

ADCB SECURITIES L.L.C.

**Reports and financial statements
for the year ended December 31, 2015**

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for the year ended December 31, 2015**

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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, 2015.

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, financial consultation and financial analysis.

Financial results

The Company reported brokerage commission income for the year 2015 amounting AED 12,963 thousand (2014: AED 36,933 thousand).

The Company reported net loss for the year 2015 amounting to AED 1,536 thousand against profit of AED 26,292 thousand in 2014. The decrease in profit is primarily due to decline in market trading turnover and our market share for the year 2015 was at 2.21% (2014: 2.51%).

Net worth at the end of the reporting period 2015 was AED 128,034 thousand (2014: AED 129,882 thousand).

Directors

The Directors who served during the year are:

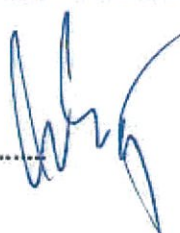
Mr. Ala'a Mohamed Atta Khalil Eraiqat	Chairman
Mr. Hassan Salem Saeed Abdulla Al Hossani	Director
Mr. Ali Ahmed Ghulam Darwish Al Baloushi	Director
Mr. Al Sadig Muatasam Abdul Rahman Al Magboul	Director
Mr. Nabil F. A. Juma	Director

Auditors

~~Deloitte & Touche (M.E.) were external auditors of the Company for the year ended 31 December 2015 and the directors propose their re-appointment for the year ending 31 December 2016.~~

On behalf of the Board of Directors

.....
Ala'a Eraiqat
Chairman



Abu Dhabi
February 10, 2016

REPORT OF THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS

The Shareholders
ADCB Securities 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. (the "Company"), which comprise the statement of financial position as at 31 December 2015 and the statement of profit or loss and other 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 is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ADCB Securities L.L.C. as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The comparative amounts in the statement of financial position as at 31 December 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and other explanatory information were audited by another auditor whose report dated 1 February 2015 expressed an unmodified opinion thereon.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
 - ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
 - iii) the Company has maintained proper books of account;
 - iv) the financial information included in the Directors' report is consistent with the books of account of the Company;
 - v) as disclosed in note 6 to the financial statements the Company has not purchased or invested in any shares during the financial year ended 31 December 2015;
-
- vi) note 16 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted; and
 - vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration No. 717
Abu Dhabi
10 February 2016

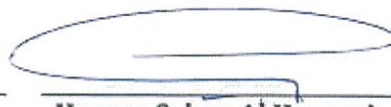


Statement of financial position

As at December 31, 2015

	Notes	2015 AED'000	2014 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	1,614	2,516
Available-for-sale financial assets	6	513	825
Total non-current assets		2,127	3,341
Current assets			
Trade and other receivables	7	57,938	73,662
Margin trade receivables	8	74,008	74,367
Due from Parent Company	16	-	2,988
Bank balances	9	152,924	151,399
Total current assets		284,870	302,416
Total assets		286,997	305,757
EQUITY AND LIABILITIES			
Equity			
Share capital	10	71,000	71,000
Statutory reserve	11	8,845	8,845
Investment revaluation reserve		84	396
Retained earnings		48,105	49,641
Total equity		128,034	129,882
Liabilities			
Non-current liabilities			
Long term borrowing	12	100,000	100,000
Provision for employees' end of service benefit	13	2,461	2,055
Total non-current liabilities		102,461	102,055
Current liabilities			
Trade and other payables	14	55,581	73,820
Due to Parent Company	16	921	-
Total current liabilities		56,502	73,820
Total liabilities		158,963	175,875
Total equity and liabilities		286,997	305,757


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 profit or loss and other comprehensive income
for the year ended December 31, 2015

	Notes	2015 AED'000	2014 AED'000
Income			
Brokerage commission		12,963	36,933
Interest income	15	5,698	7,598
Interest expense		(4,056)	(3,144)
		<u>1,642</u>	<u>4,454</u>
Other income		50	143
		<u>14,655</u>	<u>41,530</u>
Expenses			
Staff expenses		(10,846)	(8,707)
Depreciation	5	(1,022)	(1,009)
Other operating expenses		(4,323)	(4,450)
		<u>(16,191)</u>	<u>(14,166)</u>
Operating (loss)/profit before impairment allowances		<u>(1,536)</u>	<u>27,364</u>
Impairment allowances		-	(1,072)
Net (loss)/profit for the year		<u>(1,536)</u>	<u>26,292</u>
Other comprehensive income			
<i>Items that may be re-classified subsequently to profit or loss</i>			
Fair value changes on available-for-sale financial assets	6	(312)	(204)
Total comprehensive (loss)/income for the year		<u>(1,848)</u>	<u>26,088</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, 2015

	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, 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 financial assets	6	-	-	(204)	-	(204)
Total comprehensive income for the year		-	-	(204)	26,292	26,088
Increase in share capital		40,000	-	-	-	40,000
Transfer during the year	10	-	2,630	-	(2,630)	-
Balance at January 1, 2015		71,000	8,845	396	49,641	129,882
Net loss for the year		-	-	-	(1,536)	(1,536)
Fair value changes on available for sale financial assets	6	-	-	(312)	-	(312)
Total comprehensive loss for the year		-	-	(312)	(1,536)	(1,848)
Balance at December 31, 2015		71,000	8,845	84	48,105	128,034

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, 2015

	2015 AED'000	2014 AED'000
Operating activities		
Net (loss)/profit for the year	(1,536)	26,292
Adjustment for:		
Depreciation on property and equipment	1,022	1,009
Employees' end of service benefit charge	436	426
Impairment allowances	-	1,072
Operating cash flows before changes in operating assets and liabilities	(78)	28,799
Decrease in trade and other receivables	15,724	32,660
Decrease/(increase) in margin trade receivables	359	(74,141)
Net movement in due from/to Parent Company	3,909	37,541
Decrease in trade and other payables	(18,239)	(33,122)
Transfer/settlement of employees' end of service benefit	(30)	92
Net cash generated from/(used in) operating activities	1,645	(8,171)
Investing activities		
Purchase of property and equipment	(120)	(486)
Investment in term deposits	(50,000)	-
Net cash used in investing activities	(50,120)	(486)
Financing activities		
Additional capital subscribed	-	40,000
Tier 2 capital subscribed	-	100,000
Net cash from finance activities	-	140,000
Net (decrease)/increase in cash and cash equivalents	(48,475)	131,343
Cash and cash equivalents at beginning of the year	151,399	20,056
Cash and cash equivalents at end of the year (note 9)	102,924	151,399

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

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.

As disclosed in Notes 7 and 16, the Company conducts a significant portion of its business through its Parent company and customers who hold current accounts with ADCB.

The UAE Federal Law No. (2) of 2015 which came into effect on July 1, 2015 replaced the existing UAE Federal Law No. (8) of 1984 (as amended). The Company is currently assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on June 30, 2016.

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

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2015. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Company's future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after January 1, 2015.

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 to IFRS 7 - Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 - Financial Instruments: Disclosures additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied

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
<p>IFRS 9 - Financial Instruments (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.</p> <p>IFRS 9 - Financial Instruments (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.</p> <p>Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.</p> <p>IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets (2) the classification and measurement requirements for both financial assets and financial liabilities (3) the classification and measurement requirements and the hedge accounting requirements provided that the relevant date of the initial application is before February 1, 2015.</p>	January 1, 2018
IFRS 15 Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers.	January 1, 2018
IFRS 16 — Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	January 1, 2016

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
Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	January 1, 2016
Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	January 1, 2016
Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	January 1, 2016
Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	January 1, 2016
Amendments to IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports.	January 1, 2016

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.

The application of the finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the financial statements in respect of the financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Company performs a detailed review.

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 Summary of significant accounting policies (continued)

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.

3.3 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

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 reporting 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

Initial 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.

The Company classify its financial assets into the categories of 'loans and receivables' and 'available-for-sale' financial assets. Financial liabilities are classified as 'other financial liabilities'.

3 Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

Initial recognition (continued)

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 where transaction cost are recognised immediately in profit or loss.

Loans and receivables

Loans and receivables include non-derivative financial assets originated or acquired by the Company with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investments will be recovered other than because of credit deterioration. The Company's loans and receivables include 'trade and other receivables', 'margin trade receivables' 'due from Parent Company' and 'bank balances'.

After initial measurement at fair value plus any directly attributable transaction costs, loans and receivables are subsequently measured at amortised cost using the effective interest rate, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The losses arising from impairment are recognised in the income statement.

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 assets 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 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 asset 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.

3 Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

Available-for-sale (continued)

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.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and equity instrument.

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 recognised at the proceeds received, net of direct issue costs.

A financial instrument is classified as equity if, and only if, both conditions (a) and (b) below are met.

- (a) The instrument includes no contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company.
- (b) If the instrument will or may be settled in the Company's own equity instruments, it is:
 - a non-derivative that includes no contractual obligation for the Company to deliver a variable number of its own equity instruments; or
 - a derivative that will be settled only by the Company exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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:

- (a) the rights to receive cash flows from the asset have expired; or
- (b) 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 reporting 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.

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) 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 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. The commissions are recognised on a net basis, i.e. commission earned from customers less commission collected on behalf of the exchange. The Company believes this the most appropriate presentation because it acts as an agent in the transaction, rather than as principal.

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 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 significant judgements and estimate made by management are summarised as follows:

Classification of equity 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*.

Revenue recognition

Note 3.12 describes the Company's general policy of recognising revenue when the service has been rendered and when the Company's right to receive the income has been established. In making their judgement, the management considered the detailed criteria for the recognition of revenue from the rendering of services as set out in IAS 18. The management is satisfied that the services are rendered and that recognition of the revenue in the current year is appropriate.

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:

Impairment of 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 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. Margin and trade receivables 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.

Impairment of available for sale financial asset

Management regularly reviews the equity securities for impairment based on criteria that include the extent to which carrying value exceeds market value, the duration of that market decline, management's intent and ability to hold to recovery and the financial health and specific prospects for the issuer. Management performs comprehensive market research and analysis and monitors market conditions to identify potential impairments. When market value is significantly reduced as compare to cost, or the decline is for a prolong period, the financial asset is considered as impaired.

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

	Leasehold improvement AED'000	Computer, software and office equipment AED'000	Furniture and fixtures AED'000	Total AED'000
Cost				
At January 1, 2014	6,290	6,991	2,450	15,731
Additions	-	452	34	486
Write off	-	(4)	-	(4)
At January 1, 2015	6,290	7,439	2,484	16,213
Additions	-	34	86	120
Write off	-	(40)	-	(40)
At December 31, 2015	6,290	7,433	2,570	16,293
Accumulated depreciation				
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 January 1, 2015	4,738	6,503	2,456	13,697
Charge for the year	625	374	23	1,022
Write off	-	(40)	-	(40)
At December 31, 2015	5,363	6,837	2,479	14,679
Carrying amount				
At December 31, 2015	927	596	91	1,614
At December 31, 2014	1,552	936	28	2,516

6 Available-for- sale financial assets

	2015 AED'000	2014 AED'000
Quoted		
Balance as at January 1	825	1,029
Change in fair value	(312)	(204)
Balance as at December 31	513	825

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

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Notes to the financial statements
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7 Trade and other receivables

	2015 AED'000	2014 AED'000
Trade receivables from customers	49,248	45,431
Receivables from exchanges	5,242	27,493
Other receivable	3,448	738
	<u>57,938</u>	<u>73,662</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

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.

	2015 AED'000	2014 AED'000
Margin trade receivables	75,080	75,439
Less : Collective impairment allowance	(1,072)	(1,072)
	<u>74,008</u>	<u>74,367</u>

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

The fair value of securities held as collateral against margin trade receivables amounts to AED 194,087 thousand as at 31 December 2015 (2014: AED 217,411 thousand).

9 Bank balances

	2015 AED'000	2014 AED'000
Current accounts	42,924	151,399
Term deposits	110,000	-
	<hr/>	<hr/>
Term deposits with maturity of more than 3 months	152,924 (50,000)	151,399 -
	<hr/>	<hr/>
Cash and cash equivalents	102,924	151,399
	<hr/>	<hr/>

10 Share capital

	Authorised		Issued and fully paid	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Ordinary shares of AED 1,000 each	71,000	71,000	71,000	71,000
	<hr/>	<hr/>	<hr/>	<hr/>

11 Statutory reserve

In accordance with the UAE Federal Law No. (2) of 2015 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.

12 Long term borrowing

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.

13 Provision for employees' end of service benefit

	2015 AED'000	2014 AED'000
Balance as at January 1,	2,055	1,537
Charge for the year	436	426
Settlements during the year	(30)	(105)
Transfers during the year	-	197
	<hr/>	<hr/>
Balance as at December 31,	2,461	2,055
	<hr/>	<hr/>

14 Trade and other payables

	2015 AED'000	2014 AED'000
Trade payables to customers	52,005	72,745
Payable to exchanges	2,338	-
Other payables	1,238	1,075
	<u>55,581</u>	<u>73,820</u>

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.

15 Interest income

	2015 AED'000	2014 AED'000
Interest income - margin trading	4,562	7,500
Interest income - term & call deposits	1,136	98
	<u>5,698</u>	<u>7,598</u>

16 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.

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.

16 Transactions and balances with related parties (continued)

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

	Parent Company and its related entities AED'000	Directors and key management personnel of the Company AED'000
Balances :		
December 31, 2015		
Margin trade receivables	-	8,661
Bank balances with Parent Company :		
Term deposits	110,000	-
Current account	42,883	-
Due to Parent Company	(921)	-
Long term borrowing	(100,000)	-
December 31, 2014		
Margin trade receivables	-	3,973
Bank balances with Parent Company :		
Current account	151,399	-
Due from Parent Company	2,988	-
Long term borrowing	(100,000)	-
Transactions :		
Year ended December 31, 2015		
Brokerage commission	122	329
Interest income	1,136	490
Interest expense	(4,056)	-
Commission expense on bank guarantee	(1,526)	-
Rent expenses	(233)	-
Year ended December 31, 2014		
Brokerage commission	623	1,594
Interest income	97	629
Interest expenses	(3,143)	-
Commission expense on bank guarantee	(1,308)	-
Rent expenses	(233)	-

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

16 Transactions and balances with related parties (continued)

Remuneration of key management employees and Board of Directors fees and expenses during the year are as follows:

	2015 AED'000	2014 AED'000
Short term benefits	1,310	1,204
Termination benefits	217	206
Variable pay benefits	278	218
	<u>1,805</u>	<u>1,628</u>

In addition to the above, the key management personnel were granted long term deferred compensation including share based payments of AED 122.5 thousand (2014 - AED 82.5 thousand).

17 Commitments and contingent liabilities

	2015 AED'000	2014 AED'000
Bank guarantees	305,000	305,000

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

18 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.

18.1 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, margin trade 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.

18 Risk management (continued)**18.2 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.

December 31, 2015	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	-	-	-	1,614	1,614
Available for sale financial assets	-	-	-	513	513
Trade and other receivables	57,938	-	-	-	57,938
Margin trade receivables	74,008	-	-	-	74,008
Bank balances	152,924	-	-	-	152,924
	<u>284,870</u>	<u>-</u>	<u>-</u>	<u>2,127</u>	<u>286,997</u>
Equity	-	-	-	128,034	128,034
Long term borrowing	-	-	-	100,000	100,000
Provision for employees' end of service benefit	-	-	-	2,461	2,461
Trade and other payables	55,581	-	-	-	55,581
Due to Parent Company	921	-	-	-	921
	<u>56,502</u>	<u>-</u>	<u>-</u>	<u>230,495</u>	<u>286,997</u>
Liquidity gap	<u>228,368</u>	<u>-</u>	<u>-</u>	<u>(228,368)</u>	<u>-</u>

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Notes to the financial statements

December 31, 2015

18 Risk management (continued)

18.2 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 financial assets	-	-	-	825	825
Trade and other receivables	73,662	-	-	-	73,662
Margin trade receivables, net	74,367	-	-	-	74,367
Due from Parent company	2,988	-	-	-	2,988
Bank balances	151,399	-	-	-	151,399
	<u>302,416</u>	<u>-</u>	<u>-</u>	<u>3,341</u>	<u>305,757</u>
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
	<u>73,820</u>	<u>-</u>	<u>-</u>	<u>231,937</u>	<u>305,757</u>
Liquidity gap	<u>228,596</u>	<u>-</u>	<u>-</u>	<u>(228,596)</u>	<u>-</u>

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

December 31, 2015	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	Over 180 days AED'000	Total AED'000
Trade and other payables	55,581	-	-	-	55,581
Due to Parent company	921	-	-	-	921
Long term borrowing	-	1,000	1,022	111,622	113,644
	<u>56,502</u>	<u>1,000</u>	<u>1,022</u>	<u>111,622</u>	<u>170,146</u>
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>

18 Risk management (continued)

18.3 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.

18.4 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.

18.5 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.

18.6 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.

18.7 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.

Capital requirement for credit risk and operational risk is calculated using the methodology as defined by ESCA in the abovementioned circular. For operational risk, the Company uses basic indicator approach to calculate the capital requirement.

18 Risk management (continued)**18.7 Capital adequacy and capital management**

	2015	2014
	AED'000	AED'000
Tier 1 Capital	129,658	127,273
Tier 2 Capital	100,084	100,396
Tier 3 Capital	-	-
	<hr/>	<hr/>
Total	229,742	227,669
	<hr/>	<hr/>
Capital requirement		
Credit risk	19,702	19,940
Operational risk	3,542	3,066
	<hr/>	<hr/>
Total Capital requirement	23,244	23,006
	<hr/>	<hr/>

18.8 Fair value of financial instruments

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

Financial assets classified as available-for-sale are carried at fair value using the quoted prices (unadjusted) in active market. These are classified as Level 1 of fair value hierarchy.

19 Approval of financial statements

The financial statements were approved by the board and authorised for issue on February 10, 2016.

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