

**Emirates NBD Securities LLC**

**Financial statements**

**For the year ended 31 December 2021**

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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 2021.

### **Financial Results**

The Company has reported a net profit of AED 6.04 million for the year ended 31 December 2021 (2020: AED 8.42 million).

Total equity holders' funds amount to AED 110.01 million as at 31 December 2021 (2020: AED 104.01 million).

### **Directors**

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

Mr. Salah Amin	Chairman
Mr. Ahmed Al Qassim	Member
Ms. Saod Obaidalla	Member
Mr. Mohammad Al Bastaki	Member
Mr. Ammar Al Haj	Member

### **Auditors**

Deloitte & Touche (M.E.) were appointed as Auditors of Emirates NBD Securities LLC at the Emirates NBD Group Annual General Meeting held on 24 February 2021.

On behalf of the Board

  
**Asma Al Hosani**  
**General Manager**

Dubai, UAE

Date: 07 March 2022

## INDEPENDENT AUDITOR'S REPORT

**The Shareholders**  
**Emirates NBD Securities LLC**  
**Dubai**  
**United Arab Emirates**

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **Emirates NBD Securities LLC (the "Company")**, **Dubai, United Arab Emirates** which comprise the statement of financial position as at 31 December 2021, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company, as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

#### 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 other ethical requirements that are relevant to our audit of the Company's financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

The Board of Directors is responsible for the other information. The other information comprises the Board of Director's report of the Company. We obtained the Board of Directors' report prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Cont'd...



## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Emirates NBD Securities LLC (continued)

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and their preparation in compliance with applicable provisions of UAE Federal Law No. (2) of 2015 (as amended), 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.

### **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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls 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 internal controls.
- 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 AUDITOR'S REPORT**

To the Shareholders of Emirates NBD Securities LLC (continued)

### **Report on Other Legal and Regulatory Requirements**

As required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended);
- The Company has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account and records of the Company;
- The Company has not purchased or invested in any shares or stocks during the year ended 31 December 2021;
- Note 11 to the financial statements discloses material related party transactions and the terms under which they were conducted;
- 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 year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021; and
- Note 15 discloses the social contributions made during the year.

**Deloitte & Touche (M.E.)**

Akbar Ahmad  
Registration No. 1141  
7 March 2022  
Dubai  
United Arab Emirates

**EMIRATES NBD SECURITIES LLC**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	<i>Notes</i>	<b>2021</b> <b>AED '000</b>	<b>2020</b> <b>AED '000</b>
		<b>-----</b>	<b>-----</b>
<b>Assets</b>			
Property and equipment	7	<b>2,901</b>	2,455
Investment securities	8	<b>327</b>	327
		<b>-----</b>	<b>-----</b>
<b>Total non-current assets</b>		<b>3,228</b>	2,782
		<b>=====</b>	<b>=====</b>
Cash and bank balances	12	<b>124,061</b>	119,915
Trade and other debtors	9	<b>147</b>	147
Other receivables	10	<b>2,505</b>	4,610
		<b>-----</b>	<b>-----</b>
<b>Total current assets</b>		<b>126,713</b>	124,672
		<b>=====</b>	<b>=====</b>
Other payables	13	<b>5,619</b>	4,894
Due to Parent Bank	11	<b>13,051</b>	17,676
Client deposit		<b>1,222</b>	878
		<b>-----</b>	<b>-----</b>
<b>Total current liabilities</b>		<b>19,892</b>	23,448
		<b>=====</b>	<b>=====</b>
<b>Net current assets</b>		<b>106,821</b>	101,224
		<b>=====</b>	<b>=====</b>
<b>Net assets</b>		<b>110,049</b>	104,006
		<b>=====</b>	<b>=====</b>
<b>Represented by</b>			
Share capital	14	<b>36,000</b>	36,000
Statutory reserve	14	<b>18,804</b>	18,804
Fair value reserve		<b>70</b>	34
Capital contribution reserve	14	<b>50,000</b>	50,000
Retained earnings/ (accumulated losses)		<b>5,175</b>	(832)
		<b>-----</b>	<b>-----</b>
<b>Total equity holders' funds</b>		<b>110,049</b>	104,006
		<b>=====</b>	<b>=====</b>

The notes on pages 9 to 26 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 07 March 2022 and signed on their behalf by:

  
General Manager

**EMIRATES NBD SECURITIES LLC****STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Notes</i>	<b>2021 AED '000</b>	<b>2020 AED '000</b>
Commission income		<b>20,564</b>	11,172
Administrative and general expenses	15	<b>(12,317)</b>	(13,554)
<b>Operating income / (loss)</b>		<b>8,247</b>	(2,382)
Other income / (expense)	16	<b>(2,958)</b>	8,799
Interest income from parent bank	11	<b>718</b>	1,964
<b>Profit for the year</b>		<b>6,007</b>	8,381
Other comprehensive income		<b>36</b>	34
<b>Total comprehensive income for the year</b>		<b>6,043</b>	8,415

The notes on pages 9 to 26 form an integral part of these financial statements.

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



**EMIRATES NBD SECURITIES LLC****STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Notes</i>	<b>2021 AED '000</b>	<b>2020 AED '000</b>
		<b>-----</b>	<b>-----</b>
<b><u>OPERATING ACTIVITIES</u></b>			
Profit for the year		<b>6,007</b>	8,381
<b><u>Adjustments for non-cash items</u></b>			
Depreciation	15	<b>446</b>	578
Unrealized gain / (loss) on investment securities		<b>36</b>	(30)
Operational loss provision reversal		-	(6,535)
Write off/write back of receivables		-	(4,501)
		<b>-----</b>	<b>-----</b>
<b>Operating profit / (loss) before changes in operating assets and liabilities</b>		<b>6,489</b>	(2,107)
Change in other receivables		<b>2,105</b>	3,844
Change in due to Parent Bank		<b>(4,625)</b>	681
Change in other payables		<b>725</b>	629
		<b>-----</b>	<b>-----</b>
<b>Net cash flows from operating activities</b>		<b>4,694</b>	3,047
		<b>-----</b>	<b>-----</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Changes in property and equipment		<b>(892)</b>	(68)
Increase in term deposits maturing after three months		<b>(64,021)</b>	(717)
		<b>-----</b>	<b>-----</b>
<b>Net cash flows used in investing activities</b>		<b>(64,913)</b>	(785)
		<b>-----</b>	<b>-----</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(60,219)</b>	2,262
<b>Cash and cash equivalents at the beginning of the year</b>		<b>92,625</b>	90,363
		<b>-----</b>	<b>-----</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>32,406</b>	92,625
		<b>=====</b>	<b>=====</b>

The notes on pages 9 to 26 form an integral part of these financial statements.

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

**EMIRATES NBD SECURITIES LLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital AED '000	Statutory reserve AED '000	Fair Value reserve AED '000	Capital contribution reserve AED '000	Retained earnings/ (accumulated losses) AED '000	Total AED '000
<b>Balance at 1 January 2021</b>	<b>36,000</b>	<b>18,804</b>	<b>34</b>	<b>50,000</b>	<b>(832)</b>	<b>104,006</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>-</b>	<b>6,007</b>	<b>6,043</b>
<b>Balance at 31 December 2021</b>	<b>36,000</b>	<b>18,804</b>	<b>70</b>	<b>50,000</b>	<b>5,175</b>	<b>110,049</b>
<b>Balance at 1 January 2020</b>	<b>36,000</b>	<b>18,804</b>	<b>-</b>	<b>50,000</b>	<b>(9,213)</b>	<b>95,591</b>
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>-</b>	<b>8,381</b>	<b>8,415</b>
<b>Balance at 31 December 2020</b>	<b>36,000</b>	<b>18,804</b>	<b>34</b>	<b>50,000</b>	<b>(832)</b>	<b>104,006</b>

The notes on pages 9 to 26 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. Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect. 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 ("Parent Bank")	99%
Emirates NBD Capital PSC	1%

Following the merger of Emirates Bank International PJSC and the National Bank of Dubai PJSC during 2007, the Company's ultimate Parent Bank 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), as issued by the International Accounting Standards Board (IASB) 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) 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 thousands, 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*

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 2021 are:

- 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. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

*Impact of Covid-19*

In January 2020, the World Health Organization ("WHO") announced a global health emergency due to the outbreak of coronavirus ("COVID-19"). Based on the rapid increase in exposure and infections across the world, WHO, in March 2020, classified the COVID-19 outbreak as a pandemic. The pandemic nature of this disease has necessitated global travel restrictions and lockdowns in most countries of the world including the UAE, causing global disruption to business and economic activities. The Company is closely monitoring the situation to manage the impact on its operations and financial performance. The Company has considered the impact of the COVID-19 pandemic in the calculation of the recoverable amount of the non-financial assets and the estimated credit losses of the financial assets. The unprecedented nature of the pandemic, the high degree of uncertainty related to its evolution, duration and impact on the economy in general and the Company's business in particular, requires that the Company continue to monitor the situation and keep adjusting its critical judgements and estimates, as necessary.



**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**

Revenue is recognized 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 in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Interest income is recognised in the statement of income for all instruments measured at amortised cost using the effective interest method.

Realised gains and losses on investments sold are determined using the average cost basis and are disclosed net of sales commission.

**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.

***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
Right use of Assets	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.

**3 Significant accounting policies (continued)****(c) Financial instruments**

- 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.

- Classification of financial assets and financial liabilities (continued)

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.

**3 Significant accounting policies (continued)****(c) Financial instruments (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.

- Classification of financial assets and financial liabilities (continued)

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.

- Impairment

The Company recognises loss allowances for ECL on financial instruments that are not measured at FVTPL, primarily financial assets that are financing instruments.

The Company measures loss allowances at an amount equal to lifetime ECL. For financial instruments on which credit risk has not increased significantly since their initial recognition, loss allowances are measured at 12-month ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

- Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances with the Parent Bank.



**3 Significant accounting policies (continued)****(c) Financial instruments (continued)**

- Derecognition of financial instruments

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**(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) Foreign currencies**

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

**(f) 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.

**(g) 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably



**3 Significant accounting policies (continued)****(h) 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.

**(i) 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.

**(j) 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.

**(k) Trade and other debtors**

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

**(l) Payables**

Payables are stated at amortised cost.

**3 Significant accounting policies (continued)****(m) Lessee accounting**

The company initially measures the right-of-use asset at cost and subsequently measures at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The company initially measures the lease liability at the present value of the future lease payments discounted using the discount rate implicit in the lease.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

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

Certain new standards (IFRS 17 "Insurance Contracts"), amendments to standards and interpretations (annual improvements to IFRS, amendments to IFRS 3, IFRS 4, IAS 1, IAS 8, IAS 12 and IAS 37) are not yet effective for the year ended 31 December 2021, with the Company not opting for early adoption.

The Company anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of Company in the period of initial application.

**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 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

**5 Financial risk management (continued)**

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.

**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 Parent Bank and financial institutions of good repute.

**5 Financial risk management (continued)****Credit risk (continued)**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:

	2021 AED '000	2020 AED '000
	-----	-----
Trade and other debtors	147	147
Cash and bank balances	124,061	119,915
Other receivables	2,505	3,489
	-----	-----
Total	126,713	123,551
	=====	=====

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

ECL of these balances are not considered significant.

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

	2021 AED '000	2020 AED '000
	-----	-----
Individuals	147	147
	=====	=====

Impairment losses

The details and 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 Parent Bank, 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.



**5 Financial risk management (continued)**
**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 continues to be the case, the Company has no significant exposure to currency risk.

Interest rate risk

The Company has exposure to interest rate risk in relation to the amount due from Parent Bank. The Company pays/receives interest to/from the Parent Bank 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:

	2021 AED '000	2020 AED '000
	-----	-----
Fixed rate instruments:		
Fixed deposits (Note 12)	90,433	88,615
	=====	=====
Variable rate instruments:		
Call accounts	17,830	17,830
	=====	=====

**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 2021				
Financial instruments	178	(178)	-	-
	=====	=====	=====	=====
31 December 2020				
Financial instruments	178	(178)	-	-
	=====	=====	=====	=====

**5 Financial risk management (continued)**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:

	31 December 2021			31 December 2020		
	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
<b>Effect of change in equity price by 5%</b>						
Equity Securities	<b>±327</b>	<b>±10</b>	<b>±7</b>	<b>±327</b>	<b>±11</b>	<b>±5</b>
	=====	=====	=====	=====	=====	=====

**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 the Chairman of the Authority's Board of Directors' Decision No. (13/Chairman) of 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms, the minimum paid up capital for a brokerage company (Trading Member) must not be less than AED 30 million (2020: 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.

**EMIRATES NBD SECURITIES LLC**

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FOR THE YEAR ENDED 31 DECEMBER 2021

**7 Property and equipment**

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

**8 Investment securities**

These comprise the following:

	2021 AED '000	2020 AED '000
	-----	-----
Equity securities:		
FVTPL	192	228
FVOCI	135	99
	-----	-----
	327	327
	=====	=====

Included in FVTPL - equity securities are:

AED 192,000 (31 December 2020: AED 228,000) 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 Holdings Plc and Emirates NBD Capital (P.S.C) and the latter being a subsidiary of the Parent Bank.

Included in FVOCI - equity securities are:

AED 76,000 shares of Emirates NBD Egypt S.A.E., AED 59,000 of Emirates NBD Capital PSC.

**9 Trade and other debtors**

Trade and other debtors include receivables from Margin Trading (MT), which the Company was previously engaged in. During 2011, SCA issued a circular that brokerage companies cannot carry out MT therefore, the company has not engaged in any further transactions.

For the period ended 31 December 2021, no accounts were transferred to Parent Bank (full year 2020 no accounts were transferred). Receivable from MT as of 31 December 2021 amounting to AED 3,005,000 (2020: AED 3,005,000) were individually impaired.

	2021 AED '000	2020 AED '000
	-----	-----
Customer receivables	3,005	3,005
Less: expected credit loss	(2,858)	(2,858)
	-----	-----
	147	147
	=====	=====

**EMIRATES NBD SECURITIES LLC**

NOTES TO THE FINANCIAL STATEMENTS  
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**9 Trade and other debtors (continued)**

	2021 AED '000	2020 AED '000
	-----	-----
Movement in allowance for impairment loss		
Balance as on 1 <sup>st</sup> January	2,858	7,360
Recoveries / write back	-	(3,750)
Write off	-	(752)
	-----	-----
	2,858	2,858
	=====	=====

**10 Other receivables**

	2021 AED '000	2020 AED '000
	-----	-----
Interest receivable	425	1,524
Others	2,080	3,086
	-----	-----
	2,505	4,610
	=====	=====

Others includes AED 1,897,000 of cash placed with DGCX as collateral 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:

	2021 AED '000	2020 AED '000
	-----	-----
Short term employee benefits	1,312	1,191
Post-employment benefits	75	75



**EMIRATES NBD SECURITIES LLC**

NOTES TO THE FINANCIAL STATEMENTS  
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**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.

	2021 AED '000	2020 AED '000
	-----	-----
Due to Parent Bank	13,051	17,676
Interest receivable from Parent Bank	425	1,524
Bank balances held with Parent Bank (Note 12)	124,061	119,915
	=====	=====

ECL on these balances are not significant.

A number of functions are centralized and the costs of these are borne by the Parent Bank and not recharged to the company.

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

	2021 AED '000	2020 AED '000
	-----	-----
Commission income from related parties (refer note 11.1)	1,055	197
Interest income from Parent Bank on fixed deposits and call account	718	1,964
Insurance premium paid to associate of holding company	-	70
Group Recharges	1,399	3,511
	=====	=====

**11.1 Commission income from related parties in 2021 comprised:**

	Trade value AED '000	Comm. income AED'000
	-----	-----
Subsidiary of the Parent Bank	194,998	62
Parent Bank	1,447,495	914
Directors of the company	75,681	79
	1,718,174	1,055
	=====	=====

**EMIRATES NBD SECURITIES LLC****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021****12 Cash and bank balances**

	2021 AED '000	2020 AED '000
Current account	32,406	30,422
Bank deposit (maturity within three months)	-	62,203
<b>Cash and cash equivalents</b>	<b>32,406</b>	<b>92,625</b>
Client money (Refer note 12.1)	1,222	878
Short term security deposit (maturity after three months)	90,433	26,412
	<b>124,061</b>	<b>119,915</b>

- 12.1** In accordance with the regulations issued by the 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**

	2021 AED '000	2020 AED '000
Accrued loyalty points*	392	143
Accrued bonus	3,422	3,026
Others	1,805	1,725
	<b>5,619</b>	<b>4,894</b>

\* Customer loyalty program was 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.

**14 Share capital and reserves**

	2021 AED '000	2020 AED '000
<b>Authorised, issued and fully paid up:</b>		
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**

The total reserve of the Company has reached 50% of the issued capital, and therefore, no appropriation to statutory reserve (2020: AED Nil) was made.

**EMIRATES NBD SECURITIES LLC**

NOTES TO THE FINANCIAL STATEMENTS  
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**15 Administrative and general expenses**

	2021 AED '000	2020 AED '000
	-----	-----
Staff costs	7,462	6,820
Occupancy costs	165	43
Depreciation	444	578
Group recharges	1,399	3,511
Others	2,847	2,602
	-----	-----
Total	12,317	13,554
	=====	=====

The number of employees at 31 December 2021 were 36. (2020: 15).

**16 Other income / (expenses)**

	2021 AED '000	2020 AED '000
	-----	-----
Foreign exchange income	13	34
Clearing fee expense	(2,437)	(1,326)
Other operating (expense) / income*	(534)	10,091
	-----	-----
	(2,958)	8,799
	=====	=====

\*Year 2020 includes the reversal of prior year operational loss provision of AED 6.5 million and write back of receivable of AED 4.5 million.

**17 Contingent liabilities**

	2021 AED '000	2020 AED '000
	-----	-----
Letters of guarantee (Issued by the parent bank in favor of DG CX)	3,673	3,673
	=====	=====
Letters of guarantee (Issued by the parent bank in favor of SCA)	1,000	1,000
	=====	=====

**18 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****Level 3****31 December 2021****Equity securities:**

FVTPL

**192**

FVOCI

**135****327****=====****31 December 2020****Equity securities:**

FVTPL

**228**

FVOCI

**99****327****=====**

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 judgmental.

**19 Comparative figures**

No items have been reclassified in the statement of financial position for the prior year ended 31 December 2021.