EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018

EMIRATES NBD SECURITIES LLC

CONDENSED INTERIM FINANCIAL STATEMENTS

Contents	***Page***

Building a better working world

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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 2018 and the related interim statements of income and comprehensive income for the three month and six month period 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

J. Murphy

Signed by:
Joseph Alexander Murphy
Partner
Registration No. 492

30 July 2018
Dubai, United Arab Emirates

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 (UNAUDITED)

	Notes	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Assets			
Property and equipment		492	391
Investment securities	6	262	262
Total non-current assets		**754**	653
Cash and bank balances	7	121,201	131,774
Trade and other debtors	8	143	147
Other receivables		3,171	3,081
Total current assets		**124,515**	135,002
Other payables	9	9,579	9,918
Due to Holding Company	12	3,869	-
Client deposit		8,367	14,450
Total current liabilities		**21,815**	24,368
Net current assets		**102,702**	110,634
Net assets		**103,454**	111,287
Represented by			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Capital contribution reserve		50,000	50,000
Retained earnings		(1,350)	6,483
Total equity holders' funds		**103,454**	111,287

The notes on pages 7 to 20 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 July 30, 2018

Board of Director

General Manager

CONDENSED INTERIM STATEMENT OF INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Notes	Unaudited three months period ended 30 June 2018 AED 000	Unaudited three months period ended 30 June 2017 AED 000	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Commission income		2,286	3,507	5,203	10,789
Administrative and general expenses		(3,607)	(3,900)	(6,822)	(7,440)
Operating profit/(loss)		**(1,321)**	**(393)**	**(1,619)**	**3,349**
Other income/(expense)	10	(320)	-	(687)	(29)
Interest received from Holding Company	12	583	331	956	1,261
Recoveries of impairment on trade and other debtors	8	-	10,153	-	10,153
Profit/(loss) for the period		**(1,058)**	**10,091**	**(1,350)**	**14,734**

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Notes	Unaudited three months period ended 30 June 2018 AED 000	Unaudited three months period ended 30 June 2017 AED 000	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Profit/(loss) for the period		(1,058)	10,091	(1,350)	14,734
Other comprehensive income					
Net change in fair value of financial assets available-for-sale		-	(691)	-	(691)
Total comprehensive income/(loss) for the period		**(1,058)**	**9,400**	**(1,350)**	**14,043**

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CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (UNAUDITED)

	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
OPERATING ACTIVITIES		
Profit/(loss) for the period	(1,350)	14,734
Adjustment for non-cash items		
Depreciation	40	120
Recovery of impairment losses	-	(10,153)
Operating profit/(loss) before changes in operating assets and liabilities	**(1,310)**	**4,701**
Change in trade and other debtors	4	25,004
Change in other receivables	(90)	1,159
Change in due to Holding Company	3,869	(25,578)
Change in other payables	(339)	(2,028)
Net cash flows from operating activities	**2,134**	**3,258**
INVESTING ACTIVITIES		
Acquisition of property and equipment	(141)	(32)
(Increase)/decrease in term deposits maturing after three months	(83,865)	276,532
Net cash flows from / (used in) investing activities	**(84,006)**	**276,500**
FINANCING ACTIVITIES		
Dividends paid	(6,483)	(341,731)
Net cash flows used in financing activities	**(6,483)**	**(341,731)**
Net decrease in cash and cash equivalents	(88,355)	(61,973)
Cash and cash equivalents at the beginning of the period	117,324	87,805
Cash and cash equivalents at the end of the period	**28,969**	**25,832**

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2018 (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 as at 1 January 2018	36,000	18,804	-	50,000	6,483	111,287
Total comprehensive income/(loss) for the period	-	-	-	-	(1,350)	(1,350)
Dividends paid	-	-	-	-	(6,483)	(6,483)
Balance as at 30 June 2018	**36,000**	**18,804**	-	**50,000**	(1,350)	103,454
Balance as at 1 January 2017	36,000	18,804	1,086	50,000	341,731	447,621
Total comprehensive income for the period	-	-	(691)	-	14,734	14,403
Dividends paid	-	-	-	-	(341,731)	(341,731)
Balance as at 30 June 2017	36,000	18,804	395	50,000	14,734	119,933

The notes on pages 7 to 20 form an integral part of these financial statements.

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1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Emirates International Securities LLC ("the Company") is a limited liability company incorporated in the Emirate of Dubai on 10 November 2001 under the Federal Law No 8 of 1984 (as amended) applicable to commercial companies. On 8 November 2009, the Company received regulatory approval to merge with NBD Securities LLC ("acquired entity") and changed its name from Emirates International Securities LLC to Emirates NBD Securities LLC.

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.

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 2017. 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 2017.

In addition, results for the six months ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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 2017, except the following accounting policies which are applicable from 1 January 2018. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2018 has had no material effect on the interim condensed financial statements of the Company.

(a) IFRS 9 Financial Instruments

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

(i) Classification of financial assets and financial liabilities

Financial assets

On initial recognition, a financial asset is classified as measured: at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit and Loss (FVTPL).

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

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All other financial assets are classified as measured at FVTPL

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) IFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

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:

- 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 interest revenue, maintaining a particular interest 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;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- 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; and
- 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.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' 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 lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, 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 interest rate.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) IFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Financial assets (continued)

Reclassifications:

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.

Derecognition:

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

(ii) Impairment

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.
- no impairment loss is recognised on equity investments.

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

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.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) IFRS 9 Financial Instruments (continued)

(ii) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company procedures for recovery of amounts due.

(iii) Financial guarantees

Financial guarantees are contracts that require the Company to make specified payments to reimburse the holders for a loss they incur because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument. The financial guarantee liability is carried at amortised cost when payment under the contract has become probable.

Financial guarantees issued are initially measured at fair value and their initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) IFRS 9 Financial Instruments (continued)

iv) Investment securities

The investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

- Interest revenue using the effective interest method
- ECL and reversals, and
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Company elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

v) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore not comparable to the information presented for period under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation or previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures, which was updated to reflect the differences between IFRS 9 and IAS 39, was also adopted by the Company together with IFRS 9, for the year beginning 1 January 2018.

(c) IFRS 15 Revenue from contracts with customers

This standard on revenue recognition replaces IAS 11, 'Construction contracts', and IAS 18,'Revenue' and related interpretations.

IFRS 15 is more prescriptive, provides detailed guidance on revenue recognition and reduces the use of judgment in applying revenue recognition policies and practices as compared to the replaced IFRS and related interpretations.

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.

The core principle of IFRS 15 is that an entity recognizes revenue as it transfers the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 also includes a comprehensive set of disclosure requirements that will result in an entity providing users of condensed interim financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The core revenue source of the Company is from commission income and hence the Company has assessed that there is no impact of IFRS 15 on the condensed interim financial statements as at the reporting date.

4 CHANGES IN 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.

Changes to judgements made in applying accounting policies that have most significant effects on the amounts recognized in the condensed interim financial statements of the period ended 30 June 2018 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments which impact:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and interest of the principal amount outstanding.
- Calculation of expected credit loss: changes to the assumptions and estimation uncertainties that have a significant impact on expected credit losses for the period ended 30 June 2018 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

4 CHANGES IN ESTIMATES (CONTINUED)

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Company while determining the impact assessment, are:

Assessment of Significant Increase in Credit Risk

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company' existing risk management processes.

Our assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. We have established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition.
2. Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

4 CHANGES IN ESTIMATES (CONTINUED)

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology (continued)

Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios (continued)

Our base case scenario will be based on macroeconomic forecasts published by our internal economist group. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

Definition of default

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life

When measuring ECL, the Company must consider the maximum contractual period over which the Company is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Company is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Governance

In addition to the existing risk management framework, we have established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance, Risk Management and Economics and will be responsible for reviewing and approving key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in our condensed interim financial statements.

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 2017.

6 INVESTMENT SECURITIES

These comprise of the following:

	Unaudited 30 June 2018 AED '000	Audited 31 December 2017 AED '000
Equity securities:		
Non-current:		
FVOCI - equity instruments	64	-
FVTPL - equity instruments	198	-
Available-for-sale	-	262
	======	======

Included in FVTPL-equity instrument is:

AED 198 K (31 December 2017: 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 NBD Capital (P.S.C), who are a joint venture / subsidiary, respectively, of the Holding Company.

These securities were held as 'Available-for-sale' under IAS 39, however, under IFRS 9 these have been classified as FVOC and FVTPL. As disclosed in note 3, there was no material impact on retained earnings or fair value reserve as a result of this change in classification.

The company does not have any investment in Abraaj Group.

7 CASH AND BANK BALANCES

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Cash in hand	5	5
Current account	28,964	59,648
Bank deposit (Maturity within three months)	-	57,671
Cash and cash equivalents	28,969	117,324
Bank Deposit (Maturity after three months)	83,865	-
Client money (7.1)	8,367	14,450
	121,201	131,774

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 2018, no accounts were transferred to Holding Company (full year 2017 no accounts were transferred). Receivable from MT as of 30 June 2018 was AED 7.5 million (2017: AED 7.5 million).

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Customer receivables	7,521	7,525
Less: allowance for impairment loss	(7,378)	(7,378)
	143	147

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

8 TRADE AND OTHER DEBTORS (CONTINUED)

Movement in allowances for impairment loss	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Balance as at 1 January	7,378	21,014
Allowance made during the period	-	-
Recoveries / Write back	-	(10,153)
Write off	-	(4,737)
	7,378	6,124

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 June 2018 is AED 548 K. (2017: 652 K).

Operational loss provision of AED 6,535 K created in previous year towards an ongoing legal case is included in other payables.

10 OTHER INCOME/(EXPENSE)

	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Foreign Exchange income	20	341
Clearing Fee expense	(553)	-
Other operating income/(expense)	(154)	(370)
	(687)	(29)

11 EQUITY HOLDER FUNDS

At the Annual General Meeting held on 8 April 2018, the Company approved a cash dividend of AED 18 per share for the year amounting to AED 6.48 million.

12 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 June 2018 AED 000	Audited 31 December 2017 AED 000
Due to Holding Company	3,869	-
Bank balances held with Holding Company	121,156	131,729

Transactions with group entities

	Unaudited six months period ended 30 June 2018 AED 000	Unaudited six months period ended 30 June 2017 AED 000
Commission income from related parties	52	419
Interest income from Holding Company on fixed deposit and call account	956	1,261
Insurance premium paid to associate of Holding Company	49	40

The ECL charge on related party balances is Nil during the period.

13 CONTINGENT LIABILITIES

	Unaudited 30 June 2018 AED 000	Audited 31 December 2017 AED 000
Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX)	-	100,000
Letters of guarantee (Issued by the Mashreq Bank in favor of Nasdaq Dubai)	-	5,509
Letters of guarantee (Issued by the Holding Company in favor of DGCX)	3,673	3,673
Letters of guarantee (Issued by the Holding Company in favor of SCA)	1,000	1,000

14 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 June 2018	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
FVOCI - equity instruments	-	-	64	64
FVTPL – debt instruments	-	-	198	198
	-	-	**262**	**262**

Audited 31 December 2017	Level 1 AED 000	Level 2 AED 000	Level 3 AED 000	Total AED 000
Available-for-sale financial assets	-	-	262	262

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