

Emirates NBD Securities LLC

Condensed interim financial statements

For the three months period ended 31 March 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 31 March 2016 and the related interim statements of income and comprehensive income, cash flows and changes in equity for the three 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

27 April 2016
Dubai, United Arab Emirates

Emirates NBD Securities LLC
Condensed interim statement of financial position
As at 31 March 2016 (Unaudited)

	Notes	Unaudited 31 March 2016 AED '000	Audited 31 December 2015 AED '000
Assets			
Property and equipment		830	942
Financial assets at available-for-sale	6	6,976	6,334
Total non-current assets		7,806	7,276
Cash and bank balances	7	97,416	90,311
Due from Holding Company	11	335,860	328,355
Trade and other debtors	8	17,041	18,079
Other receivables		3,900	3,458
Total current assets		454,217	440,203
Other payables	9	7,459	7,301
Client Deposit		10,948	4,182
Total current liabilities		18,407	11,483
Net current assets		435,810	428,720
Net assets		443,616	435,996
Represented by			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Fair value reserve		1,630	988
Capital contribution reserve		50,000	50,000
Retained earnings		337,182	330,204
Total equity holders' funds		443,616	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

27 APR 2016

Chairman

General Manager

Emirates NBD Securities LLC
Condensed interim statement of income
For the three months period ended 31 March 2016 (Unaudited)

	<i>Notes</i>	Unaudited three months period ended 31 Mar 2016 AED '000	Unaudited three months period ended 31 Mar 2015 AED '000
Commission income		7,950	6,512
Administrative and general expenses		(5,369)	(6,141)
Operating profit		2,581	371
Other income	10	334	16
Interest income from Holding Company	11	204	180
Allowance for impairment on trade and other debtors	8	3,859	-
Profit for the period		6,978	567

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 three months period ended 31 March 2016 (Unaudited)

	<i>Note</i>	Unaudited three months period ended 31 Mar 2016 AED '000	Unaudited three months period ended 31 Mar 2015 AED '000
Profit for the period			
Other comprehensive income / (loss):		6,978	567
Net change in fair value of financial assets at available-for-sale	6	642	(2,468)
Total comprehensive income / (loss) for the period		7,620	(1,901)

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

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

Emirates NBD Securities LLC
Condensed interim statement of changes in equity
For the three months period ended 31 March 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	-	-	642	-	6,978	7,620
Balance at 31 Mar 2016	<u>36,000</u>	<u>18,804</u>	<u>1,630</u>	<u>50,000</u>	<u>337,182</u>	<u>443,616</u>
Balance at 1 January 2015	36,000	18,804	4,838	50,000	325,627	435,269
Total comprehensive income for the period	-	-	(2,468)	-	567	(1,901)
Balance at 31 Mar 2015	<u>36,000</u>	<u>18,804</u>	<u>2,370</u>	<u>50,000</u>	<u>326,194</u>	<u>433,368</u>

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 cash flows
For the three months period ended 31 March 2016 (Unaudited)

	Unaudited 31 Mar 2016 AED'000	Unaudited 31 Mar 2015 AED'000
	-----	-----
<u>OPERATING ACTIVITIES</u>		
Profit for the period	6,978	567
<i>Adjustments for non-cash items:</i>		
Depreciation	143	163
Allowance for impairment losses	(3,859)	-
	-----	-----
	3,262	730
Change in trade and other debtors	4,897	5,926
Change in other receivables	(442)	(828)
Change in due from Holding Company	(7,505)	(7,217)
Change in other payables	158	1,619
	-----	-----
Net cash flows from operating activities	370	230
	-----	-----
<u>INVESTING ACTIVITIES</u>		
Acquisition of property and equipment	(31)	(34)
Increase in term deposits maturing after three months	(22,059)	(21,783)
	-----	-----
Net cash flows used in investing activities	(22,090)	(21,817)
	-----	-----
Net decrease in cash and cash equivalents	(21,720)	(21,587)
	-----	-----
Cash and cash equivalents at the beginning of the period	41,688	41,231
	-----	-----
Cash and cash equivalents at the end of the period	19,968	19,644
	=====	=====

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
Notes to the condensed interim financial statements
For the three months period ended 31 March 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 2016.

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 three months ended 31 March 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 three months period ended 31 March 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 31 March 2016 AED '000	Audited 31 December 2015 AED '000
Equity securities:		
Non-current:		
Available-for-sale (refer note below)	6,976	6,334

Included in available-for-sale are:

- a) AED 6,713 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 three months period ended 31 March 2016 (Unaudited)

7 Cash and bank balances

	Unaudited 31 March 2016 AED '000	Audited 31 December 2015 AED '000
Cash in hand	5	5
Current account	19,963	19,818
Bank deposit (Maturity within three months)	-	21,865
Cash and cash equivalents	19,968	41,688
Bank Deposit (Maturity after three months)	66,500	44,441
Client money (7.1)	10,948	4,182
	97,416	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 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 31 March 2016, no accounts were transferred to Holding Company (full year 2015 no accounts were transferred). Receivable from MT as of 31 March 2016 was AED 41 million (2015: AED 46 million).

	Unaudited 31 March 2016 AED '000	Audited 31 December 2015 AED '000
Customer receivables	40,806	45,703
Less: allowance for impairment loss	(23,765)	(27,624)
	17,041	18,079

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the three months period ended 31 March 2016 (Unaudited)

8 Trade and other debtors (continued)

	Unaudited 31 March 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)
	<u>23,765</u>	<u>27,624</u>

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 included in other payables as at 31 March 2016 is AED 3,642 K. (2015: 4,326 K).

10 Other income

	Unaudited 31 March 2016 AED '000	Unaudited 31 March 2015 AED '000
FX income	38	15
Others	296	1
	<u>334</u>	<u>16</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 31 March 2016 AED '000	Audited 31 December 2015 AED '000
Due from Holding Company	<u>335,860</u>	<u>328,355</u>
Bank balances held with Holding Company	<u>97,367</u>	<u>90,263</u>

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the three months period ended 31 March 2016 (Unaudited)

11 Related party transactions (continued)

Transactions with group entities

	Unaudited 31 March 2016 AED '000	Unaudited 31 March 2015 AED '000
Commission income from related parties	686	194
Interest income from Holding Company on fixed deposit and call account	204	180
Insurance premium paid to associate of Holding Company	32	27

12 Contingent liabilities

	Unaudited 31 March 2016 AED '000	Audited 31 December 2015 AED '000
Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX)	110,000	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 three months period ended 31 March 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
	-----	-----	-----	-----
31 March 2016				
Available-for-sale financial assets	6,714	-	262	6,976
	=====	=====	=====	=====
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.