

# CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

USD 000's

	31 December 2010	31 December 2009
<b>ASSETS</b>		
Balances with banks	2,672	14,287
Placements with financial institutions	11,267	50,789
Investment securities	135,396	129,259
Investments in associates and joint venture accounted under the equity method	31,677	36,814
Investment property	9,130	62,884
Receivable from investment banking services	13,837	9,925
Short term funding to project companies	20,975	14,418
Other assets	11,942	23,618
Property and equipment	12,350	14,007
<b>Total assets</b>	<b>249,246</b>	<b>356,001</b>
<b>LIABILITIES</b>		
Islamic financing payables	44	13,428
Payable on acquisition of investment property	-	41,737
Employee accruals	5,785	5,767
Other liabilities	3,715	9,272
<b>Total liabilities</b>	<b>9,544</b>	<b>70,204</b>
<b>EQUITY</b>		
Share capital	250,000	173,250
Share premium	28,429	13,533
Funds received towards capital increase	-	64,905
Unvested shares of employee share ownership plan	(22,764)	(15,000)
Statutory reserve	10,414	10,414
Investment fair value reserve	2,229	1,496
Employee share ownership plan reserve (Accumulated losses) retained earnings	5,064	4,211
	(33,670)	32,988
<b>Total equity</b>	<b>239,702</b>	<b>285,797</b>
<b>Total liabilities and equity</b>	<b>249,246</b>	<b>356,001</b>
<b>Off statement of financial position items</b>		
Restricted investment accounts	16,219	16,779

Extracted from the audited consolidated financial statements approved by the Board of Directors on 20th February 2011 and on which Ernst & Young have issued an unqualified report.

Dr. Ghassan Al Sulaiman  
Chairman

Abdullatif M. Janahi  
Director and Chief Executive Officer

## CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2010

USD 000's

	31 December 2010	31 December 2009
<b>INCOME</b>		
Income from investment banking services	13,249	24,619
Income from placements with financial institutions	787	594
Income from short term funding to project companies	76	102
(Loss) gain on investment securities	(13,658)	7,005
Other income	2,300	2,387
<b>Total income</b>	<b>2,754</b>	<b>34,707</b>
<b>EXPENSES</b>		
Staff costs	9,890	9,763
Travel and business development expenses	753	906
Legal and professional fees	1,333	508
Finance costs	254	28
Depreciation	1,612	1,343
Other expenses	2,315	2,511
<b>Total expenses</b>	<b>16,157</b>	<b>15,059</b>
<b>(Loss) profit before impairment and share of loss of associate and joint venture</b>	<b>(13,403)</b>	<b>19,648</b>
<b>Impairment allowances</b>	<b>(30,999)</b>	<b>(6,410)</b>
<b>Share of loss of associate and joint venture</b>	<b>(3,200)</b>	<b>(2,234)</b>
<b>Net (loss) profit for the year</b>	<b>(47,602)</b>	<b>11,004</b>
<b>Attributable to:</b>		
Shareholders of the Parent	(47,602)	11,013
Non-controlling interest	-	(9)
	<b>(47,602)</b>	<b>11,004</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

USD 000's

	31 December 2010	31 December 2009
(Loss) profit for the year	(47,602)	19,648
<b>Other comprehensive income</b>		
Changes in fair value of available-for-sale investments	733	1,581
<b>Total comprehensive (loss) income for the year</b>	<b>(46,869)</b>	<b>21,229</b>
<b>Attributable to:</b>		
Shareholders of the Parent	(46,869)	21,238
Non-controlling interest	-	(9)
	<b>(46,869)</b>	<b>21,229</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

USD 000's

	31 December 2010	31 December 2009
<b>OPERATING ACTIVITIES</b>		
(Loss) profit for the year	(47,602)	11,004
Adjustments for non-cash items:		
Loss (gain) from investment securities	13,658	(7,005)
Share of results of associates and joint venture accounted under the equity method	3,200	2,234
Employee share ownership plan vesting charge	853	1,138
Impairment allowances	30,999	6,410
Depreciation	1,612	1,343
Operating profit before changes in operating assets and liabilities	2,720	15,124
Changes in operating assets and liabilities:		
Investment securities	(33,128)	(8,563)
Receivable from investment banking services	(6,811)	(691)
Short term funding to project companies	(17,043)	(6,024)
Other assets	11,547	(1,184)
Employee accruals	18	(8,768)
Other liabilities	(5,557)	5,700
<b>Net cash used in operating activities</b>	<b>(48,254)</b>	<b>(4,406)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(75)	(10,208)
Purchase of investment in associates and joint venture accounted under the equity method	(1,481)	(459)
Proceeds from sale (purchase) of investment property	53,873	(54,413)
Acquisition of non-controlling interest	-	(13)
<b>Net cash from (used in) investing activities</b>	<b>52,317</b>	<b>(65,093)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of Islamic financing payables	(13,384)	13,140
Funds received towards capital increase	-	64,905
Payable on acquisition of investment property	(41,737)	41,737
Dividend and other appropriations paid	-	(17,827)
Zakat contribution	(79)	(191)
Net cash (used in) from financing activities	(55,200)	101,764
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(51,137)</b>	<b>32,265</b>
Cash and cash equivalents at beginning of the year	65,076	32,811
<b>Cash and cash equivalents at end of the year</b>	<b>13,939</b>	<b>65,076</b>
<b>Cash and cash equivalents per the consolidated statement of financial position</b>		
Balances with banks	2,672	14,287
Placements with financial institutions	11,267	50,789
	<b>13,939</b>	<b>65,076</b>

## CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH FUND

For the year ended 31 December 2010

USD 000's

	31 December 2010	31 December 2009
<b>Sources of zakah fund</b>		
Contributions by the Bank	79	191
<b>Total sources</b>	<b>79</b>	<b>191</b>
<b>Uses of zakah fund</b>		
Contributions to charitable organisations	79	191
<b>Total uses</b>	<b>79</b>	<b>191</b>
<b>Undistributed zakah fund at 31 December</b>	<b>-</b>	<b>-</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

USD 000's

	Attributable to the shareholders of the parent										Total
	Share capital	Share premium	Funds received towards capital increase	Unvested ESOP shares	Statutory reserve	Investment fair value reserve	ESOP reserve	Retained earnings	Total before non-controlling interests	Non-controlling interests	
Balance at 1 January 2010	173,250	13,533	64,905	(15,000)	10,414	1,496	4,211	32,988	285,797	-	285,797
Issue of share capital	57,773	14,896	(64,905)	(7,764)	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	-	(47,602)	(47,602)	-	(47,602)
Other comprehensive income for the year	-	-	-	-	-	733	-	733	733	-	733
Total comprehensive income (loss) for the year	-	-	-	-	-	733	-	(47,602)	(46,869)	-	(46,869)
Bonus shares issued during the year	18,977	-	-	-	-	-	-	(18,977)	-	-	-
Zakat contribution	-	-	-	-	-	-	-	(79)	(79)	-	(79)
Employee share ownership plan vesting charge	-	-	-	-	-	-	853	853	853	-	853
<b>Balance at 31 December 2010</b>	<b>250,000</b>	<b>28,429</b>	<b>-</b>	<b>(22,764)</b>	<b>10,414</b>	<b>2,229</b>	<b>5,064</b>	<b>(33,670)</b>	<b>239,702</b>	<b>-</b>	<b>239,702</b>
Balance at 1 January 2009	165,000	13,533	-	(15,000)	9,314	(85)	3,073	49,352	225,187	13	225,200
Profit (loss) for the year	-	-	-	-	-	-	-	11,013	11,013	(9)	11,004
Other comprehensive income for the year	-	-	-	-	-	1,581	-	1,581	1,581	-	1,581
Total comprehensive income (loss)	-	-	-	-	-	1,581	-	11,013	12,594	(9)	12,585
Transfer to statutory reserve	-	-	-	-	1,100	-	-	(1,100)	-	-	-
Dividends declared for 2008	-	-	-	-	-	-	-	(16,293)	(16,293)	-	(16,293)
Directors' remuneration for 2008	-	-	-	-	-	-	-	(1,534)	(1,534)	-	(1,534)
Bonus shares issued during the year	8,250	-	-	-	-	-	-	(8,250)	-	-	-
Zakat contribution	-	-	-	-	-	-	-	(191)	(191)	-	(191)
Funds received towards capital increase	-	-	64,905	-	-	-	-	-	64,905	-	64,905
Employee share ownership plan vesting charge	-	-	-	-	-	-	1,138	1,138	1,138	-	1,138
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(9)	(9)	(4)	(13)
<b>Balance at 31 December 2009</b>	<b>173,250</b>	<b>13,533</b>	<b>64,905</b>	<b>(15,000)</b>	<b>10,414</b>	<b>1,496</b>	<b>4,211</b>	<b>32,988</b>	<b>285,797</b>	<b>-</b>	<b>285,797</b>

## CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the year ended 31 December 2010

USD 000's

2010	Balance as at 1 January	Movements during the year				Balance as at 31 December
		Investment/ withdrawal	Fair value movement/ (impairment)	Gross income	Dividends paid	
GCC Pre-IPO Fund	4,471	-	(595)	2	-	3,878
VC Bank investment projects Mudarabah	12,308	-	-	887	(792)	12,341
<b>Balance as at 31 December 2010</b>	<b>16,779</b>	<b>-</b>	<b>(595)</b>	<b>889</b>	<b>(792)</b>	<b>16,219</b>
2009						
GCC Pre-IPO Fund	4,615	(146)	(127)	129	-	4,471
VC Bank investment projects Mudarabah	-	12,000	-	331	(23)	12,308
<b>Balance as at 31 December 2009</b>	<b>4,615</b>	<b>11,854</b>	<b>(127)</b>	<b>460</b>	<b>(23)</b>	<b>16,779</b>
Investment in equities						
Funds in short term murabaha						
<b>Total</b>						
					2010	2009
					3,681	4,276
					12,538	12,503
					<b>16,219</b>	<b>16,779</b>

The GCC Pre-IPO Fund targets investments in selected GCC equities in the pre-IPO stage with the primary objective of benefiting from the potential market gains expected to arise from their IPO's. Investors nominate the specific equities they wish to participate in from a pool of GCC Pre-IPO equities, specifying the amounts in each, and receive all returns less the Bank's fee of 20% over a 10% simple return.

The VC Bank Investment Projects Mudarabah provides an opportunity for investors to earn attractive returns from providing liquidity financing to selected investment projects from the portfolio of projects promoted by the Bank.