Emirates NBD Securities LLC

Financial statements

For the year ended 31 December 2016

Contents

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of Emirates NBD Securities LLC (the "Company") for the year ended 31 December 2016.

Financial Results

The Company has reported a net profit of AED 11.5 million for the year ended 31 December 2016.

Total equity holders' funds amount to AED 447.6 million as at 31 December 2016.

Directors

The Directors of the Company during the year (and to date of this report) were as follows:

Mr. Suvo Sarkar	Chairman
Mr. Faisal Aqil Al Bastaki	Member
Mr. Saod Mohamed Obaidalla	Member
Mr. Salah Mohammed Amin	Member

Proposed appropriations

The Directors have recommended a cash dividend of AED 341.7 million to be paid out of the Retained Earnings.

Auditors

Ernst & Young were appointed as Auditors of Emirates NBD Securities LLC at the Emirates NBD Group Annual General Meeting held on 15 February 2016. Ernst & Young are eligible for re-appointment and have expressed their willingness to continue in office.

On behalf of the Board

Suvo Sarkar
Chairman

Dubai, UAE

Date: 29 Jan 2017

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMIRATES NBD SECURITIES LLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Emirates NBD Securities LLC (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows and for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement present fairly, in all material respect, the financial position of the company as at 31 December 2016 and its financial performance and its cash flow for the year then ended in accordance with international financial standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section* of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (the "IESBA Code")* together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMIRATES NBD SECURITIES LLC (Continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EMIRATES NBD SECURITIES LLC (Continued)

Report on other legal and regulatory requirements

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

i) the Company has maintained proper books of account;

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Memorandum of Association and the UAE Federal Law No. (2) of 2015;

iv) the financial information included in the Directors' report is consistent with the books of account of the Company;

v) investments in shares and stocks during the year ended 31 December 2016, if any, are disclosed in note 8 to the financial statements;

vi) note 11 reflects material related party transactions and the terms under which they were conducted;

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 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum of Association which would have a material impact on its activities or its financial position as at 31 December 2016; and

viii) note 15 reflects the social contributions made during the year.

For Ernst & Young

J Murphy

Joseph Murphy
Partner
Registration No: 492

Dubai, United Arab Emirates
29 January 2017

EMIRATES NBD SECURITIES LLC

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 AED '000	2015 AED '000
Assets			
Property and equipment	7	**419**	942
Financial assets available-for-sale	8	**6,432**	6,334
Total non-current assets		**6,851**	7,276
Trade and other debtors	9	**17,032**	18,079
Other receivables	10	**5,130**	3,458
Due from Holding Company	11	**1,929**	328,355
Cash and bank balances	12	**431,546**	90,311
Total current assets		**455,637**	440,203
Other payables	13	**5,329**	7,301
Client deposit		**9,538**	4,182
Total current liabilities		**14,867**	11,483
Net current assets		**440,770**	428,720
Net assets		**447,621**	435,996
Represented by			
Share capital	14	**36,000**	36,000
Statutory reserve	14	**18,804**	18,804
Fair value reserve	14	**1,086**	988
Capital contribution reserve	14	**50,000**	50,000
Retained earnings		**341,731**	330,204
Total equity holders' funds		**447,621**	435,996

The notes on pages 10 to 32 form an integral part of these financial statements.

The independent auditors' report is set out on page 2 to 4.

These financial statements were approved by the Board of Directors of Emirates NBD Securities LLC on 29 January 2017 and signed on their behalf by:

Chairman

General Manager

	Notes	**2016 AED '000**	2015 AED '000
Commission income		**21,805**	27,039
Administrative and general expenses	15	**(17,966)**	(24,109)
Operating profit		**3,839**	2,930
Other income	16	**1,800**	411
Recovery of impairment on trade and other debtors	9	**3,976**	505
Interest received from Holding Company	11	**1,912**	731
Profit for the year		**11,527**	4,577

The notes on pages 10 to 32 form an integral part of these financial statements.

The independent auditors' report is set out on page 2 to 4.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 AED '000	2015 AED '000
Profit for the year	**11,527**	4,577
Other comprehensive income:		
Net change in fair value of financial assets available-for-sale	**98**	(3,850)
Total comprehensive income for the year	**11,625**	727

The notes on pages 10 to 32 form an integral part of these financial statements.

The independent auditors' report is set out on page 2 to 4.

	Notes	2016 AED '000	2015 AED '000
OPERATING ACTIVITIES			
Profit for the year		**11,527**	4,577
Adjustments for non-cash items			
Recovery of impairment losses	9	**(3,976)**	(505)
Depreciation	7	**637**	621
		8,188	4,693
Change in trade and other debtors		**5,023**	1,093
Change in other receivables		**(1,672)**	(156)
Change in due from Holding Company		**326,426**	(2,984)
Change in other payables		**(1,973)**	(1,664)
Net cash flows from operating activities		**335,992**	982
INVESTING ACTIVITIES			
Acquisition of property and equipment	7	**(114)**	(99)
Increase in term deposits maturing after three months		**(289,761)**	(426)
Net cash flows used in investing activities		**(289,875)**	(525)
Net increase in cash and cash Equivalents		**46,117**	457
Cash and cash equivalents at the beginning of the year		**41,688**	41,231
Cash and cash equivalents at the end of the year		**87,805**	41,688

The notes on pages 10 to 32 form an integral part of these financial statements.

The independent auditors' report is set out on page 2 to 4.

	Share capital AED'000	**Statutory reserve AED '000**	**Fair value reserve AED '000**	**Capital contribution reserve AED '000**	**Retained earnings AED '000**	**Total AED'000**
Balance at 1 January 2016	36,000	18,804	988	50,000	330,204	**435,996**
Total comprehensive income			98		11,527	**11,625**
Balance at 31 December 2016	**36,000**	**18,804**	**1,086**	**50,000**	**341,731**	**447,621**

	Share capital AED'000	Statutory reserve AED '000	Fair value reserve AED '000	Capital contribution reserve AED '000	Retained earnings AED '000	Total AED'000
Balance at 1 January 2015	36,000	18,804	4,838	50,000	325,627	435,269
Total comprehensive income	-	-	(3,850)	-	4,577	727
Balance at 31 December 2015	36,000	18,804	988	50,000	330,204	435,996

The notes on pages 10 to 32 form an integral part of these financial statements.

The independent auditors' report is set out on page 2 to 4.

1 Legal status and principal activities

Emirates International Securities LLC ("the Company") is a limited liability company incorporated in the Emirate of Dubai on 10 November 2001 under the Federal Law No 8 of 1984 (as amended) applicable to commercial companies. On 8 November 2009, the Company received regulatory approval to merge with NBD Securities LLC ("acquired entity") and changed its name from Emirates International Securities LLC to Emirates NBD Securities LLC.

The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. 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 30 June 2017.

On 21 November 2009 (the effective date), NBD Securities LLC transferred all its assets and liabilities to the Company to complete the merger of the two entities.

The share holding pattern in the Company is as follows:

Name of equity holders	**Shareholding (%)**
Emirates NBD Bank PJSC ("Holding Company")	99%
Emirates Financial Services PSC	1%

Following the merger of Emirates Bank International PJSC and the National Bank of Dubai PJSC during 2007, the Company's ultimate Holding Company is Emirates NBD Bank PJSC, a Company in which the Investment Corporation of Dubai is the majority shareholder.

The principal activity of the Company is to act as an intermediary in dealings in shares, stocks, debentures and securities.

The registered address of the Company is P.O. Box 2923, Dubai, U.A.E.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the laws of the U.A.E.

These financial statements have been approved for issue by the Board of Directors on 29 JAN 2017.

(b) Basis of measurement

These financial statements are prepared under the historical cost convention, except for investment securities designated at fair value through profit or loss and available for-sale which are measured at fair value. The methods used to measure fair value are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in UAE Dirhams ("AED"), which is the functional currency of the Company, rounded to the nearest thousand.

2 Basis of preparation (continued)

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of 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. The critical areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to these financial statements are included in the relevant accounting policies.

3 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Revenue recognition

Commission income

The Company earns commission income on those transactions in which it acts as an agent. Commission income is recognised on an accrual basis when the right to receive is established.

(b) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses, if any. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in statement of income.

3 Significant accounting policies (continued)

(b) Property and equipment (continued)

Useful lives of property and equipment

The Group's Management determines the estimated useful lives of its property and equipment for calculating depreciation as the policies of the Company are in line with the Group's policies. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. Estimated useful lives are as below:

Freehold improvements	10 years
Leasehold improvements	7 years
Office equipment	5 years
Computers	4 years

Capital work in progress is stated at cost. When completed, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policies.

(c) Financial instruments

Classification

A financial instrument is any contract that gives rise to both a financial asset for the Company and the financial liability or equity instrument of another party. Non-derivative financial instruments comprise investments in equity securities, trade and other receivables (except prepayments), cash and cash equivalents and other payables.

Available-for-sale financial assets

Available-for-sale assets are financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized or impaired, the gain or loss recognized in statement of other comprehensive income is reclassified to the income statement.

Available-for-sale financial assets comprise equity securities.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Classification (continued)

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets classified as held-for-trading comprise short-term sovereign debt securities actively managed by the Group's treasury department to address short-term liquidity needs.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value and are used by the Company for day to day operations. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from the statement of changes in equity.

Initial Recognition

Financial assets and liabilities are recognised on the statement of financial position when the Company becomes a party to contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets designated at fair value through profit or loss or available-for-sale assets are recognised.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Measurement

A financial asset is recognised initially at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be measured reliably is stated at cost, including transaction costs, less impairment allowances.

All other financial assets and non-trading financial liabilities are measured at amortised cost less impairment allowances.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Company has substantially transferred all the risks and rewards of ownership. A financial liability is dereognised when it is extinguished.

(d) Offsetting

Financial assets and liabilities are offset and the net amount is reported on the statement of the financial position only when the Company has a legally enforceable right to set off the recognised amount and it intends either to settle 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 under IFRS or IAS or if gains or losses are arising from a group of similar transactions.

(e) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of an 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 original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

3 Significant accounting policies (continued)

(e) Impairment (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to statement of income.

<u>Non-financial assets</u>

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 any such indication exists, then the asset's recoverable amount is estimated.

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

(f) Foreign currencies

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

(g) Employee benefits

<u>Short-term benefits</u>

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.

(h) 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.

3 Significant accounting policies (continued)

(i) Operating leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease.

(j) Dividend income

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(k) Related parties

A party is considered to be related to the Company if:

(a) the party, directly or indirectly through one or more intermediaries,

   (i) controls, is controlled by, or is under common control with, the Company;
   (ii) has an interest in the Company that gives it significant influence over the Company; or
   (iii) has joint control over the Company;

(b) the party is an associate;
(c) the party is a jointly-controlled entity;
(d) the party is a member of the key management personnel of the Company;
(e) the party is a close member of the family of any individual referred to in (a) or (d); or
(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) the party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is a related party of the Company.

(l) Customer loyalty programme

The Company operates a rewards programme which allows customers to accumulate points when they trade with the Company. The points can then be redeemed and credited to customer trading account, subject to a minimum number of points being obtained.

The sale proceeds received are allocated between the customer trades and the points issued, with the proceeds allocated to the points being equal to their fair value. Fair value is determined by applying statistical techniques. The fair value of the points issued is deferred and recognised in revenue when the points are redeemed.

3 Significant accounting policies (continued)

(m) New standards and interpretations effective after 01 January 2016

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

Standard	Description	Effective date (early adoption permitted)
Amendments to IAS 1 – Disclosure Initiative	The amendments provide clarifications and narrow-focus improvements on materiality, presentation of primary statements, structure of notes, disclosure of accounting policies, and presentation of OCI arising from equity accounted investments. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose and how to structure notes in their financial statements.	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization	The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.	1 January 2016

(n) New standards and interpretations not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016, with the Company not opting for early adoption. These have, therefore, not been applied in preparing these financial statements.

IFRS 15, 'Revenue from contracts with Customers'.	This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18,'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 January 2018

3 Significant accounting policies (continued)

(n) New standards and interpretations not yet effective (continued)

IFRS 15, 'Revenue from contracts with Customers'.	IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.	1 January 2018
IAS 7, "Statement of cash flows"	The amendments issued are as follows: (a) introduce additional disclosure requirements intended to address investors' concerns as currently they are not able to understand the management of an entity's financing activities; (b) require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes; (c) do not prescribe a specific format for disclosures but indicates that we can fulfil the requirement by providing a reconciliation between opening and closing balances for liabilities arising from financing activities; and (d) are also applicable to financial assets that hedge liabilities arising from financing activities.	1 January 2017
IFRS 9, 'Financial instruments'	The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. **(a) Classification and measurement** IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: a) amortised cost, b) fair value through other comprehensive income (OCI); and c) fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.	1 January 2018

3 Significant accounting policies (continued)

(n) New standards and interpretations not yet effective (continued)

IFRS 9, 'Financial instruments'	For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. **(b) Impairment** There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 requires the company to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis. **(c) Hedging** IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.	1 January 2018

The company is in the process of analyzing the impact of IFRS 9. The company has assessed the impact of other standards, amendments to standards, revisions and interpretations. Based on the assessment, the above standards, amendments to standards, revisions and interpretations have no material impact on the financial statements of the company as at the reporting date.

(o) Trade and other debtors

All receivables are stated at amortised cost less impairment losses, if any.

(p) Payables

Payables are stated at amortised cost.

4 Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment securities

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. In accordance with IAS 39, all the investments are stated at their fair values. The fair value of investments in recognized financial markets is their quoted price.

Where the investments are not traded in an active market, traded in small volumes, or where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis or maintainable earnings models or other reliable valuation methods. Investments whose fair value cannot be reliably measured are carried at cost (being the most recent estimate of fair value) less any impairment losses.

5 Financial risk management

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, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout in the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has authorised the quality assurance department to develop and monitor the Company's risk management policies. The Quality Assurance Manager reports regularly to the Board of Directors on its activities.

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, and 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.

5 Financial risk management (continued)

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 the Company's receivables from customers. The Company has in place group standards; regulations of Securities and Commodities Authority ("SCA"), Abu Dhabi Securities Exchange ("ADX") and the Dubai Financial Market ("DFM"), and policies and procedures dedicated to monitor and manage risk from such activities.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's credit risk is mainly attributable to the trade margin facilities extended to the Company's customers. The exposure to credit risk on these facilities is monitored on an on-going basis by the management.

The Company has a policy in place under which each new customer is analysed individually for creditworthiness before the Company allows these customers to open a trading account with the Company. A trading limit is established for each customer, which represents the maximum open amount of margin facilities that is available to the customer for trading purposes. These individual limits are monitored and reviewed on an on-going basis.

The Company's cash is placed with its holding company and financial institutions of good repute.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2016 AED '000	2015 AED '000
Trade and other debtors	**17,032**	18,079
Due from Holding Company	**1,929**	328,355
Bank balances	**431,546**	90,311
Total	**450,507**	436,745

The unsettled trade debtors of the Company as at the reporting date are derived from Gulf Cooperation Council countries ("GCC").

The maximum exposure to credit risk for trade and other debtors at the reporting date by type of customer was:

	2016 AED '000	2015 AED '000
Individuals	**17,032**	18,079
Corporates	-	-
Total	**17,032**	18,079

5 Financial risk management (continued)

Credit risk (continued)

Impairment losses

The ageing of trade receivables at the reporting date was:

	2016 AED '000	2015 AED '000
Not past due	-	-
Individually Impaired	38,046	45,703
Less: Impairment	(21,014)	(27,624)
	17,032	18,079

The movement in the allowance for impairment in respect of trade receivables during the year is referred to in note 9.

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 is not significantly exposed to liquidity risks as its primary source of funding is through approved financing arrangements with the Holding Company, which itself is a reputable bank in the UAE.

Further, the Company comprises mainly other payables which are non interest bearing with a maturity of less than six months. The contractual cash flows are not materially different from their carrying amounts.

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.

Currency risk

All the company's transactions are conducted in AED or US Dollar ("USD"). The AED is currently pegged to the USD and while this continuous to be the case, the Company has no significant exposure to currency risk.

5 Financial risk management (continued)

Market risk (continued)

Interest rate risk

The Company has exposure to interest rate risk in relation to the amount due from holding company. The Company pays/receives interest to/from the holding company on intra-group net payables/receivables. All interest bearing financial assets and liabilities are at fixed interest rates.

At the reporting date, the interest profile of the Company's interest bearing financial instruments are as follows:

	2016 AED '000	2015 AED '000
Fixed rate instruments:		
Fixed deposits	**400,790**	66,306
Variable rate instruments:		
Call accounts	**17,417**	17,285

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have resulted in the following increases / (decreases) being recognised in the profit and loss account or directly in equity as shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit and Loss		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2016				
Financial instruments	**174**	**(174)**	-	-
31 December 2015				
Financial instruments	173	(173)	-	-

Equity price risk

Equity price risk arises from investment securities of the Company. Exposure to price risk is monitored by senior management on an ongoing basis to assess the impact of changes in market conditions. Investment securities are managed on a fair value basis.

The amounts mentioned in the table below reflect an equal but opposite potential effect on profit before tax and equity based on an assumed 5% strengthening or weakening in prices, with all other variables held constant:

5 Financial risk management (continued)

Market risk (continued)

Equity price risk (continued)

	31 December 2016			31 December 2015		
	Total AED '000	Effect on profit AED '000	Effect on equity AED '000	Total AED '000	Effect on profit AED '000	Effect on equity AED '000
Effect of change in equity price by 5%						
Financial assets available-for- sale	**6,170**	**-**	**309**	6,072	-	304
	========	=======	========	=======	=======	======

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

To mitigate the operational risk, the Company has obtained fidelity and indemnity insurance cover against possible errors from its brokers while executing customers' orders for trade of securities in stock markets.

6 Capital management

The Company's capital management approach is driven by strategy and organizational requirements, taking into account the commercial environment in which it operates. The Company's capital management takes into account assets growth and the optimal amount and mix of capital required to support planned business growth.

Regulatory Capital

The Company is regulated by SCA, who sets and monitors the capital requirements for the Company. As per new SCA regulation No. 27 of 2014 concerning brokerage in securities, the minimum paid up capital for a brokerage company (Trading and Clearing Member) must not be less than AED 10 million (2015: AED 10 million). The Company has complied with all externally imposed capital requirements throughout the period. There were no changes in the Company's approach to capital management during the year.

7 Property and equipment

	Freehold Improve -ments AED '000	Leasehold improve -ments AED '000	Office equipment AED '000	Computers AED '000	Capital work in progress AED '000	Total AED '000
Cost						
Balance at 1 January 2016	**578**	**292**	**1,348**	**17,243**	**27**	**19,488**
Additions	-	27	-	110	-	137
Transfers	-	-	-	-	(23)	(23)
Balance at 31 December 2016	**578**	**319**	**1,348**	**17,353**	**4**	**19,602**
Accumulated depreciation						
Balance at 1 January 2016	**168**	**261**	**1,317**	**16,800**	-	**18,546**
Depreciation for the year	57	20	20	540	-	637
Balance at 31 December 2016	**225**	**281**	**1,337**	**17,340**	-	**19,183**
Net book value						
At 31 December 2016	**353**	**38**	**11**	**13**	**4**	**419**

	Freehold Improve -ments AED '000	Leasehold improve -ments AED '000	Office equipment AED '000	Computers AED '000	Capital work in progress AED '000	Total AED '000
Cost						
Balance at 1 January 2015	578	292	1,321	17,194	4	19,389
Additions	-	-	27	49	23	99
Transfers	-	-	-	-	-	-
Balance at 31 December 2015	578	292	1,348	17,243	27	19,488
Accumulated depreciation						
Balance at 1 January 2015	110	245	1,281	16,289	-	17,925
Depreciation for the year	58	16	36	511	-	621
Balance at 31 December 2015	168	261	1,317	16,800	-	18,546
Net book value						
At 31 December 2015	410	31	31	443	27	942

8 Investment securities

These comprise the following:

	2016 AED '000	2015 AED '000
Equity securities:		
Non-Current:		
Available-for-sale (refer note below)	**6,432**	6,334

Included in available for sale are:

a) AED 6,170 K (31 December 2015: AED 6,072 K) representing 4,936,337 shares in Dubai Financial Market ("DFM"). The Company in 2006 acquired the shares relating to DFM's IPO as per the allocation set by DFM for brokerage companies.

b) AED 198 K (31 December 2015: AED 198 K) representing 1% equity interest in Egyptian Company for Electronic System Development ("Network International Egypt (NI-Egypt) (S.A.E)"). The remaining 99% equity interest in NI-Egypt is collectively owned by Network International LLC and Emirates Financial Services PSC, who are a joint venture / subsidiary, respectively, of the Holding Company.

The Company has not made any additional investments in investment securities during the year 2016 (2015: AED Nil).

9 Trade and other debtors

Trade Debtors include receivables from Margin Trading (MT), which the Company previously engaged in. During 2011, SCA issued a circular that brokerage companies cannot carry out MT. The company has formulated a strategy for transferring margin trading accounts to its Holding Company. For the year ended 31 December 2016, no accounts were transferred to Holding Company (full year 2015 no accounts were transferred). Receivable from MT as of 31 December 2016 was AED 38 million (2015: AED 46 million).

	2016 AED '000	2015 AED '000
Customer receivables	**38,046**	45,703
Less: allowance for impairment loss	**(21,014)**	(27,624)
	17,032	18,079

9 Trade and other debtors (continued)

	2016 AED '000	2015 AED '000
Movement in allowance for impairment loss		
Balance as on 1st January	**27,624**	28,154
Allowance made during the year	**-**	-
Recoveries / Write back	**(3,976)**	(505)
Write off	**(2,634)**	(25)
	21,014	27,624

10 Other receivables

	2016 AED '000	2015 AED '000
Prepayments	**427**	213
Others	**4,703**	3,245
	5,130	3,458

The Company placed an amount of USD 517 K with DGCX as cash collateral money on 26 August 2013.

11 Related party transactions

The Company, in the normal course of business, carries out transactions with entities that fall within the definition of a related party contained in International Accounting Standard 24 (2009). The transactions and balances with the related parties, other than those as disclosed elsewhere in the financial statements, are as follows:

The total amount of compensation paid to directors and key management personnel during the year is as follows:

	2016 AED '000	2015 AED '000
Short term employee benefits	**1,948**	2,184
Post employment benefits	**94**	100

11 Related party transactions (continued)

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

	2016 AED '000	2015 AED '000
Due from Holding Company	**1,929**	328,355
Bank balances held with Holding Company	**431,499**	90,263

A number of functions are centralized and the costs of these are borne by the Holding Company and not recharged to the Company.

The transactions and balances with holding company and related parties, other than as disclosed elsewhere in the financial statements, are as follows:

	2016 AED '000	2015 AED '000
Commission income from related parties (refer note 11.1)	**1,244**	1,386
Interest income from Holding Company on fixed deposits and call account	**1,912**	731
Insurance premium paid to associate of Holding Company	**109**	103

11.1 Commission income from related parties in 2016 comprised:

	Trade value AED '000	Comm. income AED'000
Subsidiary of the Holding Company	**158,035**	**105**
Holding Company	**2,359,335**	**1,094**
Associate of the Holding Company	**41,906**	**42**
Director of the Holding Company	**2,531**	**3**
	2,561,807	**1,244**

11 Related party transactions (continued)

The Company has obtained a guarantee for Nasdaq worth AED 5,509 K from Mashreq Bank. There is a mutual agreement between the Holding Company and Mashreq Bank whereby they provide guarantees for each others' brokerage entity to Nasdaq, at no charge to each other.

12 Cash and bank balances

	2016 AED '000	2015 AED '000
Cash in hand	**5**	5
Current account	**21,212**	19,818
Bank deposit (Maturity within three months)	**66,588**	21,865
Cash and cash equivalents	**87,805**	41,688
Bank Deposit (Maturity after three months)	**334,202**	44,441
Client money (Refer note 12.1)	**9,539**	4,182
	431,546	90,311

12.1 In accordance with the regulations issued by the Emirates Securities and Commodities Authority ("ESCA") the Company maintains separate bank accounts for advances received from its customers ("clients' money"). The clients' money is not available to the Company other than to settle transactions executed on behalf of the customers maintaining deposits with the Company.

13 Other payables

The company has implemented a loyalty program for customers in 2013. The program was designed to pay incentive "Points" to eligible customers based on customers trading volume per month. The total points are accrued each month and will be valid for redemption within 24 months. Points are credited to customer's trading account upon request. Each point has an equivalent value of AED 1. The total loyalty points accrued, net of redemption included in other payables, as at 31 Dec 2016 is AED 1,449 K. (2015: AED 4,326 K).

14 Share capital and reserves

	2016 AED '000	2015 AED '000
Authorised, issued and fully paid up:		
36,000 shares of AED 1,000 each	**36,000**	36,000

Capital contribution reserve

The capital contribution reserve represents the share capital of the acquired entity.

Statutory reserve

In accordance with clause 22 of the Company's Memorandum and Articles of Association and article 255 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit for the period is allocated to a non-distributable statutory reserve. Such allocations have ceased as the statutory reserve now equals half of the paid up equity capital.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Retained Earnings

At the forthcoming Annual General Meeting which will be held on 23 FEB 2017, the company is proposing a cash dividend of AED 9,493 per share for the year (2015: AED Nil per share) amounting to AED 341.7 million (2015: AED Nil)

15 Administrative and general expenses

	2016 AED '000	2015 AED '000
Staff costs	**10,308**	13,717
Occupancy costs	**671**	672
Depreciation	**637**	621
Others	**6,350**	9,099
Total	**17,966**	24,109

The number of employees at 31 December 2016 was 40 (2015: 44).

The social contributions (including donations and charity) made during the year amount to AED Nil (2015: AED Nil).

16 Other income

	2016 AED '000	2015 AED '000
Dividend income	**247**	346
Other operating income	**1,553**	65
	1,800	411

17 Lease commitments

At 31 December, the Company's non-cancellable operating lease rentals are payable as follows:

	2016 AED '000	2015 AED '000
Less than one year	**310**	307

The company leases a number of office premises under operating leases usually with a lease period of 1 year, renewable annually, for which the lease rentals are payable in advance.

18 Contingent liabilities

	2016 AED '000	2015 AED '000
Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX)	**100,000**	267,000
Letters of guarantee (Issued by Mashreq Bank in favor of Nasdaq Dubai)	**5,509**	5,509
Letters of guarantee (Issued by the Holding Company in favor of DGCX)	**3,673**	3,673

19 Fair value measurement principles

Fair values

<u>Fair values versus carrying amounts</u>

The fair values of the financial instruments are not materially different from their carrying amounts.

19 Fair value measurement principles (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In AED 000	Level1	Level 2	Level 3	Total
31 December 2016				
Available-for-sale financial assets	**6,170**	**-**	**262**	**6,432**
31 December 2015				
Available-for-sale financial assets	6,072	-	262	6,334

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Company employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgemental.