

EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019

EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM FINANCIAL STATEMENTS

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors
Emirates NBD Securities LLC
Dubai
United Arab Emirates**

Introduction

We have reviewed the accompanying condensed statement of financial position of **Emirates NBD Securities LLC, Dubai, United Arab Emirates** (the "Company") as at 30 September 2019 and the related condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information 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 interim financial information is not prepared, in all material respects in accordance with IAS 34.

Other matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 27 February 2019. Furthermore, the condensed interim financial information of the Company for the nine months period ended 30 September 2018 were reviewed by another auditor who expressed an unmodified conclusion on 30 October 2018.

Deloitte & Touche (M.E.)



Akbar Ahmad
Registration No.: 1141
29 October 2019
Dubai
United Arab Emirates


CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019 (UNAUDITED)

		Unaudited 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Assets	Notes		
Property and equipment		2,701	336
Investment securities	5	263	263
Total non-current assets		2,964	599
Cash and bank balances	6	122,297	119,124
Trade and other debtors	7	129	135
Other receivables		3,571	3,860
Total current assets		125,997	123,119
Other payables	8	10,627	10,064
Due to Holding Company	10	14,699	7,646
Client deposit		6,366	5,927
Total current liabilities		31,692	23,637
Net current assets		94,305	99,482
Net assets		97,269	100,081
Represented by			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Capital contribution reserve		50,000	50,000
Accumulated losses		(7,535)	(4,723)
Total equity holders' funds		97,269	100,081

The notes on pages 6 to 12 form an integral part of these condensed interim 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 30 October 2019.


Director


General Manager

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 2019 (UNAUDITED)

		Unaudited three months period ended 30 September 2019 AED 000	Unaudited three months period ended 30 September 2018 AED 000	Unaudited Nine months period ended 30 September 2019 AED 000	Unaudited nine months period ended 30 September 2018 AED 000
	Notes				
Commission income		2,218	1,758	6,178	6,961
Administrative and general expenses		(3,495)	(4,123)	(10,503)	(10,945)
Operating loss		(1,277)	(2,365)	(4,325)	(3,984)
Other income / (expense)	9	(302)	(274)	(406)	(961)
Interest received from Holding Company	10	656	609	1,919	1,565
Loss for the period		(923)	(2,030)	(2,812)	(3,380)
Other comprehensive income / (loss)		-	-	-	-
Total comprehensive loss for the period		(923)	(2,030)	(2,812)	(3,380)

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CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019 (UNAUDITED)

	Unaudited nine months period ended 30 September 2019 AED 000	Unaudited nine months period ended 30 September 2018 AED 000
<u>OPERATING ACTIVITIES</u>		
Loss for the period	(2,812)	(3,380)
<u>Adjustment for non-cash items</u>		
Depreciation	380	291
Operating loss before changes in operating assets and liabilities	(2,432)	(3,089)
Change in trade and other debtors	6	9
Change in other receivables	289	(392)
Change in due to Holding Company	7,053	6,067
Change in other payables	(654)	(222)
Net cash flows from operating activities	4,262	5,462
<u>INVESTING ACTIVITIES</u>		
Increase in investment securities	-	(1)
Acquisition of property and equipment	(1,528)	(177)
Increase in term deposits maturing after three months	(86,146)	(83,864)
Net cash used in investing activities	(87,674)	(84,042)
<u>FINANCING ACTIVITIES</u>		
Dividends paid	-	(6,483)
Net cash flows used in financing activities	-	(6,483)
Net decrease in cash and cash equivalents	(83,412)	(88,152)
Cash and cash equivalents at the beginning of the period	113,197	117,324
Cash and cash equivalents at the end of the period (Note 6)	29,785	29,172

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

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

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2019 (UNAUDITED)

	Share Capital	Statutory reserve	Capital contribution reserve	Accumulated Losses	Total
	AED 000	AED 000	AED 000	AED 000	AED 000
Balance as at 1 January 2019	36,000	18,804	50,000	(4,723)	100,081
Total comprehensive loss for the period				(2,812)	(2,812)
Balance as at 30 September 2019	36,000	18,804	50,000	(7,535)	97,269
Balance as at 1 January 2018	36,000	18,804	50,000	6,483	111,287
Total comprehensive loss for the period	-	-	-	(3,380)	(3,380)
Dividends Paid	-	-	-	(6,483)	(6,483)
Balance as at 30 September 2018	36,000	18,804	50,000	(3,380)	101,424

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

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

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. The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the Federal Law No. 8 of 1984. 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 Bank PJSC ("Holding Company")	99%
Emirates NBD Capital (P.S.C)	1%

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

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

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

2 STATEMENT OF COMPLIANCE

These condensed interim 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 2018. 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 2018 except for the changes in accounting policies as explained in note 3.

In addition, results for the nine months ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

3 CHANGES IN 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 2018, except the following accounting policies which are applicable from 1 January 2019.

IFRS 16 Leases

The company has adopted IFRS 16 'Leases', issued in January 2016, with the date of initial application of 1 January 2019. IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating leases and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

Lessee accounting

The company initially measures the right-of-use asset at cost and subsequently measured 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.

The company has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. For this the company recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

The company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The company has assessed that the impact of IFRS 16 is not material on retained earnings as at the reporting date and has presented right of use assets amounting to AED 1.432 million within 'Property and equipment' and lease liabilities amounting to AED 1.217 million within 'Other payables' in the statement of financial position.

4 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 2018.

5 INVESTMENT SECURITIES

These comprise of the following:

	Unaudited 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Equity securities:		
FVOCI	65	65
FVTPL	198	198
	<u>263</u>	<u>263</u>

Included in FVTPL - equity securities is:

AED 198,000 (31 December 2018: 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 NBD Capital (P.S.C), which is a subsidiary of the Holding Company.

6 CASH AND BANK BALANCES

	Unaudited 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Cash in hand	4	4
Current account	29,781	29,329
Bank deposit (Maturity within three months)	-	83,864
Cash and cash equivalents	<u>29,785</u>	<u>113,197</u>
Bank Deposit (Maturity after three months)	86,146	-
Client money (note 6.1)	6,366	5,927
	<u>122,297</u>	<u>119,124</u>

- 6.1** 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.

7 TRADE AND OTHER DEBTORS

Trade 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.

7 TRADE AND OTHER DEBTORS (CONTINUED)

For the period ended 30 September 2019, no accounts were transferred to Holding Company (full year 2018 no accounts were transferred). Receivable from MT as of 30 September 2019 was AED 7,507,000 (2018: AED 7,513,000).

	Unaudited 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Customer receivables	7,507	7,513
Less: expected credit loss	(7,378)	(7,378)
	129	135

All the debtors are classified as stage 3 under IFRS 9.

8 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 2019 is AED 248,000. (2018: 481,000).

Operational loss provision of AED 6,535,000 created in 2017 towards an ongoing legal case is included in other payables. Other Payables also include lease liabilities amounting to AED 1.217 million recognized on application of IFRS 16.

9 OTHER INCOME / (EXPENSE)

	Unaudited nine months period ended 30 September 2019 AED 000	Unaudited nine months period ended 30 September 2018 AED 000
Foreign exchange income	307	22
Clearing fee expense	(713)	(778)
Other operating income / (expense)	-	(205)
	(406)	(961)

10 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 condensed interim financial statements, are as follows:

	Unaudited 30 September 2019 AED 000	Audited 31 December 2018 AED 000
Due to Holding Company	14,699	7,646
Bank balances held with Holding Company	122,293	119,081

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:

	Unaudited nine months period ended 30 September 2019 AED 000	Unaudited nine months period ended 30 September 2018 AED 000
Commission income from related parties (note 10.1)	149	57
Interest income from Holding Company on fixed deposit and call account	1,919	1,565
Insurance premium paid to associate of Holding Company	49	49

10.1 Commission income from related parties in 2019 comprised:

	Trade value AED 000	Comm. income AED 000
Subsidiary of the holding company	35,391	22
Holding company	58,421	73
Associate of the holding company	5,611	6
Directors of the company	76,774	48
	176,197	149

11 CONTINGENT LIABILITIES

	Unaudited 30 September 2019 AED 000	Audited 31 December 2018 AED 000
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

12 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).

Unaudited 30 September 2019

	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
FVOCI - equity instruments	-	-	65	65
FVTPL - equity instruments	-	-	198	198
	-	-	263	263

Audited 31 December 2018

	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
FVOCI - equity instruments	-	-	65	65
FVTPL - equity instruments	-	-	198	198
	-	-	263	263

12 FAIR VALUE MEASUREMENT PRINCIPLES (CONTINUED)

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.