
Al Dhabi Brokerage Services L.L.C.
Abu Dhabi
United Arab Emirates

*Report on the financial statements*

We have audited the financial statements of Al Dhabi Brokerage Services L.L.C. (the "Company"), which comprise the statement of financial position as at December 31, 2010, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's responsibility for the financial statements*

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

## INDEPENDENT AUDITOR'S REPORT (continued)

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Report on Other Legal and Regulatory Requirements*

Also, in our opinion, the Company has maintained proper books of account. The information contained in the directors' report relating to the financial statements is in agreement with the books. We obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984, as amended, or the Articles of Association of the Company which might have materially affected the financial position of the Company or its financial performance.

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P.O.Box : 990
Deloitte & Touche

Saba Y. Sindaha
Registration Number 410
January 31, 2011

## Statement of financial position
## as at December 31, 2010

| | Notes | 2010 AED'000 | 2009 AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 5 | 4,863 | 6,589 |
| Available-for-sale investments | 6 | 629 | 2,663 |
| **Total non-current assets** | | 5,492 | 9,252 |
| **Current assets** | | | |
| Trade receivables | 7 | 56,546 | 67,289 |
| Prepayments | | - | 56 |
| Cash and bank balances | 12 | 22,590 | 21,119 |
| **Total current assets** | | 79,136 | 88,464 |
| **Total assets** | | 84,628 | 97,716 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 8 | 30,000 | 30,000 |
| Statutory reserve | 9 | 5,621 | 5,621 |
| Investment revaluation reserve | | 200 | 1,204 |
| Retained earnings | | 39,705 | 49,037 |
| **Total equity** | | 75,526 | 85,862 |
| **Non-current liability** | | | |
| Provision for employees' end of service benefit | 10 | 959 | 597 |
| **Current liability** | | | |
| Trade and other payables | 11 | 8,143 | 11,257 |
| **Total liabilities** | | 9,102 | 11,854 |
| **Total equity and liabilities** | | 84,628 | 97,716 |

**Ala'a Eraiqat**
**Chairman**

**Hassan Saleem Al Hossani**
**General Manager**

The accompanying notes form an integral part of these financial statements.

**Statement of comprehensive income**
**for the year ended December 31, 2010**

| | Notes | 2010 AED'000 | 2009 AED'000 |
|---|---|---|---|
| **Income** | | | |
| Brokerage commission | | **5,149** | 18,436 |
| Other operating income | | **117** | 200 |
| Interest income | | **364** | 151 |
| Gain on sale of investment | | **895** | - |
| | | **6,525** | 18,787 |
| **Expenses** | | | |
| Staff expenses | | **(9,889)** | (10,818) |
| Depreciation expense | | **(1,732)** | (4,401) |
| Other operating expenses | | **(4,236)** | (5,117) |
| | | **(15,857)** | (20,336) |
| **Net loss for the year** | | **(9,332)** | (1,549) |
| **Other comprehensive income** | | | |
| Net (loss)/gain on available-for-sale investments during the year | 6 | **(134)** | 893 |
| Adjustments relating to available for sale investments disposed off during the year | 6 | **(870)** | - |
| **Total comprehensive loss for the year** | | **(10,336)** | (656) |

The accompanying notes form an integral part of these financial statements.

## Statement of changes in equity for the year ended December 31, 2010

| | Notes | Share capital AED'000 | Statutory reserve AED'000 | Investment revaluation reserve AED'000 | Retained earnings AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|
| Balance at January 1, 2009 | | 30,000 | 5,621 | 311 | 50,586 | 86,518 |
| Net loss for the year | | - | - | - | (1,549) | (1,549) |
| Increase in fair value of available-for-sale investments during the year | 6 | - | - | 893 | - | 893 |
| Total comprehensive income for the year | | **30,000** | **5,621** | **1,204** | **49,037** | **85,862** |
| Balance at January 1, 2010 | | 30,000 | 5,621 | 1,204 | 49,037 | 85,862 |
| Net loss for the year | | - | - | - | (9,332) | (9,332) |
| Adjustments relating to available for sale investments disposed off during the year | 6 | - | - | (870) | - | (870) |
| Decrease in fair value of available-for-sale investments during the year | 6 | - | - | (134) | - | (134) |
| **Balance at December 31, 2010** | | **30,000** | **5,621** | **200** | **39,705** | **75,526** |

The accompanying notes form an integral part of these financial statements.

**Statement of cash flows**
**for the year ended December 31, 2010**

| | 2010 AED'000 | 2009 AED'000 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the year | **(9,332)** | (1,549) |
| Adjustment for: | | |
| Depreciation of property and equipment | **1,732** | 4,401 |
| Net movement in end of service benefits | **362** | (145) |
| Gain on disposal of available-for-sale investment | **(895)** | - |
| **Operating cash flows before changes in operating assets and liabilities** | **(8,133)** | 2,707 |
| Decrease in trade receivables | **10,743** | 4,463 |
| Decrease in prepayments | **56** | 219 |
| Decrease in trade and other payables | **(3,114)** | (8,475) |
| **Net cash used in operating activities** | **(448)** | (1,086) |
| **Investing activities** | | |
| Payment for property and equipment | **(6)** | (98) |
| Proceeds from disposal of available for sale investments | **1,925** | - |
| **Net cash from/(used) in investing activities** | **1,919** | (98) |
| **Increase/(decrease)in cash and cash equivalents** | **1,471** | (1,184) |
| Cash and cash equivalents at beginning of the year (note 12) | **21,119** | 22,303 |
| **Cash and cash equivalents at end of the year (note 12)** | **22,590** | 21,119 |
| **Non-cash transaction** | | |
| Transfer of property and equipment from related parties | - | 2,346 |

**Notes to the financial statements**
**for the year ended December 31, 2010**

## 1 General

Al Dhabi Brokerage Services 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, a public joint stock company incorporated and registered in the U.A.E. The registered head office of the Company is P.O. Box 939, Abu Dhabi, U.A.E.

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

The principal activity of the Company is to provide brokerage services pertaining to financial instruments and commodities.

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

### 2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have also been adopted in these financial statements. Their adoption had no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

| | |
|---|---|
| Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010) | The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The company has applied the amendments in advance of their effective date (annual periods beginning on or after January 1, 2011). The amendments have been applied retrospectively. |
| IAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. | The disclosure exemptions introduced in IAS 24 (as revised in 2009) were early applied by the company in advances to their effective date (annual periods beginning on or after January 1, 2011). |
| Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009) | The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal Companys) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal Companys) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal Company that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the financial statements. |

**Notes to the financial statements**
**for the year ended December 31, 2010 (continued)**

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

### 2.1 New and revised IFRSs applied with no material effect on the financial Statements (continued)

| | |
|---|---|
| Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009) | The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. |
| Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009) | The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. |
| IFRS 1 (revised) First time Adoption of IFRS and IAS 27 (revised) Consolidated and Separate Financial Statements. | Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| IFRS 3 (revised) Business Combinations | Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) Consolidated and Separate Financial Statements, IAS 28 (revised) Investments in Associates and IAS 31 (revised) Interests in Joint Ventures |
| Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters | The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease. |
| Amendments to IFRS 2 Share-based Payment – Company Cash-settled Share-based Payment Transactions | The amendments clarify the scope of IFRS 2, as well as the accounting for Company cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another Company entity or shareholder has the obligation to settle the award. |
| Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008) | The amendments clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Company is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Company will retain a non-controlling interest in the subsidiary after the sale. |

**Notes to the financial statements**
**for the year ended December 31, 2010 (continued)**

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

### 2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

| | |
|---|---|
| Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items | The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options. |
| IFRIC 17 Distributions of Non-cash Assets to Owners | The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. |
| IFRIC 18 Transfers of Assets from Customers | The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 Revenue. |
| Improvements to IFRSs issued in 2009 | All the amendments referred to in section 2.1 above were adopted , the application of Improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in the financial statements. |
| Amendment to IFRIC 16: Hedges of a Net Investment in a Foreign Operation | The Interpretation removes the restriction in terms of which entity in the Company to hold the hedging instrument, subsequent to the amendment per IFRIC 16, any entity in the Company can hold the hedging instrument that qualifies as net investment hedge in a foreign operation. |
| Amendment to IFRIC 9 (revised): Reassessment of Embedded Derivatives | Relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category |

**Notes to the financial statements**
**for the year ended December 31, 2010 (continued)**

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

### 2.2 Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

| New Standards and amendments to Standards: | Effective for annual periods beginning on or after |
|---|---|
| • IAS 32 (revised) *Financial Instruments: Presentation* – Amendments relating to classification of Rights Issue | 1 February 2010 |
| • IFRS 9 Financial Instruments: *Classification and Measurement* (intended as complete replacement for IAS 39 and IFRS 7) (*) | 1 January 2013 |
| • IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments* | 1 July 2010 |
| • Amendment to IFRIC 14: *IAS 19: The limit on a `defined Benefit Asset, Minimum Funding Requirement and their interaction* | 1 January 2011 |
| • Amendments to IFRS 3, IFRS 7, IAS 1, IAS 22, IAS 34 and IFRIC 13 resulting from May 2010 *Annual Improvements to IFRSs.* | Majority effective for annual periods beginning on or after January 1, 2011 |
| • IFRS 1*First time Adoption of International Financial Reporting Standards* – Accounting policy change in the year of adoption, Revaluation basis as deemed cost and Use of deemed cost for operations subject to rate regulation | January 1, 2011 |
| • Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010). | January 1, 2011 |
| • IFRS 7 *Financial Instruments Disclosures* – Enhanced disclosure requirement for transfer transactions of financial assets | July 1, 2011 |

Management anticipates that these IFRSs and amendments will be adopted in the company's financial statements for the initial period when they become effective. On a primary assessment the application of IFRS 9 in the first period of its application may have some impact in respect of company's financial assets and financial liabilities, the quantification of the impact is possible only on completion of a detailed review of the IFRS. Management is in the process of considering and assessing the potential impact of the adoption of the other Standards and amendments.

## 3 Summary of significant accounting policies

### 3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

### 3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of available-for-sale investments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### 3.3 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment in value, if any.

The cost of property and equipment is their purchase costs, together with any incidental costs of acquisition. Depreciation is charged so as to write off the cost of property and equipment on a straight line basis over the expected useful economic lives of the assets concerned.

| | |
|---|---|
| Freehold improvement | 5 to 10 years |
| Computer and office equipment | 4 to 10 years |
| Furniture and fixtures | 5 years |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### 3.4 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## 3 Summary of significant accounting policies (continued)

### 3.4 Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 3.5 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3.6 Revenue recognition

Brokerage commission revenue is recognised when the service has been rendered and when the Company's right to receive the income has been established.

Interest income is accrued on a time and proportion basis, by reference to principal outstanding and at the effective interest rate applicable.

Dividends on available-for-sale equity instruments are recognised in income statement when the Company's right to receive the dividends is established.

### 3.7 Foreign currencies

For the purpose of these financial statements U.A.E Dirhams (AED) is the functional and the presentation currency of the Company.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in income statement in the period in which they arise.

## 3 Summary of significant accounting policies (continued)

### 3.8 Trade and settlement date accounting

The "regular way" purchases and sales of financial assets and liabilities are recognised on the trade date basis i.e. the date that the Company physically enters into the contract. Regular way purchases or sales are those that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### 3.9 Provision for employees' end of service benefits

The company provides end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for the U.A.E. and GCC citizens are made by the company in accordance with Federal Law No. 7 of 1999.

### 3.10 Offsetting

Financial assets and financial liabilities are only offset and the net amount disclosed in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 3.11 Financial assets

Financial assets are bank and cash, available-for-sale investments (AFS) and trade receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Cash and cash equivalents</u>

Cash and cash equivalents comprise of cash and balances with banks in current accounts or deposits which mature within three months of the date of placement.

<u>Available-for-sale financial assets</u>

Quoted shares held by the Company that are traded in an active market but not intended to be traded frequently are classified as being available for sale and are stated at fair value. The fair value of investment in securities is determined by reference to quoted market prices at the close of business on the balance sheet date where available.

Gains and losses arising from changes in fair value are recognised directly in equity as a separate component under cumulative changes in fair value with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised is included in income statement for the period.

## 3 Summary of significant accounting policies (continued)

### 3.11 Financial assets (continued)

Trade receivables

Trade receivables that have fixed or determinable payments that are not quoted in an active market are classified as trade receivables. Trade receivables are measured at amortised cost, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

### 3.12 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

## 3 Summary of significant accounting policies (continued)

### 3.12 Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

## 4 Critical accounting judgements and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, the management of the Company makes judgements, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgments and estimate made by management are summarised as follows:

Investment in securities

As described in Note 3, investments are classified as available for sale. In judging whether investments are available for sale, management has considered the detailed criteria for determination of such classification as set out in IAS 39 *Financial Instruments: Recognition and Measurement.*

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, is discussed below:

Trade receivables

Management has estimated the recoverability of trade receivable balances and has considered any allowance required for doubtful receivables. Management has estimated the allowance for doubtful receivables on the basis of prior experience, the current economic environment and other conditions including customer credit-worthiness, the personal guarantee of an Owner, undertakings of specific customers and the net realisable value of customer portfolios which the Company has the ability to liquidate under current market regulations.

For individually significant amounts, this estimation is performed on an individual basis. Management has not considered any impairment on trade and other receivables at the year end.

## 4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Useful lives and residual values of property and equipment

The useful lives and residual values of the property and equipment are based on management's judgement of the historical pattern of useful lives and the general standards in the industry. As described in Note 3 above, the useful lives and residual values are reviewed for reasonableness by management on an annual basis.

## 5 Property and equipment

| | Freehold Improvement AED'000 | Computer and office equipment AED'000 | Furniture and fixtures AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At January 1, 2009 | 6,254 | 3,434 | 2,412 | 12,100 |
| Additions | 36 | 2,460 | 38 | 2,534 |
| At January 1, 2010 | 6,290 | 5,894 | 2,450 | 14,634 |
| Additions | - | 6 | - | 6 |
| **At December 31, 2010** | **6,290** | **5,900** | **2,450** | **14,640** |
| **Accumulated depreciation** | | | | |
| At January 1, 2009 | 954 | 1,888 | 802 | 3,644 |
| Charge for the year | 632 | 3,282 | 487 | 4,401 |
| At January 1, 2010 | 1,586 | 5,170 | 1,289 | 8,045 |
| Charge for the year | 633 | 610 | 489 | 1,732 |
| **At December 31, 2010** | **2,219** | **5,780** | **1,778** | **9,777** |
| **Carrying amount** | | | | |
| **At December 31, 2010** | **4,071** | **120** | **672** | **4,863** |
| At December 31, 2009 | 4,704 | 724 | 1,161 | 6,589 |

## 6 Available-for-sale investments

| | 2010 AED'000 | 2009 AED'000 |
|---|---|---|
| **Quoted** | | |
| **At 1 January** | **2,663** | 1,770 |
| Disposal for the year | **(1,030)** | - |
| Adjustments relating to available for sale investments disposed off during the year | **(870)** | - |
| (Decrease)/increase in fair value | **(134)** | 893 |
| **Fair value at 31 December** | **629** | 2,663 |

The above represent investment of 1,416,341 shares in Dubai Financial Market P.J.S.C. made on December 8, 2006 of which 1,000,000 shares were sold on March 29, 2010.

## 7 Trade receivables

| | 2010 AED'000 | 2009 AED'000 |
|---|---|---|
| Trade receivables from customers | **1,503** | 8,991 |
| Receivables from other brokers | **4,057** | - |
| Due from related party (Note 12) | **50,986** | 58,298 |
| | **56,546** | 67,289 |

The credit period for trade receivables is two days (Trade date plus two working days)

Before accepting any new customer, it is the Company policy that customers hold current accounts with Abu Dhabi Commercial Bank (ADCB), the parent company.

There are no receivables which are past due at the reporting date.

## 8 Share capital

| | Authorised | Issued and fully paid | |
|---|---|---|---|
| | **AED'000** | **2010 AED'000** | 2009 AED'000 |
| Ordinary shares of AED 10 each | **30,000** | **30,000** | 30,000 |

**Notes to the financial statements**
**for the year ended December 31, 2010 (continued)**

## 9 Statutory reserve

In accordance with the U.A.E. Federal Commercial Companies law number (8) of 1984 (as amended) and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of the annual net profits until the reserve is equaled to 50% of the share capital. This reserve is not available for distribution.

## 10 Provision for employees' end of service benefit

| | **2010** | 2009 |
|---|---|---|
| | **AED'000** | AED'000 |
| Balance at January 1 | **597** | 742 |
| Charge for the period | **310** | 257 |
| Payments during the period | **(104)** | (183) |
| Transfers during the period | **156** | (219) |
| At December 31 | **959** | 597 |

## 11 Trade and other payables

| | **2010** | 2009 |
|---|---|---|
| | **AED'000** | AED'000 |
| Payables to other brokers | **13** | 3,550 |
| Trade payables to customers | **5,540** | 5,421 |
| Other payables | **2,590** | 2,286 |
| | **8,143** | 11,257 |

Trade payable to customers consists of only those customers holding a current account with ADCB, the parent company. The settlement date of these balances is after two days from transaction date, and is settled to the customer through ADCB's current account.

## 12 Transactions and balances with related parties

Related parties comprise the parent company – Abu Dhabi Commercial Bank P.J.S.C. ("ADCB"), its Directors and entities in which they have significant influence in operating and financial decisions.

Related party Balances:

| | **2010 AED'000** | 2009 AED'000 |
|---|---|---|
| Bank balances at ADCB | | |
| Short term deposit | **15,342** | 21,000 |
| Current account | **7,248** | 119 |
| **Cash and cash equivalents** | **22,590** | 21,119 |

The short term deposit is placed at an interest rate of 2.25% per annum, with original maturity of less than 1 month.

| | **2010 AED'000** | 2009 AED'000 |
|---|---|---|
| Due from the parent company | **50,986** | 58,298 |

Significant transactions with related parties during the year are as follows:

| | **2010 AED'000** | 2009 AED'000 |
|---|---|---|
| Brokerage commission | **1,291** | 1,288 |
| Interest income | **364** | 151 |
| Commission expense on bank guarantee | **867** | 1,251 |
| Rent expenses | **481** | 620 |
| Remuneration of key management employee | **902** | 1,084 |

## 12 Transactions and balances with related parties (continued)

**Contingent liabilities:**

| | **2010** | 2009 |
|---|---|---|
| | **AED'000** | AED'000 |
| Bank guarantees | **210,000** | 300,000 |

The above bank guarantees have been issued by ADCB, the parent company in the normal course of business.

## 13 Financial instruments

### 13.1 Capital risk management

The Company manages its capital to ensure to be able to continue as a going concern while maximizing the return on equity. The Company does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective. The Company's overall strategy remains unchanged from 2009.

### 13.2 Financial risk management objectives

The Company is exposed to the following risks related to financial instruments- credit risk, and liquidity risk. In addition to these risks, the bank balance exposes the Company to cash flow interest rate risk due to the variable interest rate liability. However, the magnitude of the risk is not considered to be significant in line with the volume of the balance held at the year end.

The Company's executive management function supports the business activities of the Company by ensuring that sufficient liquidity is maintained at all times, and by deploying liquid balances at optimum rates, within the risk parameters set by management and the governing laws and regulations.

### 13.3 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company, and arises principally from the Company's trade and other receivables and bank balances. The Company has adopted a policy of only dealing with creditworthy counterparties and with customers holding a current account with ADCB, the parent company, for whom the credit risk is assessed to be low. Balances with banks are assessed to have low credit risk of default since these banks are highly regulated by the central banks of the respective countries.

**Notes to the financial statements**
**for the year ended December 31, 2010 (continued)**

## 13 Financial instruments (continued)

### 13.4 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. ADCB is the major source of funding for the Company and liquidity risk for the Company is assessed to be low.

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the financial assets and financial liabilities are as follows:

| **December 31, 2010** | **Total AED'000** | **Less than 30 days AED'000** | **30-180 days AED'000** | **Over 180 Days AED'000** |
|---|---|---|---|---|
| Trade receivables and prepayments | **56,546** | **56,546** | - | - |
| Cash and bank balances | **22,590** | **22,590** | - | - |
| | **79,136** | **79,136** | - | - |
| Trade and other payables | **(8,143)** | **(6,224)** | **(1,824)** | **(95)** |
| Liquidity gap | **70,993** | **72,912** | **(1,824)** | **(95)** |
| December 31, 2009 | | | | |
| Trade receivables and prepayments | 67,345 | 67,289 | - | 56 |
| Cash and bank balances | 21,119 | 21,119 | - | - |
| | 88,464 | 88,408 | - | 56 |
| Trade and other payable | (11,257) | (9,307) | (1,811) | (139) |
| Liquidity gap | 77,207 | 79,101 | (1,811) | (83) |

## 13 Financial instruments (continued)

### 13.5 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes market variables such as interest rates, foreign exchange rates, and equity prices. The Company does not maintain a significant portfolio of interest bearing assets and liabilities and quoted and unquoted securities whereby it is exposed to market risk, as its main activity is to provide Brokerage Services pertaining to financial instruments and commodities.

### 13.6 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the net interest income of the Company. However, the Company does not maintain interest bearing assets that have a significant impact on its interest income.

### 13.7 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk as all the assets and liabilities are denominated in the reporting currency AED.

### 13.8 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit and taking insurance coverage to cover possible insurable operational risks.

**Fair value of financial instruments**

Management considers that the carrying amounts of financial assets and liabilities in the financial statements approximate their fair values.

## 14 Approval of financial statements

The financial statements were approved by management and authorised for issue on January 31, 2011.