

Emirates NBD Securities LLC

Condensed interim financial statements

For the six months period ended 30 June 2016

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 June 2016 and the related interim statements of income and comprehensive income for the three month and six month periods then ended and interim statement of cash flows and changes in equity for the six 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



Signed by:
Joseph Murphy
Partner
Registration No. 492

28 July 2016
Dubai, United Arab Emirates

Emirates NBD Securities LLC
Condensed interim statement of financial position
As at 30 June 2016 (Unaudited)

	<i>Notes</i>	Unaudited 30 June 2016 AED '000	Audited 31 December 2015 AED '000
Assets			
Property and equipment		679	942
Financial assets at available-for-sale	6	6,482	6,334
Total non-current assets		7,161	7,276
Cash and bank balances	7	94,466	90,311
Due from Holding Company	11	335,916	328,355
Trade and other debtors	8	16,919	18,079
Other receivables		3,996	3,458
Total current assets		451,297	440,203
Other payables	9	6,093	7,301
Client Deposit		7,387	4,182
Total current liabilities		13,480	11,483
Net current assets		437,817	428,720
Net assets		444,978	435,996
Represented by			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Fair value reserve		1,136	988
Capital contribution reserve		50,000	50,000
Retained earnings		339,038	330,204
Total equity holders' funds		444,978	435,996

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

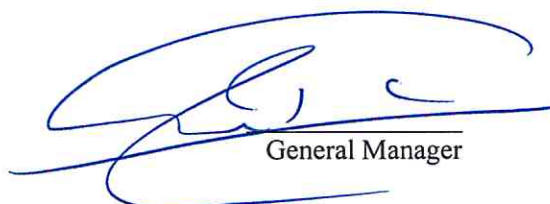
The independent auditors' report is set out on page 1.

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

28 JUL 2016



Director



General Manager

Emirates NBD Securities LLC
Condensed interim statement of income
For the six months period ended 30 June 2016 (Unaudited)

		Unaudited three months period ended 30 June 2016 AED '000	Unaudited three months period ended 30 June 2015 AED '000	Unaudited six months period ended 30 June 2016 AED '000	Unaudited six months period ended 30 June 2015 AED '000
	<i>Notes</i>	-----	-----	-----	-----
Commission income		4,925	11,070	12,875	17,582
Administrative and general expenses		(4,300)	(7,535)	(9,669)	(13,676)
Operating profit		625	3,535	3,206	3,906
Other income	10	863	373	1,197	389
Interest received from Holding Company	11	368	180	572	360
Allowance for impairment on trade and other debtors		-	-	3,859	-
Profit for the period		1,856	4,088	8,834	4,655
		=====	=====	=====	=====

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 comprehensive income
For the six months period ended 30 June 2016 (Unaudited)

	<i>Note</i>	Unaudited three month period ended 30 June 2016 AED '000	Unaudited three month period ended 30 June 2015 AED '000	Unaudited six months period ended 30 June 2016 AED '000	Unaudited six months period ended 30 June 2015 AED '000
	-----	-----	-----	-----	-----
Profit for the period		1,856	4,088	8,834	4,655
Other comprehensive Income:					
Net change in fair value of financial assets available- for-sale	6	(494)	2,320	148	(148)
		-----	-----	-----	-----
Total comprehensive income for the period		1,362	6,408	8,982	4,507
		=====	=====	=====	=====

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 changes in equity
For the six months period ended 30 June 2016 (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 2016	36,000	18,804	988	50,000	330,204	435,996
Total comprehensive income for the period	-	-	148	-	8,834	8,982
Balance at 30 June 2016	36,000	18,804	1,136	50,000	339,038	444,978
	=====	=====	=====	=====	=====	=====
Balance at 1 January 2015	36,000	18,804	4,838	50,000	325,627	435,269
Total comprehensive income for the period	-	-	(148)	-	4,655	4,507
Balance at 30 June 2015	36,000	18,804	4,690	50,000	330,282	439,776
	=====	=====	=====	=====	=====	=====

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Emirates NBD Securities LLC
Condensed interim statement of cash flows
For the six months period ended 30 June 2016 (Unaudited)

	Unaudited 30 June 2016 AED'000	Unaudited 30 June 2015 AED'000
	-----	-----
<u>OPERATING ACTIVITIES</u>		
Profit for the period	8,834	4,655
<i>Adjustments for non-cash items:</i>		
Depreciation	367	307
(Recovery of)/allowance for impairment losses	(3,859)	-
	-----	-----
	5,342	4,962
Change in trade and other debtors	5,019	780
Change in other receivables	(538)	(908)
Change in due from Holding Company	(7,561)	(3,165)
Change in other payables	(1,208)	(1,231)
	-----	-----
Net cash flows from operating activities	1,054	438
	-----	-----
<u>INVESTING ACTIVITIES</u>		
Acquisition of property and equipment	(104)	(39)
(Decrease)/increase in term deposits maturing after three months	(12,059)	44,015
	-----	-----
Net cash flows (used in)/from investing activities	(12,163)	43,976
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(11,109)	44,414
 Cash and cash equivalents at the beginning of the period	 41,688	 41,231
	-----	-----
Cash and cash equivalents at the end of the period	30,579	85,645
	=====	=====

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 six months period ended 30 June 2016 (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.

The Federal Law No. 2 of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. 8 of 1984. The Company is currently assessing the impact of the new law and expects to be fully compliant on or before the end of grace period on 30 June 2017.

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

The share holding pattern in the Company is as follows:

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

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

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

The registered address of the Company is P.O. Box 2923, Dubai, 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 2015. 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 2015.

In addition, results for the six months ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2016 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 six months period ended 30 June 2016 (Unaudited)

4 Estimates

The preparation of these condensed interim financial statements in conformity with IFRS requires the 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 2015.

6 Investment securities

These comprise of the following:

	Unaudited 30 June 2016 AED '000	Audited 31 December 2015 AED '000
	-----	-----
Equity securities:		
Non-current:		
Available-for-sale (refer note below)	6,482 =====	6,334 =====

Included in available-for-sale are:

- a) AED 6,220 K (31 December 2015: AED 6,072 K) representing 4,936,337 shares in Dubai Financial Market ("DFM"). The Company in 2006 acquired the shares relating to DFM's IPO as per the allocation set by DFM for brokerage companies.
- b) AED 198 K (31 December 2015: AED 198 K) representing 1% equity interest in Egyptian Company for Electronic System Development ("Network International Egypt (NI-Egypt) (S.A.E)"). The remaining 99% equity interest in NI-Egypt is collectively owned by Network International LLC and Emirates Financial Services PSC, who are a joint venture / subsidiary, respectively, of the Holding Company.

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the six months period ended 30 June 2016 (Unaudited)

7 Cash and bank balances

	Unaudited 30 June 2016 AED ‘000	Audited 31 December 2015 AED ‘000
	-----	-----
Cash in hand	5	5
Current account	20,574	19,818
Bank deposit (Maturity within three months)	10,000	21,865
	-----	-----
Cash and cash equivalents	30,579	41,688
Bank Deposit (Maturity after three months)	56,500	44,441
Client money (7.1)	7,387	4,182
	-----	-----
	94,466	90,311
	=====	=====

- 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 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 June 2016, no accounts were transferred to Holding Company (full year 2015 no accounts were transferred). Receivable from MT as of 30 June 2016 was AED 41 million (2015: AED 46 million).

	Unaudited 30 June 2016 AED ‘000	Audited 31 December 2015 AED ‘000
	-----	-----
Customer receivables	40,684	45,703
Less: allowance for impairment loss	(23,765)	(27,624)
	-----	-----
	16,919	18,079
	=====	=====

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the six months period ended 30 June 2016 (Unaudited)

8 Trade and other debtors (continued)

	Unaudited 30 June 2016 AED '000	Audited 31 December 2015 AED '000
	-----	-----
Movement in allowance for impairment loss		
Balance as on 1st January	27,624	28,154
Allowance made during the year	-	-
Recoveries / Write back	(3,859)	(505)
Write off	-	(25)
	-----	-----
	23,765	27,624
	=====	=====

9 Other Payables

The company has implemented a loyalty program for customers in 2013. The program was designed to pay incentive "Points" to eligible customers based on customers trading volume per month. The total points are accrued each month and will be valid for redemption within 24 months. Points are credited to customer's trading account upon request. Each point has an equivalent value of AED 1. The total loyalty points accrued, net of redemption as at 30 June 2016 is AED 2,551 K. (2015: 4,326 K).

10 Other income

	Unaudited 30 June 2016 AED '000	Unaudited 31 June 2015 AED '000
	-----	-----
FX income	92	-
Dividend Income	247	346
Others	858	43
	-----	-----
	1,197	389
	=====	=====

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 June 2016 AED '000	Audited 31 December 2015 AED '000
	-----	-----
Due from Holding Company	335,916	328,355
	=====	=====
Bank balances held with Holding Company	94,418	90,263
	=====	=====

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the six months period ended 30 June 2016 (Unaudited)

11 Related party transactions (continued)

Transactions with group entities

	Unaudited 30 June 2016 AED '000	Unaudited 30 June 2015 AED '000
	-----	-----
Commission income from related parties	890	484
Interest income from Holding Company on fixed deposit and call account	572	360
Insurance premium paid to associate of Holding Company	62	52
	=====	=====

12 Contingent liabilities

	Unaudited 30 June 2016 AED '000	Audited 31 December 2015 AED '000
	-----	-----
Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX)	100,000	267,000
	=====	=====
Letters of guarantee (Issued by 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
	=====	=====

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the six months period ended 30 June 2016 (Unaudited)

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 June 2016				
Available-for-sale financial assets	6,220	-	262	6,482
	=====	=====	=====	=====

In AED 000	Level 1	Level 2	Level 3	Total
	-----	-----	-----	-----
31 December 2015				
Available-for-sale financial assets	6,072	-	262	6,334
	=====	=====	=====	=====

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

For fair value measurement in level 3, change in 10% in the fair value of the investment would have an equal but opposite potential effect of AED 26 K (2015: 26 K) of the statement of comprehensive income.