

Emirates NBD Securities LLC

Condensed interim financial statements

For the nine months period ended 30 September 2015

Emirates NBD Securities LLC

Condensed interim financial statements

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF EMIRATES NBD SECURITIES LLC

Introduction

We have reviewed the accompanying condensed interim financial statements of Emirates NBD Securities LLC (the "Company"), which comprise the interim statement of financial position as at 30 September 2015 and the related interim statements of income and comprehensive income for the three month and nine month periods then ended and interim statement of cash flows and changes in equity for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.



Ernst & Young

29 October 2015

Dubai, United Arab Emirates

Emirates NBD Securities LLC
Condensed interim statement of financial position
As at 30 September 2015 (Unaudited)

		Unaudited 30 September 2015 AED '000	Audited 31 December 2014 AED '000
	Notes		
Assets			
Property and equipment		1,058	1,464
Financial assets at available-for-sale	6	8,555	10,184
Total non-current assets		9,613	11,648
Cash and bank balances	7	89,173	90,781
Due from Holding Company	11	330,824	325,371
Trade and other debtors	8	18,411	18,667
Other receivables		3,675	3,302
Total current assets		442,083	438,121
Other payables	9	9,166	8,965
Client Deposit		3,138	5,535
Total current liabilities		12,304	14,500
Net current assets		429,779	423,621
Net assets		439,392	435,269
Represented by			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Fair value reserve		3,209	4,838
Capital contribution reserve		50,000	50,000
Retained earnings		331,379	325,627
Total equity holders' funds		439,392	435,269

The notes on pages 7 to 12 form an integral part of these financial statements.

The independent auditors' report is set out on page 1.

These financial statements were approved by the Board of Directors of Emirates NBD Securities LLC on

29 OCT 2015

Chairman

General Manager

Emirates NBD Securities LLC
Condensed interim statement of income
For the nine months period ended 30 September 2015 (Unaudited)

		Unaudited three months period ended 30 Sep 2015 AED '000	Unaudited three months period ended 30 Sep 2014 AED '000	Unaudited nine months period ended 30 Sep 2015 AED '000	Unaudited nine months period ended 30 Sep 2014 AED '000
	<i>Notes</i>				
Commission income		5,858	13,826	23,440	56,218
Administrative and general expenses		(5,424)	(4,588)	(19,100)	(13,103)
Operating profit		434	9,238	4,340	43,115
Other income	10	522	5	911	1,826
Interest received from Holding Company	11	141	192	501	634
Profit for the period		1,097	9,435	5,752	45,575

The notes on pages 7 to 12 form an integral part of these financial statements.

The independent auditors' report is set out on page 1.

Emirates NBD Securities LLC
Condensed interim statement of changes in equity
For the nine months period ended 30 September 2015 (Unaudited)

	Share Capital	Statutory reserve	Fair value reserve	Capital contribution reserve	Retained earnings	Total
	AED'000	AED '000	AED '000	AED '000	AED '000	AED'000
Balance at 1 January 2015	36,000	18,804	4,838	50,000	325,627	435,269
Total comprehensive income for the period	-	-	(1,629)	-	5,752	4,123
Balance at 30 September 2015	<u>36,000</u>	<u>18,804</u>	<u>3,209</u>	<u>50,000</u>	<u>331,379</u>	<u>439,392</u>
Balance at 1 January 2014	36,000	18,804	7,109	50,000	273,372	385,285
Total comprehensive income for the period	-	-	4,541	-	45,575	50,116
Balance at 30 September 2014	<u>36,000</u>	<u>18,804</u>	<u>11,650</u>	<u>50,000</u>	<u>318,947</u>	<u>435,401</u>

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Emirates NBD Securities LLC
Condensed interim statement of comprehensive income
For the nine months period ended 30 September 2015 (Unaudited)

		Unaudited three month period ended 30 Sep 2015 AED '000	Unaudited three month period ended 30 Sep 2014 AED '000	Unaudited nine months period ended 30 Sep 2015 AED '000	Unaudited nine months period ended 30 Sep 2014 AED '000
	<i>Note</i>				
Profit for the period		1,097	9,435	5,752	45,575
Other comprehensive Income:					
Net change in fair value of financial assets available- -for-sale	6	(1,481)	3,851	(1,629)	4,541
Total comprehensive income for the period		(384)	13,286	4,123	50,116

The notes on pages 7 to 12 form an integral part of these financial statements.

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Emirates NBD Securities LLC
Condensed interim statement of cash flows
For the nine months period ended 30 September 2015 (Unaudited)

	Unaudited nine months period ended 30 Sep 2015 AED'000	Unaudited nine months period ended 30 Sep 2014 AED'000
	-----	-----
<u>OPERATING ACTIVITIES</u>		
Profit for the period	5,752	45,575
<i>Adjustments for non-cash items:</i>		
Depreciation	446	515
	-----	-----
	6,198	46,090
Change in trade and other debtors	256	(13,137)
Change in other receivables	(373)	(1,602)
Change in due from Holding Company	(5,453)	(33,419)
Change in other payables	201	1,830
	-----	-----
Net cash flows from /(used in) operating activities	829	(238)
	-----	-----
<u>INVESTING ACTIVITIES</u>		
Acquisition of property and equipment	(40)	(91)
Decrease in term deposits maturing after three months	(22,292)	(22,251)
	-----	-----
Net cash flows used in investing activities	(22,332)	(22,342)
	-----	-----
Net decrease in cash and cash equivalents	(21,503)	(22,580)
Cash and cash equivalents at the beginning of the period	41,231	41,802
	-----	-----
Cash and cash equivalents at the end of the period	19,728	19,222
	=====	=====

The notes on pages 7 to 12 form an integral part of these financial statements.

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Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the nine months period ended 30 September 2015 (Unaudited)

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:

Name of equity holders	Shareholding (%)
Emirates NBD 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 PJSC, a Company in which the Investment Corporation of Dubai is the majority shareholder.

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

The registered address of the Company is P.O. Box 2923, Dubai, United Arab Emirates.

2 Statement of compliance

These financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2014. These condensed interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the financial statements as at and for the year ended 31 December 2014.

In addition, results for the nine months ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

3 Significant accounting policies

The accounting policies applied by the Company in the preparation of the condensed interim financial statements are consistent with those applied by the Company in the annual financial statements for the year ended 31 December 2014. The adoption of new and amended IFRS and IFRIC interpretations with effect from 1 January 2015 has had no effect on the interim condensed financial statements of the Company.

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the nine months period ended 30 September 2015 (Unaudited)

4 Estimates

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The critical areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to these condensed interim financial statements are included in the relevant accounting policies.

5 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2014.

6 Investment securities

These comprise the following:

	Unaudited 30 September 2015 AED '000	Audited 31 December 2014 AED '000
	-----	-----
Equity securities:		
Non-current:		
Available-for-sale (refer note below)	8,555	10,184
	=====	=====

Included in available-for-sale are:

- a) AED 8,293 K (31 December 2014: AED 9,922 K) representing 4,936,337 shares in Dubai Financial Market ("DFM"). The Company in 2006 acquired the shares relating to DFM's IPO as per the allocation set by DFM for brokerage companies.
- b) AED 198 K (31 December 2014: AED 198 K) representing 1% equity interest in Egyptian Company for Electronic System Development ("Network International Egypt (NI-Egypt) (S.A.E)"). The remaining 99% equity interest in NI-Egypt is collectively owned by Network International LLC and Emirates Financial Services PSC, who are a joint venture / subsidiary, respectively, of the Holding Company.

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the nine months period ended 30 September 2015 (Unaudited)

7 Cash and bank balance

	Unaudited 30 September 2015 AED '000	Audited 31 December 2014 AED '000
Cash in hand	5	5
Current account	19,723	19,533
Bank deposit (Maturity within three months)	-	21,693
	<u>19,728</u>	<u>41,231</u>
Cash and cash equivalents	19,728	41,231
Bank Deposit (Maturity after three months)	66,307	44,015
Client money (7.1)	3,138	5,535
	<u>89,173</u>	<u>90,781</u>

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

8 Trade and other debtors

Trade debtors include the following:

- The net balance of trades which have been executed with the market but have yet to be settled. Settlement periods for the Dubai Financial Market (DFM) and Abu Dhabi Securities Exchange (ADX) are T+2. Customer trades are settled through their respective investment accounts that exist with the Holding Company.
- 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 period ended 30 September 2015, no accounts were transferred to Holding Company (full year 2014 no accounts were transferred). Receivables from MT as of 30 September 2015 was AED 46 million (2014: AED 47 million).

	Unaudited 30 September 2015 AED '000	Audited 31 December 2014 AED '000
Customer receivables	46,035	46,821
Less: allowance for impairment loss	(27,624)	(28,154)
	<u>18,411</u>	<u>18,667</u>

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the nine months period ended 30 September 2015 (Unaudited)

9 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 30 September 2015 is AED 4,692 K. (2014: AED 5,051 K).

10 Other income

	Unaudited 30 September 2015 AED '000	Unaudited 30 September 2014 AED '000
Dividend Income	346	247
Other Operating Income	60	30
Reversal of allowances for impairment loss	505	1,549
	<u>911</u>	<u>1,826</u>

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 "IAS 24" (2009). The transactions and balances with the related parties, other than those as disclosed elsewhere in the financial statements, are as follows:

	Unaudited 30 September 2015 AED '000	Audited 31 December 2014 AED '000
Due from Holding Company	<u>330,824</u>	<u>325,371</u>
Balance held with Holding Company	<u>89,123</u>	<u>90,730</u>
Transactions with group entities		
	Unaudited 30 September 2015 AED '000	Unaudited 30 September 2014 AED '000
Commission income from related parties	1,071	4,060
Interest income from Holding Company on fixed deposit and call account	501	634
Insurance premium paid to associate of Holding Company	<u>70</u>	<u>336</u>

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the nine months period ended 30 September 2015 (Unaudited)

12 Contingent liabilities

	Unaudited 30 September 2015 AED '000	Audited 31 December 2014 AED '000
	-----	-----
Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX)	446,000	446,000
	=====	=====
Letters of guarantee (Issued by the Mashreq Bank in favor of Nasdaq Dubai)	5,509	5,509
	=====	=====
Letters of guarantee (Issued by the Holding Company in favor of DGCX)	3,673	3,673
	=====	=====

13 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 1	Level 2	Level 3	Total
	-----	-----	-----	-----
30 September 2015				
Available-for-sale financial assets	8,293	-	262	8,555
	=====	=====	=====	=====

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
for the three months period ended 31 September 2015 (Unaudited)

13 Fair value measurement principles (continued)

Fair values (continued)

Fair value hierarchy (continued)

In AED 000	Level 1	Level 2	Level 3	Total
	-----	-----	-----	-----
31 December 2014				
Available-for-sale financial assets	9,922	-	262	10,184
	=====	=====	=====	=====

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. 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.

For fair value measurement in level 3, a change of 10% in the fair value of the investment would have an effect of AED 26 K (2014: AED 26 K) in the statement of comprehensive income.