
ADCB SECURITIES L.L.C.

(formerly known as AL DHABI BROKERAGE SERVICES L.L.C.)

**Reports and financial statements for the year
ended December 31, 2014**

ADCB Securities L.L.C.

**Reports and financial statements
for the year ended December 31, 2014**

| | Page |
|--|---------------|
| Directors' report | 1 |
| Report of the Independent auditor on the financial statements | 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 - 24 |

Directors' report

On behalf of the board of directors, I am pleased to present the audited financial statements of ADCB Securities L.L.C. (the "Company") for the year ended December 31, 2014.

Principal activities and nature of business

The principal activities of the Company include providing brokerage services pertaining to financial instruments and commodities, margin trading activity, equity research and financial analysis.

Financial results

ADCB Securities L.L.C. reported a net profit of AED 26.2 mn for the year ended December 31, 2014 compared to AED 5.9 mn for previous year representing a growth of 343%. The significant turnaround in net profit is on account of increased investors confidence leading to higher trading volumes combined with higher market share.

Increase in market share can partially be attributed to launch of margin trading at beginning of the year. Consequently our market share rose from 2.06% (normalized basis) to 2.51%. Margin trading contributed AED 7.5 mn to the interest income and margin trading net receivables were AED74.3 mn as of December 31, 2014.

In order to strengthen the capital base of the Company, we have issued 40,000 equity shares amounting to AED 40 mn at par to existing shareholders and also borrowed AED 100 mn from the Parent Company which also qualify as Tier II capital as per Securities & Commodities Authority guidelines.


Net worth at the end of the reporting period was AED 129.8 mn depicting an increase of 104% over last year on account of 41% increase in profitability and 63% on account of increase in capital.

Directors

The Directors who served during the year are:

| | |
|---|----------|
| Mr. Ala'a Mohamed Atta Khalil Eraiqat | Chairman |
| Mr. Hassan Salem Saeed Abdulla Al Hossani | Director |
| Mr. Ali Ahmed Ghulam Darwish Al Baloushi | Director |
| Mr. Al Sadig Muatasam Abdul Rahman Al Magboul | Director |
| Mr. Nabil F. A. Juma | Director |

On behalf of the Board of Directors

.....

Ala'a Eraiqat
Chairman



REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS

To the Shareholders of
ADCB Securities L.L.C.
(formerly known as Al Dhabi Brokerage Services L.L.C.)
Abu Dhabi, U.A.E .

Report on the financial statements

We have audited the financial statements of ADCB Securities L.L.C. (formerly known as Al Dhabi Brokerage Services L.L.C.) (the "Company"), which comprise the statement of financial position as at December 31, 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management 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 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.

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T: +971 (0)2 694 6800, F: +971 (0)2 645 6610, www.pwc.com/me*

AH Nasser, P Suddaby and JE Fakhoury are registered as practising auditors with the UAE Ministry of Economy



REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENT (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014 and 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

As required by the UAE Federal Law No. (8) of 1984, as amended, we report that we have obtained all the information we considered necessary for the purposes of our audit, the financial statements of the Company comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, and its Articles of Association; the Company has maintained proper books of account and the financial statements are in agreement therewith; the financial information contained in the Director's report relating to the financial statements is in agreement with the books, and nothing has come to our attention which causes us to believe that the Company has breached any of the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as of December 31, 2014.

For PricewaterhouseCoopers
February 1, 2015

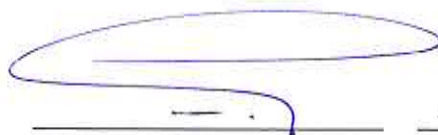

A handwritten signature in blue ink, appearing to read "Jacques E. Fakhoury".

Jacques E. Fakhoury
Registered Auditor Number 379
Abu Dhabi, United Arab Emirates

ADCB Securities L.L.C.**Statement of financial position**

As at December 31, 2014

| | Notes | 2014 AED'000 | 2013 AED'000 |
|---|-------|-----------------|-----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment, net | 5 | 2,516 | 3,039 |
| Available-for-sale investments | 6 | 825 | 1,029 |
| Total non-current assets | | 3,341 | 4,068 |
| Current assets | | | |
| Trade and other receivables | 7 | 73,662 | 106,322 |
| Margin trade receivables, net | 8 | 74,367 | 1,298 |
| Due from Parent Company | 15 | 2,988 | 40,529 |
| Bank balances | 15 | 151,399 | 20,056 |
| Total current assets | | 302,416 | 168,205 |
| Total assets | | 305,757 | 172,273 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 9 | 71,000 | 31,000 |
| Statutory reserve | 10 | 8,845 | 6,215 |
| Investment revaluation reserve | | 396 | 600 |
| Retained earnings | | 49,641 | 25,979 |
| Total equity | | 129,882 | 63,794 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long term borrowing | 11&15 | 100,000 | - |
| Provision for employees' end of service benefit | 12 | 2,055 | 1,537 |
| Total non-current liabilities | | 102,055 | 1,537 |
| Current liability | | | |
| Trade and other payables | 13 | 73,820 | 106,942 |
| Total liabilities | | 175,875 | 108,479 |
| Total equity and liabilities | | 305,757 | 172,273 |


Ala'a Eraiqat
Chairman
Hassan Salem Al Hossani
General Manager
Deepak Khullar
Group Chief Financial Officer

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

ADCB Securities L.L.C.**Statement of comprehensive income**
for the year ended December 31, 2014

| | Notes | 2014 AED'000 | 2013 AED'000 |
|--|-------|-----------------|-----------------|
| Income | | | |
| Brokerage commission | | 36,933 | 17,793 |
| Interest income, net | 14 | 4,454 | 391 |
| Other income | | 143 | 14 |
| | | <u>41,530</u> | <u>18,198</u> |
| Expenses | | | |
| Staff expenses | | (8,707) | (8,460) |
| Depreciation expense | 5 | (1,009) | (778) |
| Other operating expenses | | (4,450) | (3,028) |
| | | <u>(14,166)</u> | <u>(12,266)</u> |
| Operating profit before impairment allowances | | 27,364 | 5,932 |
| Impairment allowances | 8 | (1,072) | - |
| | | <u>26,292</u> | <u>5,932</u> |
| Net profit for the year | | 26,292 | 5,932 |
| Fair value changes on available for sale investment | 6 | (204) | 604 |
| Total comprehensive profit for the year | | <u>26,088</u> | <u>6,536</u> |

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

ADCB Securities L.L.C.
Statement of changes in equity
for the year ended December 31, 2014

| | Notes | Share capital AED'000 | Statutory reserve AED'000 | Investment revaluation reserve AED'000 | Retained earnings AED'000 | Total Equity AED'000 |
|---|-------|-----------------------------|---------------------------------|---|---------------------------------|----------------------------|
| Balance at January 1, 2013 | | 30,000 | 5,621 | (4) | 20,641 | 56,258 |
| Net profit for the year | | - | - | - | 5,932 | 5,932 |
| Fair value changes on available for sale investment | 6 | - | - | 604 | - | 604 |
| Total comprehensive profit for the year | | - | - | 604 | 5,932 | 6,536 |
| Increase in share capital | 9 | 1,000 | - | - | - | 1,000 |
| Transfer during the year | | - | 594 | - | (594) | - |
| Balance at January 1, 2014 | | 31,000 | 6,215 | 600 | 25,979 | 63,794 |
| Net profit for the year | | - | - | - | 26,292 | 26,292 |
| Fair value changes on available for sale investment | 6 | - | - | (204) | - | (204) |
| Total comprehensive profit for the year | | - | - | (204) | 26,292 | 26,088 |
| Increase in share capital | 9 | 40,000 | - | - | - | 40,000 |
| Transfer during the year | | - | 2,630 | - | (2,630) | - |
| Balance at December 31, 2014 | | 71,000 | 8,845 | 396 | 49,641 | 129,882 |

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

ADCB Securities L.L.C.**Statement of cash flows**

for the year ended December 31, 2014

| | 2014 AED'000 | 2013 AED'000 |
|--|-----------------|-----------------|
| Operating activities | | |
| Net profit for the year | 26,292 | 5,932 |
| Adjustment for: | | |
| Depreciation on property and equipment (Note 5) | 1,009 | 778 |
| Employees' end of service benefit charge (Note 12) | 426 | 513 |
| Impairment allowances (Note 8) | 1,072 | - |
| Operating cash flows before changes in operating assets and liabilities | 28,799 | 7,223 |
| Decrease/(increase) in trade and other receivables | 32,660 | (96,387) |
| Increase in margin trade receivables | (74,141) | (1,298) |
| Decrease/(increase) in amounts due from parent company | 37,541 | (7,034) |
| (Decrease)/increase in trade and other payables | (33,122) | 96,472 |
| Transfer/settlement of employees' end of service benefit (Note12) | 92 | (102) |
| Net cash used in operating activities | (8,171) | (1,126) |
| Investing activities | | |
| Purchase of property and equipment | (486) | (756) |
| Net cash used in investing activities | (486) | (756) |
| Financing activities | | |
| Additional capital subscribed | 40,000 | 1,000 |
| Tier 2 capital subscribed | 100,000 | - |
| Net cash from finance activities | 140,000 | 1,000 |
| Net Increase/(decrease) in cash and cash equivalents | 131,343 | (882) |
| Cash and cash equivalents at beginning of the year | 20,056 | 20,938 |
| Cash and cash equivalents at end of the year | 151,399 | 20,056 |

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

Notes to the financial statements

December 31, 2014

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 ("the Parent Company"), a public joint stock company incorporated and registered in the U.A.E. The registered head office of the Company is at Level 5, Abu Dhabi Commercial Bank Head Office Building, Sheikh Zayed Bin Sultan Street, Plot C-33, Sector E-11, P.O. Box 939, Abu Dhabi, U.A.E.

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

The principal activities of the Company are to provide brokerage services pertaining to financial instruments and commodities, margin trading activity, financial consultation and financial analysis.

On February 25, 2014 the Company changed its name from "Al Dhabi Brokerage Services L.L.C." to "ADCB Securities L.L.C."

Effective January 2014, the Company started margin trading on commercial scale. In order to support the margin lending and strengthen the capital base, the company issued equity shares amounting to AED 40,000 thousand at par to existing shareholders and borrowed long term debt of AED 100,000 thousand from the Parent Company which also qualify as Tier II capital as per Securities & Commodities Authority guidelines.

Significant undertaking

As disclosed in Notes 7 and 15, the Company is conducting a significant portion of its business through its Parent company and customers which are holding current accounts with ADCB.

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

Amendments:

IAS 32 - Financial Instruments: Presentation requires presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off',
- the application of simultaneous realisation and settlement,
- the offsetting of collateral amounts and
- the unit of account for applying the offsetting requirements.

Other than the above, there are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning January 1, 2014 that have had a material impact on the Company's financial statements.

Annual improvements to IFRSs 2010-2012 Cycle

The annual improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to the basis of conclusion of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

Notes to the financial statements

December 31, 2014

2 Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**Annual improvements to IFRSs 2010-2012 Cycle (continued)**

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

Annual improvements to IFRSs 2011-2013 Cycle

The annual improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definition of financial assets or liabilities within IAS 32.

Management do not anticipate that the application of these improvements will have a significant impact on the Company's financial statements.

Standards and Interpretations in issue but not yet effective

The Company has not early adopted any new and revised IFRSs 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 |
|---|--|
| Amendments: | |
| IFRS 7 - Financial Instruments: Disclosures (with consequential amendments to IFRS 1) adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required and clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements. | January 1, 2016 |
| New Standards: | |
| IFRS 15 - Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. | January 1, 2017 |

2 Application of new and revised International Financial Reporting Standards (IFRSs)
(continued)**Standards and Interpretations in issue but not yet effective (continued)**

| New Standards and significant amendments to Standards applicable to the Company: | Effective for annual periods beginning on or after |
|---|---|
| New Standards: (continued) | |
| <p>IFRS 9 - Financial Instruments: Classification and Measurement - A finalised version has been issued which contains accounting requirements for financial instruments, replacing IAS 39 - Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"> - Classification and measurement - financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. It introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. - Impairment - IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised - Hedge accounting - introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures - Derecognition - The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. | January 1, 2018 |

Management anticipates that these IFRSs and amendments will be adopted in the financial statements in the initial period when they become mandatorily effective. The impact of these standards and amendments are currently being assessed by the management.

3 Summary of significant accounting policies**3.1 Basis of preparation**

The financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

IFRSs comprise accounting standards issued by the IASB as well as Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

Certain disclosure notes have been reclassified and rearranged from the Company's prior year financial statements to conform to the current year's presentation.

3.2 Measurement

The financial statements have been prepared under the historical cost convention except as modified by the revaluation of available-for-sale financial assets.

3. Summary of significant accounting policies (continued)

3.3 Functional and presentation currency

The financial statements are prepared and presented in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

3.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

3.5 Foreign currencies

The financial statements of the Company are presented in AED, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the statement of financial position date. Any resulting exchange differences are included in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates or year-end exchange rates if held at fair value, as appropriate. The resulting foreign exchange gains or losses are recognised in either income statement or other comprehensive income statement depending upon the nature of the asset or liability.

3.6 Financial instruments

Date of recognition

All financial assets and liabilities are initially recognised on the date at which the Company becomes a party to the contractual provision of the instrument except for "regular way" purchases and sales of financial assets which are recognised on settlement date basis (other than derivative contracts). Settlement date is the date that the Company physically receives or transfers the assets. 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.

Measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value, plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

3. Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

Available-for-sale

Investments not classified as either “fair value through profit or loss” or “held-to-maturity” are classified as “available-for-sale”. Available-for-sale assets are intended to be held for an indefinite period of time and may be sold in response to liquidity requirements or changes in interest rates, commodity prices or equity prices.

Available-for-sale investments are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at fair value. The fair values of quoted financial assets in active markets are based on current prices. If the market for a financial asset is not active, and for unquoted securities, the Company establishes fair value by using valuation techniques (e.g. recent arms length transactions, discounted cash flow analysis and other valuation techniques). Only in very rare cases where fair value cannot be measured reliably, investments are carried at cost and tested for impairment, if any.

Gains and losses arising from changes in fair value are recognised in the other comprehensive income statement and recorded in 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 the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity in the cumulative changes in fair value is included in the income statement for the year.

If an available-for-sale investment is impaired, the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any previous impairment loss recognised in the income statement is removed from equity and recognised in the income statement.

Once an impairment loss has been recognised on an available-for-sale equity security, all subsequent increases in the fair value of the instrument are treated as a revaluation and are recognised in other comprehensive income, accumulating in equity. A subsequent decline in the fair value of the instrument is recognised in the income statement, to the extent that further cumulative impairment losses have been incurred in relation to the acquisition cost of the equity security. Impairment losses recognised on the equity security are not reversed through the income statement.

Debt issued and other borrowed funds

Financial instruments issued by the Company are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. These are recognised initially at fair value, net of transaction costs.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

3. Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - the Company has transferred substantially all the risks and rewards of the asset, or
 - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has neither transferred its rights to receive cash flows from an asset nor has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or extinguishment is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying value of the original financial liability and the consideration paid is recognised in income statement.

Offsetting

Financial assets and liabilities are offset and reported net in the statement of financial position only when there is a legally enforceable right to set off the recognised amounts and when the Company intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

The Company is party to a number of arrangements, including master netting agreements that give it the right to offset financial assets and financial liabilities but, where it does not intend to settle the amounts net or simultaneously, the assets and liabilities concerned are presented on a gross basis.

3. Summary of significant accounting policies (continued)

3.7 Cash and cash equivalents

Cash and cash equivalents include bank balances with Parent Company and are carried at amortised cost in the statement of financial position.

3.8 Fair value measurement

The Company measures its financial assets and liabilities at market price that it would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence in the most advantageous market for the assets or liabilities. The Company considers principal market as the market with the greatest volume and level of activity for financial assets and liabilities.

3.9 Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its non-financial 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 assets 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, such 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 in the income statement, 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.

3.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is charged to the income statement so as to write off the depreciable amount of property and equipment over their estimated useful lives using the straight-line method. The depreciable amount is the cost of an asset less its residual value. Land is not depreciated.

3. Summary of significant accounting policies (continued)

3.10 Property and equipment (continued)

Estimated useful lives are as follows:

| | |
|---|---------------|
| Lease hold improvement | 5 to 10 years |
| Computer, software and office equipment | 4 years |
| Furniture and fixtures | 5 years |

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. 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 at that date and is recognised in the income statement.

3.11 Provision for employees' end of service benefits

(i) Termination benefits

The company provides end of service benefits for its expatriate employees. The entitlement to these benefits is based upon the employee's 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.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.12 Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

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

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

4 Significant accounting judgments, estimates and assumptions

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 judgements and estimate made by management are summarised as follows:

Investment 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 and margin 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.

Receivable that have been assessed individually and found not to be impaired are then assessed collectively and impairment charge is calculated collectively as a percentage of receivable outstanding.

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.

Notes to the financial statements

December 31, 2014

5 Property and equipment, net

| | Leasehold improvement AED'000 | Computer, software and office equipment AED'000 | Furniture and fixtures AED'000 | Total AED'000 |
|---------------------------------|--|--|---|--------------------------|
| Cost | | | | |
| At January 1, 2013 | 6,290 | 6,249 | 2,450 | 14,989 |
| Additions | - | 756 | - | 756 |
| Write off | - | (14) | - | (14) |
| At January 1, 2014 | 6,290 | 6,991 | 2,450 | 15,731 |
| Additions | - | 452 | 34 | 486 |
| Write off | - | (4) | - | (4) |
| At December 31, 2014 | 6,290 | 7,439 | 2,484 | 16,213 |
| Accumulated depreciation | | | | |
| At January 1, 2013 | 3,485 | 6,003 | 2,440 | 11,928 |
| Charge for the year | 628 | 142 | 8 | 778 |
| Write off | - | (14) | - | (14) |
| At January 1, 2014 | 4,113 | 6,131 | 2,448 | 12,692 |
| Charge for the year | 625 | 376 | 8 | 1,009 |
| Write off | - | (4) | - | (4) |
| At December 31, 2014 | 4,738 | 6,503 | 2,456 | 13,697 |
| Carrying amount | | | | |
| At December 31, 2014 | 1,552 | 936 | 28 | 2,516 |
| At December 31, 2013 | 2,177 | 860 | 2 | 3,039 |

6 Available-for- sale investments

| | 2014 AED'000 | 2013 AED'000 |
|-----------------------------------|-------------------------|-------------------------|
| Quoted | | |
| Opening balance | 1,029 | 425 |
| (Decrease)/increase in fair value | (204) | 604 |
| Closing balance | 825 | 1,029 |

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

ADCB Securities L.L.C.**Notes to the financial statements**

December 31, 2014

7 Trade and other receivables

| | 2014 | 2013 |
|----------------------------------|----------------------|----------------|
| | AED'000 | AED'000 |
| Trade receivables from customers | 45,431 | 64,164 |
| Receivables from exchanges | 27,493 | 41,865 |
| Other receivable | 738 | 293 |
| | <u>73,662</u> | <u>106,322</u> |

Trade receivables

The credit period for trade receivables is two days (trade date plus two working days). The Company has an obligation to pay these amounts to the eventual recipient (markets), even if the equivalent amounts are not collected.

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

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

8 Margin trade receivables, net

The Company has obtained the license from Securities & 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.

| | 2014 | 2013 |
|--|----------------------|--------------|
| | AED'000 | AED'000 |
| Margin trade receivables | 75,439 | 1,298 |
| Less : Collective impairment allowance | (1,072) | - |
| | <u>74,367</u> | <u>1,298</u> |

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

9 Share capital

| | Authorised | | Issued and fully paid | |
|-----------------------------------|-------------------|---------|------------------------------|---------|
| | 2014 | 2013 | 2014 | 2013 |
| | AED'000 | AED'000 | AED'000 | AED'000 |
| Ordinary shares of AED 1,000 each | 71,000 | 31,000 | 71,000 | 31,000 |

During the year the Company issued 40,000 shares at par to existing share holders and were fully subscribed in cash.

Notes to the financial statements

December 31, 2014

10 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 equalled to 50% of the share capital. This reserve is not available for distribution.

11 Long term borrowing

During the year, the Company borrowed subordinated long term debt from its parent company for a period of 5 years. Interest on this loan is payable quarterly in arrears at a fixed rate of 4% p.a.. The Company has an 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 24 February 2010 concerning criteria for capital adequacy of brokerage firms.

12 Provision for employees' end of service benefit

| | 2014 AED'000 | 2013 AED'000 |
|-----------------------------|-----------------|-----------------|
| Balance as at January 1, | 1,537 | 1,126 |
| Charge for the year | 426 | 513 |
| Settlements during the year | (105) | (56) |
| Transfers during the year | 197 | (46) |
| | <hr/> | <hr/> |
| Balance as at December 31, | 2,055 | 1,537 |
| | <hr/> | <hr/> |

13 Trade and other payables

| | 2014 AED'000 | 2013 AED'000 |
|-----------------------------|-----------------|-----------------|
| Trade payables to customers | 72,745 | 105,755 |
| Other payables | 1,075 | 1,187 |
| | <hr/> | <hr/> |
| | 73,820 | 106,942 |
| | <hr/> | <hr/> |

Trade payable to customers consist of only those customers maintaining a current account with ADCB, the Parent company. The settlement date of these balances is two days following the transaction date, and is settled to the customer through ADCB's current account.

14 Interest income, net

| | Year ended December 31 | |
|--|-------------------------------|-----------------|
| | 2014 AED'000 | 2013 AED'000 |
| Interest income - margin trading | 7,500 | - |
| Interest income - term & call deposits | 97 | 391 |
| Interest expense - loan | (3,143) | - |
| | <hr/> | <hr/> |
| | 4,454 | 391 |
| | <hr/> | <hr/> |

Notes to the financial statements

December 31, 2014

15 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 an arm's length basis.

Ultimate controlling party:

Abu Dhabi Investment Council is the Parent Company of ADCB. Abu Dhabi Investment Council was established by the Government of Abu Dhabi pursuant to law No. 16 of 2006 and so the Ultimate Controlling Party is the Government of Abu Dhabi.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

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

| | Parent Company and its related entities AED '000 | Directors and key management personnel of Parent Company AED '000 | Director and key management personnel AED '000 |
|---|--|--|--|
| Balances : | | | |
| December 31, 2014 | | | |
| Margin trade receivables | - | - | 3,973 |
| Bank balances: | | | |
| Current account | 151,399 | - | - |
| Due from Parent Company | 2,988 | - | - |
| Long term borrowing | (100,000) | - | - |
| December 31, 2013 | | | |
| Bank Balances: | | | |
| Short term deposit | 14,315 | - | - |
| Current account | 5,741 | - | - |
| Due from Parent Company | 40,529 | - | - |
| Transactions : | | | |
| Year ended December 31, 2014 | | | |
| Brokerage commission | 623 | 219 | 1,375 |
| Interest income | 97 | 48 | 581 |
| Interest expense | (3,143) | - | - |
| Commission expense on bank guarantee | (1,308) | - | - |
| Rent expenses | (233) | - | - |
| Remuneration to key management employee | - | - | 1,628 |
| Year ended December 31, 2013 | | | |
| Brokerage commission | 3,023 | 277 | 356 |
| Interest income | 388 | - | - |
| Commission expense on bank guarantee | (1,025) | - | - |
| Rent expenses | (233) | - | - |
| Remuneration to key management employee | - | - | 1,425 |

The Parent Company provides operational and functional support to the Company with respect to human resources, information technology, vendor payments and accounting services.

16 Commitments and contingent liabilities

| | 2014 AED'000 | 2013 AED'000 |
|-----------------|-----------------|-----------------|
| Bank guarantees | 305,000 | 205,000 |

The above bank guarantees have been issued by ADCB, a related party (Note 15) in the normal course of business.

The Company has commitment for future capital expenditure of AED Nil (December 31, 2013 - AED 352,608).

17 Risk Management

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.

17.1 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.

The company is exposed to credit risk on margin trading receivables, however these receivables are fully backed by collateral of underlying securities. The Company has a right to liquidate the collateral when customer reaches below the required minimum margin.

17.2 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 assets and liabilities based on contractual repayment obligations. The contractual maturities of the financial assets and liabilities 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.

ADCB Securities L.L.C.**Notes to the financial statements**

December 31, 2014

17 Risk Management (continued)**17.2 Liquidity risk (continued)**

| December 31, 2014 | Less than 30 days AED'000 | 30-90 days AED'000 | 90-180 days AED'000 | Over 180 days AED'000 | Total AED'000 |
|--|--|-----------------------------------|------------------------------------|--------------------------------------|--------------------------|
| Property and equipment | - | - | - | 2,516 | 2,516 |
| Available for sale investments | - | - | - | 825 | 825 |
| Trade and other receivables | 73,662 | - | - | - | 73,662 |
| Margin trade receivables, net | 43,012 | 19,551 | 11,804 | - | 74,367 |
| Due from Parent company | 2,988 | - | - | - | 2,988 |
| Cash and bank balances | 151,399 | - | - | - | 151,399 |
| | 271,061 | 19,551 | 11,804 | 3,341 | 305,757 |
| Equity | - | - | - | 129,882 | 129,882 |
| Long term borrowing | - | - | - | 100,000 | 100,000 |
| Provision for employees' end of service benefit | - | - | - | 2,055 | 2,055 |
| Trade and other payables | 73,820 | - | - | - | 73,820 |
| | 73,820 | - | - | 231,937 | 305,757 |
| Liquidity gap | 197,241 | 19,551 | 11,804 | (228,596) | - |
| | | | | | |
| December 31, 2013 | Less than 30 days AED'000 | 30-90 days AED'000 | 90-180 days AED'000 | Over 180 days AED'000 | Total AED'000 |
| Property and equipment | - | - | - | 3,039 | 3,039 |
| Available for sale investments | - | - | - | 1,029 | 1,029 |
| Trade and other receivables | 106,322 | - | - | - | 106,322 |
| Margin trade receivables | 1,298 | - | - | - | 1,298 |
| Due from Parent company | 40,529 | - | - | - | 40,529 |
| Cash and bank balances | 20,056 | - | - | - | 20,056 |
| | 168,205 | - | - | 4,068 | 172,273 |
| Equity | - | - | - | 63,794 | 63,794 |
| Provision for employees' end of service benefit | - | - | - | 1,537 | 1,537 |
| Trade and other payables | 106,942 | - | - | - | 106,942 |
| | 106,942 | - | - | 65,331 | 172,273 |
| Liquidity gap | 61,263 | - | - | (61,263) | - |

Notes to the financial statements

December 31, 2014

17 Risk Management (continued)**17.2 Liquidity risk (continued)**

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations.

| | Less than 30 days AED'000 | 30-90 days AED'000 | 90-180 days AED'000 | Over 180 days AED'000 | Total AED'000 |
|--------------------------|--|-----------------------------------|------------------------------------|--------------------------------------|--------------------------|
| December 31, 2014 | | | | | |
| Trade and other payables | 73,820 | - | - | - | 73,820 |
| Long term borrowing | - | 1,000 | 1,022 | 115,678 | 117,700 |
| | <u>73,820</u> | <u>1,000</u> | <u>1,022</u> | <u>115,678</u> | <u>191,520</u> |
| December 31, 2013 | | | | | |
| Trade and other payables | 106,942 | - | - | - | 106,942 |
| | <u>106,942</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>106,942</u> |

17.3 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in 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.

17.4 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 materially not exposed to currency risk as majority of the assets and liabilities are denominated in the reporting currency AED.

17.5 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 exposure does not contain variable interest bearing assets/liabilities that have a significant impact on its interest income/ interest expenses.

17.6 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.

Notes to the financial statements

December 31, 2014

17 Risk Management (continued)**17.7 Capital adequacy and capital management**

The Company manages its capital as per Emirates Securities and Commodities Authorities (ESCA) circular (12/R) of 2010. For the purposes of calculating the capital adequacy of the brokerage firm in accordance with the provisions of this circular "capital" shall mean the following:

1. Core capital (Tier 1): includes equity and capital contributions by the shareholders and the revaluation reserve, after deducting losses during the running fiscal year, as well as intangible assets.
2. Supplementary capital (Tier 2): includes subordinated debt instruments, the maturity dates of which are no less than five years.
3. Tertiary Capital (Tier 3): includes the profits of the trading portfolio of the brokerage firm and subordinated debt instruments, the maturity dates which are not less than two years, after deduction of non-liquid assets.

| | 2014 AED'000 | 2013 AED'000 |
|----------------------------|-----------------|-----------------|
| Tier 1 Capital | 127,273 | 62,397 |
| Tier 2 Capital | 100,396 | 600 |
| Tier 3 Capital | - | - |
| Total | <u>227,669</u> | <u>62,997</u> |
| Capital requirement | | |
| Credit risk | 19,940 | 13,491 |
| Operational risk | 3,066 | 3,280 |
| Total Capital requirement | <u>23,007</u> | <u>16,771</u> |

17.8 Fair value of financial instruments

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

18 Approval of financial statements

The financial statements were approved by the board and authorised for issue on February 1, 2015.