

**Emirates NBD Securities LLC**

Financial statements

For the year ended 31 December 2018

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## **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 2018.

### **Financial Results**

The Company has reported a net loss of AED 4.72 million for the year ended 31 December 2018 (2017: profit of AED 6.48 million).

Total equity holders' funds amount to AED 100.08 million as at 31 December 2018 (2017: AED 111.29 million).

### **Directors**

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

Mr. Suvo Sarkar	Chairman
Mr. Tariq Bin Hendi	Member
Ms. Meitha Al Hashemi	Member
Mr. Saod Mohamed Obaidalla	Member
Mr. Salah Mohammed Amin	Member

### **Auditors**

Ernst & Young were appointed as Auditors of Emirates NBD Securities LLC at the Emirates NBD Group Annual General Meeting held on 27 March 2018.

On behalf of the Board

  
**Suvo Sarkar**  
**Chairman**

Dubai, UAE

Date: 27 February 2019

## **INDEPENDENT AUDITOR'S 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 2018, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2018 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 and the Board of Directors for the financial statements*

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 Company's Memorandum of Association and 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.

The Board of Directors are responsible for overseeing the Company's financial reporting process.



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**INDEPENDENT AUDITOR'S 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 2018, 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 2018 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 2018; and
- viii) note 15 reflects the social contributions made during the year.

For Ernst & Young

Signed by:  
Joseph Murphy  
Partner  
Registration No.: 492

27 February 2019

Dubai, United Arab Emirates

**EMIRATES NBD SECURITIES LLC**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	<i>Notes</i>	<b>2018 AED '000</b>	<b>2017 AED '000</b>
<b>Assets</b>			
Property and equipment	7	336	391
Investment securities	8	263	262
<b>Total non-current assets</b>		<b>599</b>	<b>653</b>
Trade and other debtors	9	135	147
Other receivables	10	3,860	3,081
Cash and bank balances	12	119,124	131,774
<b>Total current assets</b>		<b>123,119</b>	<b>135,002</b>
Other payables	13	10,064	9,918
Due to holding company	11	7,646	-
Client deposit		5,927	14,450
<b>Total current liabilities</b>		<b>23,637</b>	<b>24,368</b>
<b>Net current assets</b>		<b>99,482</b>	<b>110,634</b>
<b>Net assets</b>		<b>100,081</b>	<b>111,287</b>
<b>Represented by</b>			
Share capital	14	36,000	36,000
Statutory reserve	14	18,804	18,804
Capital contribution reserve	14	50,000	50,000
Retained earnings	14	(4,723)	6,483
<b>Total equity holders' funds</b>		<b>100,081</b>	<b>111,287</b>

The notes on pages 10 to 33 form an integral part of these financial statements.

The independent auditor's 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 27<sup>th</sup> of February 2019 and signed on their behalf by:

Chairman

General Manager

**EMIRATES NBD SECURITIES LLC****STATEMENT OF INCOME****FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Notes</i>	<b>2018</b> <b>AED '000</b>	<b>2017</b> <b>AED '000</b>
		<b>-----</b>	<b>-----</b>
Commission income		<b>8,661</b>	17,903
Administrative and general expenses	15	<b>(14,351)</b>	(21,532)
<b>Operating loss</b>		<b>(5,690)</b>	(3,629)
Other expense	16	<b>(1,207)</b>	(337)
Recoveries of impairment on trade and other debtors	9	-	8,520
Interest received from holding company	11	<b>2,174</b>	1,929
<b>(Loss) / profit for the year</b>		<b>(4,723)</b>	6,483
		<b>=====</b>	<b>=====</b>

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**EMIRATES NBD SECURITIES LLC****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 AED '000	2017 AED '000
	-----	-----
<b>(Loss) / profit for the year</b>	<b>(4,723)</b>	<b>6,483</b>
 <b>Other comprehensive income:</b>		
 <b>Items that may be reclassified subsequently to income statement:</b>		
 Fair value reserve (available-for-sale financial assets):		
- Net change in fair value	-	(690)
- Net amount transferred to income statement	-	(396)
	-----	-----
<b>Total comprehensive (loss) / income for the year</b>	<b>(4,723)</b>	<b>5,397</b>
	=====	=====

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**EMIRATES NBD SECURITIES LLC****STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2018

	<i>Notes</i>	<b>2018 AED '000</b>	<b>2017 AED '000</b>
	-----	-----	-----
<b><u>OPERATING ACTIVITIES</u></b>			
(Loss) / profit for the year		<b>(4,723)</b>	6,483
<i>Adjustments for non-cash items</i>			
Recoveries of impairment losses	9	-	(8,520)
Depreciation	15	<b>90</b>	264
Gain on sale of investments		-	(388)
		-----	-----
		<b>(4,633)</b>	(2,161)
Change in trade and other debtors		<b>12</b>	25,405
Change in other receivables		<b>(779)</b>	2,049
Change in due from holding company		-	1,929
Change in due to holding company		<b>7,645</b>	-
Change in other payables		<b>146</b>	4,589
		-----	-----
<b>Net cash flows from operating activities</b>		<b>2,391</b>	31,811
		-----	-----
<b><u>INVESTING ACTIVITIES</u></b>			
Acquisition of property and equipment		<b>(35)</b>	(236)
Proceeds from the sale of investment securities		-	5,472
Decrease in term deposits maturing after three months		-	334,203
		-----	-----
<b>Net cash flows (used in) / from investing activities</b>		<b>(35)</b>	339,439
		-----	-----
<b><u>FINANCING ACTIVITIES</u></b>			
Dividends Paid		<b>(6,483)</b>	(341,731)
		-----	-----
<b>Net cash flows used in financing activities</b>		<b>(6,483)</b>	(341,731)
		-----	-----
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(4,127)</b>	29,519
<b>Cash and cash equivalents at the beginning of the year</b>		<b>117,324</b>	87,805
		-----	-----
<b>Cash and cash equivalents at the end of the year</b>	12	<b>113,197</b>	117,324
		=====	=====

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**EMIRATES NBD SECURITIES LLC****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	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
<b>Balance at 1 January 2018</b>	36,000	18,804	-	50,000	6,483	<b>111,287</b>
<b>Total comprehensive loss</b>	-	-	-	-	(4,723)	<b>(4,723)</b>
<b>Dividends Paid</b>	-	-	-	-	(6,483)	<b>(6,483)</b>
<b>Balance at 31 December 2018</b>	<b>36,000</b>	<b>18,804</b>	<b>-</b>	<b>50,000</b>	<b>(4,723)</b>	<b>100,081</b>

	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
<b>Balance at 1 January 2017</b>	36,000	18,804	1,086	50,000	341,731	<b>447,621</b>
<b>Total comprehensive income</b>	-	-	(1,086)	-	6,483	<b>5,397</b>
<b>Dividends Paid</b>	-	-	-	-	(341,731)	<b>(341,731)</b>
<b>Balance at 31 December 2017</b>	<b>36,000</b>	<b>18,804</b>	<b>-</b>	<b>50,000</b>	<b>6,483</b>	<b>111,287</b>

The notes on pages 10 to 33 form an integral part of these financial statements.

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**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.

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:

<b>Name of equity holders</b>	<b>Shareholding (%)</b>
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 Bank 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.

**(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 (FVTPL) and Fair Value through Other Comprehensive Income (FVOCI) (IAS 39: available for sale investment securities) 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, except unless otherwise stated.

**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.

The preparation of the financial statements requires management to make certain estimates and assumptions that affect the reported amount of financial assets and liabilities and the resultant allowances for impairment and fair values. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

*Financial instruments (applicable from 1 January 2018)*

Judgements made in applying accounting policies that have most significant effects on the amounts recognized in the financial statements of the year ended 31 December 2018 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments which impact:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and profit of the principal amount outstanding.
- Calculation of expected credit loss (ECL): changes to the assumptions and estimation uncertainties that have a significant impact on ECL for the year ended 31 December 2018 pertain to the changes introduced as a result of adoption of IFRS 9. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

**e) Changes in accounting policies**

The Company has consistently applied the accounting policies as set out in note 3 to all periods presented in these financial statements, except the following accounting policies which are applicable from 1 January 2018:

**(i) IFRS 9 Financial Instruments**

The Company has adopted IFRS 9 issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represents a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

**2 Basis of preparation (continued)**

**e) Changes in accounting policies (continued)**

**(i) IFRS 9 Financial Instruments (continued)**

• Classification of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

- o the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- o the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

*Business model assessment:*

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- o the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- o how the performance of the portfolio is evaluated and reported to the Company's management;
- o the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- o how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- o the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

**2 Basis of preparation (continued)**

**e) Changes in accounting policies (continued)**

**(i) IFRS 9 Financial Instruments (continued)**

• Classification of financial assets and financial liabilities (continued)

*Assessment whether contractual cash flows are solely payments of principal and profit:*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic financings risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g. periodical reset of profit rate.

• Reclassification:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.





## **2 Basis of preparation (continued)**

### **e) Changes in accounting policies (continued)**

#### **(ii) IFRS 15 Revenue from contracts with customers (continued)**

The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the 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.

IFRS 15 also includes a comprehensive 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.

The Company has assessed that the impact of IFRS 15 is not material on the financial statements of the Company as at the reporting date.

## **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**

The policy applicable from 1 January 2018 (due to application of IFRS 9) is described in note 2 (e).

***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 derecognised 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**

The policy applicable from 1 January 2018 (due to application of IFRS 9) is described in note 2 (e).

**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)**Financial assets (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.

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 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**Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

**(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) Trade and other debtors**

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

**(n) Payables**

Payables are stated at amortised cost.

**(o) 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 2018, with the Company not opting for early adoption. These have, therefore, not been applied in preparing these financial statements. New standards, amendments to standards and interpretations which are relevant to the company are as follows:

Standard	Description	Effective date
IFRS 16, 'Leases'	<p>The IASB issued the new standard for accounting for leases in January 2018.</p> <p>The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets.</p> <p>Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets.</p> <p>Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.</p> <p>Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.</p>	1 January 2019

**Impact of accounting standards**

The Company has assessed the impact of standard listed above in addition to other standards, amendments to standards, revisions and interpretations. Based on the assessment, these standards, amendments to standards, revisions and interpretations have no material impact on the financial statements of the Company as at the reporting date.

**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 FVTPL and FVOCI (IAS 39: available for sale) is determined by reference to their quoted bid price at the reporting date. 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:

	<b>2018</b>	2017
	<b>AED '000</b>	AED '000
	-----	-----
Trade and other debtors	<b>135</b>	147
Bank balances	<b>119,120</b>	131,769
	-----	-----
Total	<b>119,255</b>	131,916
	=====	=====

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:

	<b>2018</b>	2017
	<b>AED '000</b>	AED '000
	-----	-----
Individuals	<b>135</b>	147
	=====	=====



**5 Financial risk management (continued)**
**Credit risk (continued)**
Impairment losses

The trade receivables at the reporting date were:

	<b>2018</b>	2017
	<b>AED '000</b>	AED '000
	-----	-----
Individually Impaired	<b>7,513</b>	7,525
Less: Impairment	<b>(7,378)</b>	(7,378)
	-----	-----
	<b>135</b>	147
	=====	=====

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:

	2018 AED '000	2017 AED '000
	-----	-----
Fixed rate instruments:		
Fixed deposits	83,864	57,671
	=====	=====
Variable rate instruments:		
Call accounts	17,684	17,550
	=====	=====

**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 100 bp increase	Profit and Loss 100 bp decrease	Equity 100 bp increase	Equity 100 bp decrease
	-----	-----	-----	-----
31 December 2018				
Financial instruments	177	(177)	-	-
	=====	=====	=====	=====
31 December 2017				
Financial instruments	176	(176)	-	-
	=====	=====	=====	=====

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 2018			31 December 2017		
	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%						
Equity Securities	263	10	3	262	-	13
	=====	=====	=====	=====	=====	=====

**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, which 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 Member) must not be less than AED 3 million (2017: AED 3 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**

Property and equipment of the company comprises of freehold improvements, leasehold improvements, office equipment, computer and capital work in progress.

**8 Investment securities**

These comprise the following:

	2018 AED '000	2017 AED '000
Equity securities:		
FVTPL	198	-
FVOCI	65	-
Available-for-sale	-	262
	-----	-----
	<b>263</b>	262
	=====	=====

Included in FVTPL equity securities is:

AED 198,000 (31 December 2017: AED 198,000) 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.

**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 2018, no accounts were transferred to holding company (full year 2017 no accounts were transferred). Receivable from MT as of 31 December 2018 was AED 7,513,000 (2017: AED 7,525,000).

	2018 AED '000	2017 AED '000
Customer receivables	7,513	7,525
Less: allowance for impairment loss	(7,378)	(7,378)
	-----	-----
	<b>135</b>	147
	=====	=====

**EMIRATES NBD SECURITIES LLC**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**9 Trade and other debtors (continued)**

	2018 AED '000	2017 AED '000
	-----	-----
Movement in allowance for impairment loss		
Balance as on 1 <sup>st</sup> January	7,378	21,014
Allowance made during the year	-	1,856
Recoveries / Write back	-	(10,376)
Write off	-	(5,116)
	-----	-----
	<b>7,378</b>	<b>7,378</b>
	=====	=====

**10 Other receivables**

	2018 AED '000	2017 AED '000
	-----	-----
Prepayments	60	145
Others	3,800	2,936
	-----	-----
	<b>3,860</b>	<b>3,081</b>
	=====	=====

The Company placed an amount of AED 1,897,000 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. 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:

	2018 AED '000	2017 AED '000
	-----	-----
Short term employee benefits	2,046	1,279
Post employment benefits	94	71
	-----	-----
	=====	=====

**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.

	<b>2018</b> <b>AED '000</b>	2017 AED '000
	-----	-----
Due to holding company	<b>7,646</b>	-
Bank balances held with holding company	<b>119,081</b>	131,729
	=====	=====

ECL on these balances are not significant.

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:

	<b>2018</b> <b>AED '000</b>	2017 AED '000
	-----	-----
Commission income from related parties (refer note 11.1)	<b>138</b>	765
Interest income from holding company on fixed deposits and call account	<b>2,174</b>	1,929
Insurance premium paid to associate of holding company	<b>104</b>	92
	=====	=====

**11.1 Commission income from related parties in 2018 comprised:**

	<b>Trade value</b> <b>AED '000</b>	<b>Comm. income</b> <b>AED'000</b>
	-----	-----
Subsidiary of the holding company	<b>54,612</b>	<b>48</b>
Holding company	<b>54,916</b>	<b>69</b>
Associate of the holding company	<b>3,527</b>	<b>4</b>
Directors of the company	<b>13,979</b>	<b>17</b>
	-----	-----
	<b>127,034</b>	<b>138</b>
	=====	=====

**EMIRATES NBD SECURITIES LLC**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**12 Cash and bank balances**

	2018 AED '000	2017 AED '000
Cash in hand	4	5
Current account	29,329	59,648
Bank deposit (Maturity within three months)	83,864	57,671
<b>Cash and cash equivalents</b>	<b>113,197</b>	<b>117,324</b>
Client money (Refer note 12.1)	5,927	14,450
	<b>119,124</b>	<b>131,774</b>
	=====	=====

- 12.1** In accordance with the regulations issued by the Securities and Commodities Authority ("SCA") 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**

Other payables include customer loyalty program implemented 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 as at 31<sup>st</sup> December 2018 is AED 481,000 (2017: 652,000).

Operational loss provision of AED 6,535,000 was created in 2017 towards an ongoing legal case which is included in other payables.

**14 Share capital and reserves**

	2018 AED '000	2017 AED '000
	-----	-----
<b>Authorised, issued and fully paid up:</b>		
<i>36,000 shares of AED 1,000 each</i>	<b>36,000</b>	36,000
	=====	=====

**Capital contribution reserve**

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

**Statutory reserve**

In accordance with Decretal Federal Law No. (14) of 2018, a minimum 10% of the net profit for the period is allocated to non-distributable statutory reserve.

**Fair value reserve**

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

**Retained Earnings**

At the forthcoming Annual General Meeting which will be held on 27 February 2019, the company is proposing a cash dividend of AED Nil per share for the year (2017: AED 180 per share) amounting to Nil (2017: AED 6.483 million.)

**15 Administrative and general expenses**

	2018 AED '000	2017 AED '000
	-----	-----
Staff costs	<b>7,532</b>	8,826
Occupancy costs	<b>668</b>	659
Depreciation	<b>90</b>	264
Operational loss (refer note 13)	-	6,535
Others	<b>6,061</b>	5,248
	-----	-----
<b>Total</b>	<b>14,351</b>	21,532
	=====	=====

The number of employees at 31 December 2018 were 25 (2017: 27).

The social contributions (including donations and charity) made during the year amount to AED Nil (2017: AED Nil).



**EMIRATES NBD SECURITIES LLC**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

**16 Other income / (expense)**

	2018 AED '000	2017 AED '000
	-----	-----
Gains from sale of available-for-sale investment securities	-	388
Clearing fee expense	(978)	(316)
Foreign exchange income	25	363
Other operating income / (expense)	(254)	(772)
	-----	-----
	(1,207)	(337)
	=====	=====

**17 Lease commitments**

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

	2018 AED '000	2017 AED '000
	-----	-----
Less than one year	313	313
	=====	=====

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**

	2018 AED '000	2017 AED '000
	-----	-----
Letters of guarantee (Issued by the holding company in favor of DFM and ADX)	-	100,000
	=====	=====
Letters of guarantee (Issued by Mashreq Bank in favor of Nasdaq Dubai)	-	5,509
	=====	=====
Letters of guarantee (Issued by the holding company in favor of DGCX)	3,673	3,673
	=====	=====
Letters of guarantee (Issued by the holding company in favor of SCA)	1,000	1,000
	=====	=====

**19 Fair value measurement principles**
***Fair values***
**Fair values versus carrying amounts**

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

**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
	-----	-----	-----	-----
<b>31 December 2018</b>				
<b>Equity securities:</b>				
FVTPL	-	-	198	198
FVOCI	-	-	65	65
	<u>-</u>	<u>-</u>	<u>263</u>	<u>263</u>
	=====	=====	=====	=====
<b>31 December 2017</b>				
<b>Equity securities:</b>				
Available-for-sale	-	-	262	262
	=====	=====	=====	=====

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.