

Securities & Investment Company (UAE) LLC

Financial statements

31 December 2014

Securities & Investment Company (UAE) LLC

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KPMG Lower Gulf Limited
Nation Tower 2, Corniche
Abu Dhabi
United Arab Emirates

Telephone +971(2) 4014800
Fax +971(2) 6327612
Website www.ae-kpmg.com

Independent auditor's report

The Shareholders
Securities & Investment Company (UAE) LLC
P O Box: 37618
Abu Dhabi
UAE

Report on the financial statements

We have audited the accompanying financial statements of Securities & Investment Company (UAE) LLC (the "Company"), which comprise the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising 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 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, and of its financial performance and its cash flows for year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 17 in the financial statements, which describes the uncertainty related to the outcome of a lawsuit filed against the Company by a third party.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, the financial statements comply in all material respects with the applicable requirements of the UAE Federal Law No. 8 of 1984 (as amended) and the Articles of Association of the Company and that proper financial records have been kept by the Company. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2014 which may have had a material adverse effect on the business of the Company or its financial position.

A handwritten signature in blue ink, appearing to read 'KPMG' followed by a horizontal line.

KPMG Lower Gulf Limited
Munther Dajani
Registration No.: 268

28 January 2015

Securities & Investment Company (UAE) LLC

Statement of financial position as at 31 December

	Note	2014 AED	2013 AED
Assets			
Furniture, fixtures and equipment	6	280,310	870,935
Intangible assets	7	224,794	494,658
Margin Trading Receivables	8	12,867,851	-
Trade receivables and prepayments	9	871,838	5,102,824
Cash and bank balances	11	48,127,198	23,870,230
Total assets		62,371,991	30,338,647
Equity			
Share capital	12	30,000,000	30,000,000
Statutory reserve	13	2,362,215	2,362,215
Accumulated losses		(11,515,091)	(9,863,788)
Total equity		20,847,124	22,498,427
Liabilities			
Employee terminal benefits	14	158,927	88,391
Trade and other payables	15	21,769,225	6,922,425
Amount due to related party	10	19,596,715	829,404
Total liabilities		41,524,867	7,840,220
Total equity and liabilities		62,371,991	30,338,647

These financial statements were approved and authorised for issue by the Board of Directors on 28/01/2015 and were signed on their behalf by:


Chairman


Vice Chairman

The notes set out on pages 7 to 23 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 and 2.

Securities & Investment Company (UAE) LLC

Statement of profit or loss and other comprehensive income

For the year ended 31 December

	<i>Note</i>	2014 AED	2013 AED
Net commission income		5,510,599	1,782,198
Interest income		23,264	154,936
Total income		5,533,863	1,937,134
Administrative and general expenses	16	(5,584,172)	(4,406,740)
Depreciation and amortization expenses	6, 7	(1,078,045)	(990,317)
Finance charges		(522,949)	(203,484)
Loss for the year		(1,651,303)	(3,663,407)
Other comprehensive income / (loss)		-	-
Total comprehensive loss for the year		(1,651,303)	(3,663,407)

The notes set out on pages 7 to 23 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 and 2.

Securities & Investment Company (UAE) LLC

Statement of changes in equity for the year ended 31 December

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Total AED
At 1 January 2013	30,000,000	2,362,215	(6,200,381)	26,161,834
Total comprehensive loss for the year	-	-	(3,663,407)	(3,663,407)
At 31 December 2013	<u>30,000,000</u>	<u>2,362,215</u>	<u>(9,863,788)</u>	<u>22,498,427</u>
At 1 January 2014	30,000,000	2,362,215	(9,863,788)	22,498,427
Total comprehensive loss for the year	-	-	(1,651,303)	(1,651,303)
At 31 December 2014	<u>30,000,000</u>	<u>2,362,215</u>	<u>(11,515,091)</u>	<u>20,847,124</u>

The notes set out on pages 7 to 23 form an integral part of these financial statements.

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Securities & Investment Company (UAE) LLC

Statement of cash flows

For the year ended 31 December

	2014 AED	2013 AED
Cash flows from operating activities		
Loss for the year	(1,651,303)	(3,663,407)
<i>Adjustments for:</i>		
Depreciation and amortization	1,078,045	990,317
Interest income	(23,264)	(154,936)
Finance charges	522,949	203,484
Provision for employees' terminal benefits	87,644	66,203
	<u>14,071</u>	<u>(2,558,339)</u>
Changes in margin trading receivables	(12,867,851)	-
Changes in trade receivables and prepayments	4,230,986	(4,747,475)
Changes in trade payables and accruals	14,846,800	6,249,169
Changes in due to related party	18,767,311	(3,866,702)
Employees' terminal benefits paid	(17,108)	(51,589)
	<u>24,974,209</u>	<u>(4,974,936)</u>
Cash flows from / (used in) operating activities		
Cash flows from investing activity		
Purchase of furniture, fixtures and equipment	(217,556)	(427,254)
	<u>(217,556)</u>	<u>(427,254)</u>
Net cash (used in) investing activity		
Cash flows from financing activities		
Finance costs paid	(522,949)	(203,484)
Interest received	23,264	154,936
	<u>(499,685)</u>	<u>(48,548)</u>
Net cash (used in) financing activities		
Net increase / (decrease) in cash and cash equivalents	<u>24,256,968</u>	<u>(5,450,738)</u>
Cash and cash equivalents at 1 January	23,870,230	29,320,968
Cash and cash equivalents at 31 December	<u>48,127,198</u>	<u>23,870,230</u>

The notes set out on pages 7 to 23 form an integral part of these financial statements.

The independent auditors' report is set out on pages 1 and 2.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

1 Legal status and principal activities

Securities & Investment Company (UAE) LLC (Formerly "CI Capital Gulf Financial Brokerage Company LLC") (the "Company") was established on 11 February 2002, as a limited liability company, registered in the Emirate of Abu Dhabi under UAE Federal Law No. 8 of 1984 (as amended). The Company was granted a license to operate, in the Emirate of Abu Dhabi, by the Emirates Securities and Commodities Authority ("ESCA") on 13 May 2002 and its registered head office P.O. Box 35399, Al Ghaith Tower, Hamdan Street, Abu Dhabi, United Arab Emirates.

The principal activity of the Company is to provide brokerage services for customers trading in shares and securities on Abu Dhabi Securities Market and Dubai Financial Market.

On 15 September 2011, CI Capital Gulf Financial Brokerage Company was acquired by the Securities & Investment Company BSCS and changed its name to Securities & Investment Company (UAE) LLC. The Company is located in Al Wahda commercial towers, P.O. Box 37618 under a new management. The Company's license number is CN-1043543.

2 Principal shareholders

	Shareholding	
	2014	2013
Securities & Investment Company BSCS	99%	99%
SICO Ventures Company SPC	1%	1%
	<u>100%</u>	<u>100%</u>

The ultimate parent of the Company is Securities & Investment Company BSC ("the Ultimate Parent") which is incorporated in Bahrain.

3 Basis of preparation

a) Statement of compliance

The financial statements of the Company as at and for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the UAE commercial Companies Law of 1984 (as amended).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

3 Basis of preparation *(continued)*

c) Functional and presentation currency

These financial statements are presented in United Arab Emirates “Dirhams” (‘AED’), which is the Company’s functional currency.

d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and 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.

As at 31 December 2014, there are no significant areas where considerable management's judgment is required except as disclosed in note 4 (d).

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. A number of new amendments to standards and interpretation have become effective for the year, however these do not have any impact on these financial statement.

a) Financial Instruments

Financial instruments comprise cash and cash equivalents, trade receivables, margin trading receivables, trade payables and amounts due to related party.

Recognition

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has the legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

4 Significant accounting policies (continued)

a) Financial Instruments (continued)

Derecognition

Financial assets are derecognised if the Company's contractual right to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. The Company also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents' comprise of cash at banks and in hand.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks, in hands and short term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received

As at 31 December 2014, the fair values of the Company's financial instruments are not materially different from their carrying amounts in the statement of financial position. All the financial instruments are carried at amortized amounts as at the reporting date and are classified under level 3 in the fair value hierarchy.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

4 Significant accounting policies *(continued)*

b) Office furniture and fixtures

(i) Recognition and measurement

Items of furniture and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of furniture and equipment have different useful lives, they are accounted for as separate items (major components) of furniture and equipment.

Gains and losses on disposal of an item of furniture and equipment are determined by comparing the proceeds from disposal with the carrying amount of furniture and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of furniture and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of furniture and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of furniture and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current period are as follows:

	Years
Office furniture	3
Office equipment	3
Motor vehicles	3

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate, if any. There was no change in the estimated useful lives of the furniture and equipment during the year.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

4 Significant accounting policies *(continued)*

c) Intangible assets

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. These costs are amortised on a straight line basis over the estimated useful life of three years.

d) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise or indications that a debtor or issuer will enter bankruptcy.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

4 Significant accounting policies *(continued)*

e) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) *Employee terminal benefits*

The provision for employee terminal benefits is based on the liability that would arise if the employment of all staff were terminated at the reporting date. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

(ii) *Leave and leave passage*

A provision is made for the estimated liability for employees' entitlement to annual leave and annual leave passage as a result of services rendered by the employees up to the reporting date.

f) Foreign currency

Transactions in foreign currencies are translated into the respective functional currency of Group entities at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

g) Revenue

(i) *Commission income*

Commission income represents the invoiced value of brokerage services provided by the Company during the year, and are recognised in profit or loss as the related services are performed.

(ii) *Interest income*

Interest income is recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount of it. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial asset.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

4 Significant accounting policies *(continued)*

h) New standards and interpretations not yet adopted

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual period beginning on or after 1 January 2018. However, early application of IFRS 9 is permitted. The Company is still in process to determine the impact of adopting this standard.

5 Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors with the help of the senior management team is responsible for monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

5 Financial risk management policies *(continued)*

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balance, trade receivables and amount due from related parties.

Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer/counter party.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, industry, aging profile, maturity and existence of previous financial difficulties. Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis.

For Margin trading the Company evaluates its customers and limits the credit risk by ensuring that collections are in line with agreed terms and conditions and by taking securities as collateral for trading balances.

Settlement accounts with financial markets is with the security exchange and is settled on T+2 basis. Cash has been kept with a reputed bank.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of amounts due from customers. The main components of this allowance are a specific loss component that relates to individually significant exposure and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

As at 31 December 2014, there was no impairment charge, since all receivables were neither past due or impaired. Outstanding receivables are monitored on an ongoing basis. *(31 December 2013: Nil)*.

According to the Emirates Securities and Commodities Authority (ESCA) Circular (12/R) of 2010 the brokerage firm should disclose the gross amount of all its risky assets, without taking into consideration the effect of the methods used to reduce credit risk.

As at 31 December 2014 the Company does not own any risky assets *(31 December 2013: Nil)*.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring adequate funds are available to settle the liabilities. The Company's terms of brokerage contracts require the amounts to be received settled in accordance with the settlement terms of the securities market. Outstanding receivables are monitored on an ongoing basis.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

5 Financial risk management policies *(continued)*

The maturity profile of financial liabilities as at 31 December as follows:

2014

	Up to three months AED	From one year to five years	Total AED
Trade and other payables	21,769,225	-	21,769,225
Due to a related party	-	19,455,664	19,455,664
Due to a related party	141,051	-	141,051
	<u>21,910,276</u>	<u>19,455,664</u>	<u>41,365,940</u>

2013

	Up to three months AED	From one year to five years	Total AED
Trade and other payables	6,922,425	-	6,922,425
Due to a related party	829,404	-	829,404
	<u>7,751,829</u>	<u>-</u>	<u>7,751,829</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Company is not exposed to currency risk on transactions executed in foreign currencies as all transactions are undertaken in UAE Dirhams.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

5 Financial risk management policies *(continued)*

(c) Market risk *(continued)*

(ii) Interest rate risk

Interest rate risk is the risk that arises from timing differences in the maturity and re-pricing of the Company's interest bearing assets and liabilities.

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. The Company is exposed to interest rate risk only in respect of bank balances, margin trading receivables and related party borrowings. Other financial assets and liabilities are non-interest bearing.

Bank balances including bank fixed deposits are placed at prevailing market rates offered by commercial banks in UAE. Margin trading receivable is normally short term and carry fix interest. The impact of change in interest rate by 50 bps for related party borrowings would impact the profit or loss by AED 97,278.

(d) Operational risk

The Company maintained an adequate capital to cover its operational risk in accordance with the Emirates Securities and Commodities Authority requirements (ESCA). The Company used fixed expenditure shown in the results of the previous financial year to calculate the capital requirement for its operational risk.

(e) Capital management

The regulator, Emirates Securities and Commodities Authority ("ESCA"), sets and monitors capital requirements for the Company.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

5 Financial risk management policies *(continued)*

(e) Capital management *(continued)*

The Board's policy is to maintain a strong capital base so as to maintain customers and market confidence and to sustain future development of the business.

There were no changes in the Company's approach to capital management during the year and management believes that the Company is in compliance with the regulatory capital requirement throughout the period.

At 31 December 2014, the Company's capital adequacy ratio as per the Emirates Securities and Commodities Authority (ESCA) Circular (12/R) of 2010 is 8.41 (2013: 7.99).

According to ESCA a brokerage firm must allocate capital to constitute a buffer for credit risk, market risk, or operational risk, whether incorporated as a budget item or not, according to the percentages.

The Company's capital adequacy ratio as per effective regulatory framework, ESCA, at the minimum level is analyzed into three tiers as follows:

	2014 AED	2013 AED
Tier 1 Capital	20,847,124	22,498,427
Tier 2 Capital	19,455,664	-
Tier 3 Capital	-	-
Total capital base	40,302,788	22,498,427
Capital requirement	4,794,406	2,814,873
Capital adequacy ratio	8.41	7.99

Tier 1 Capital consist of share capital and total accumulated losses.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

6 Furniture, fixtures and equipment

	Office furniture and fixtures AED	Computer equipment AED	Motor vehicles AED	Total AED
<i>Cost</i>				
At 1 January 2013	970,930	1,139,138	-	2,110,068
Additions during the year	7,320	96,270	-	103,590
At 31 December 2013	978,250	1,235,408	-	2,213,658
At 1 January 2014	978,250	1,235,408	-	2,213,658
Additions during the year	4,560	154,996	58,000	217,556
At 31 December 2014	982,810	1,390,404	58,000	2,431,214
<i>Accumulated depreciation</i>				
At 1 January 2013	302,384	283,923	-	586,307
Charge for the year	324,025	432,391	-	756,416
At 31 December 2013	626,409	716,314	-	1,342,723
At 1 January 2014	626,409	716,314	-	1,342,723
Charge for the year	318,900	474,781	14,500	808,181
At 31 December 2014	945,309	1,191,095	14,500	2,150,904
<i>Carrying amounts</i>				
At 31 December 2013	351,841	519,094	-	870,935
At 31 December 2014	37,501	199,309	43,500	280,310

Securities & Investment Company (UAE) LLC

Notes to the financial statements

7 Intangible assets

	Computer Software AED
Cost	
Cost at 1 January 2013	485,928
Additions	323,664
At 31 December 2013	809,592
At 1 January 2014	809,592
Additions	-
At 31 December 2014	809,592
Accumulated amortization	
At 1 January 2013	81,033
Amortization for the year	233,901
At 31 December 2013	314,934
At 1 January 2014	314,934
Amortization for the year	269,864
At 31 December 2014	584,798
Carrying value	
At 31 December 2013	494,658
At 31 December 2014	224,794

Intangible assets consist of computer software and are amortized over a period of three years.

Securities & Investment Company (UAE) LLC

Notes to the financial statements

8 Margin trading receivables

The Company has obtained the license from ESCA under registration 604010 dated 24/11/2013, whereby the Company would provide finance to its clients as percentage of market value of securities.

The clients are subject to discretionary interest charges by management. The Margin trading facility will be on a 1:1 basis, whereby to avail the margin facility the clients must deposit margin amount. The clients portfolio will be used as collateral against the margin facility and they need to provide additional margin in the form of cash or securities, if the value of their portfolio reaches the minimum margin maintenance limit that is set by the Company. In case the client fails to meet margin requirement due to deterioration in the portfolio, the Company is allowed to liquidate the positions and settle all its outstanding dues from the client.

During the year the Company liquidated the customer's collateral to cover the margin facility due to the drop in market and no loss was incurred. The total collateral liquidated during the year amounted to AED 981,425 (31 December 2013: Nil).

The fair value of securities held as collateral against the margin trading facilities as at the reporting date amounts to AED 26,513,651 (31 December 2013: AED nil).

As at the commitment date, the commitments extended to customers for margin trading has an undrawn limit of AED 2,255,149 (31 December 2013: AED nil).

9 Trade receivables and prepayments

	2014 AED	2013 AED
Settlement account with financial markets	265,555	4,861,105
Prepaid expenses	509,598	197,719
Security Deposits	53,000	42,000
Other	43,685	2,000
	<u>871,838</u>	<u>5,102,824</u>

Securities & Investment Company (UAE) LLC

Notes to the financial statements

10 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Company, related parties include shareholders and directors of the Company and their related concerns.

Balances with related parties are as follows:

	2014 AED	2013 AED
<i>Due to the Ultimate Parent:</i>		
Due to related party	19,596,715	829,404
Due to customer	15,798,101	5,362,035

On 4 June 2014, the Parent provided the Company with a credit facility amounting USD 5,300,000. The credit facility is available for a period of 5 years to meet SCA requirements of margin trading. Interest rate are set for a period of 3 months at Libor plus 1.8%.

Transactions with Ultimate Parent:

Total transaction amount	2,154,320,856	589,808,389
Commission income	1,619,205	443,682
Interest on loan	(187,976)	-
Commission expense	(452,447)	(174,737)

The remuneration and other benefits for key management personnel was AED 1,243,764 during the year ended 31 December 2014 (31 December 2013: 1,279,309).

11 Cash and bank balances

	2014 AED	2013 AED
Cash at banks	48,118,640	23,867,154
Cash in hand	8,558	3,076
	<u>48,127,198</u>	<u>23,870,230</u>

Securities & Investment Company (UAE) LLC

Notes to the financial statements

12 Share capital

	2014 AED	2013 AED
Authorised, issued and paid in 30,000,000 equity shares of AED 1 each	<u>30,000,000</u>	<u>30,000,000</u>

The share capital is maintained in accordance with Circular No. 45/2006 dated 18 December 2006 issued by SCA.

13 Statutory reserve

As required by the UAE Commercial Companies Law No. 8 of 1984 (as amended) and the Articles of Association, 10% of the profit for the year is to be transferred to a statutory reserve until such time as the reserve totals 50% of the paid up share capital.

14 Employee terminal benefits

	2014 AED	2013 AED
Balance at 1 January	88,391	73,777
Charge for the year	87,644	66,203
Payments made during the year	(17,108)	(51,589)
Balance at 31 December	<u>158,927</u>	<u>88,391</u>

15 Trade and other payables

	2014 AED	2013 AED
Payables to customers	19,872,486	6,756,901
Margin Trading Payables	808,430	-
Settlement account with financial markets	737,449	19,714
Provision for bonus to staff	278,460	-
Accrued fees	52,000	100,488
Others	20,400	45,322
	<u>21,769,225</u>	<u>6,922,425</u>

Securities & Investment Company (UAE) LLC

Notes to the financial statements

16 Administrative and general expenses

Administrative and general expenses include the following:

	2014 AED	2013 AED
Payroll	3,103,296	2,278,594
Software and licensing expenses	877,783	793,823
Professional fees	218,094	166,695
Rent	343,980	343,980
Utilities	420,419	406,292
Insurance	116,248	85,723
Others	504,352	331,633
	<u>5,584,172</u>	<u>4,406,740</u>

17 Contingent liabilities

- i) During the year, the Company was served notice of legal action brought against it jointly with a third party by one of the Company's old customers.

The plaintiff claimed damages of AED 10M resulting from a fraudulent transaction carried out by the third party and allegedly one of the old employees of the Company. The transaction took place prior to the acquisition of the entire shares of the Company by the current shareholders when the Company's name was CI Capital Gulf Financial Brokerage Company LLC.

The current shareholders included a clause in the sale and purchase agreement that exonerate the Company from any legal action related to any incident prior to the purchase date of 15 September 2011 and places the liability on the old shareholders.

At this stage of the action, the Management believes that as per the International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets", there is no need for a provision to be created in these condensed interim financial statements.

- ii) The Company has letters of guarantee in the amount of AED 50 million (31 December 2013: AED 30 million) in favour of Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) in accordance with the requirements issued by the Securities and Commodities Authority.