

Securities & Investment Company (UAE) LLC

Condensed interim financial statements

31 March 2016

Securities & Investment Company (UAE) LLC

Condensed interim financial statements

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Independent auditor's report on review of condensed interim financial information

The Shareholders
Securities & Investment Company (UAE) LLC

Introduction

We have reviewed the accompanying 31 March 2016 condensed interim financial information of Securities & Investment Company (UAE) LLC ("the Company"), which comprises:

- the condensed interim statement of financial position as at 31 March 2016;
- the condensed interim statement of profit or loss and other comprehensive income for the three month period ended 31 March 2016;
- the condensed interim statement of changes in equity for the three month period ended 31 March 2016;
- the condensed interim statement of cash flows for the three month period ended 31 March 2016; and
- notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 31 March 2016 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'

Emphasis of matter

Without qualifying our opinion, we draw attention to note 8 to the financial statements, which describes the uncertainty related to the outcome of a lawsuit filed against the Company by a third party.

28 APR 2016

KPMG Lower Gulf Limited
Munther Dajani
Registration No: 268

Securities & Investment Company (UAE) LLC

Condensed interim statement of financial position

as at

	Note	(Unaudited) 31 March 2016 AED	(Audited) 31 December 2015 AED
Assets			
Cash and bank balances		65,953,845	68,483,821
Margin trading receivables	4	1,280,335	1,553,697
Trade receivables and prepayments	5	1,652,172	1,760,997
Furniture and equipment		69,889	85,143
Intangible assets		17,982	35,963
Total assets		68,974,223	71,919,621
Equity			
Share capital		30,000,000	30,000,000
Statutory reserve		2,362,215	2,362,215
Accumulated losses		(16,978,150)	(16,254,475)
Total equity		15,384,065	16,107,740
Liabilities			
Employee terminal benefits		167,168	150,758
Trade and other payables	7	33,864,102	36,131,755
Amount due to related party	6	19,558,888	19,529,368
Total liabilities		53,590,158	55,811,881
Total equity and liabilities		68,974,223	71,919,621

These condensed interim financial statements were approved and authorised for issue by the Board of Directors on 28 APRIL 2016 and was signed on their behalf by:



Director



Director

The notes 1 to 9 are an integral part of these condensed interim financial statements.

The independent auditor's report on review of **condensed** interim financial information is set out on page 2.

Securities & Investment Company (UAE) LLC

Condensed interim statement of profit or loss and other comprehensive income

for the three-month period ended 31 March (Unaudited)

	2016 AED	2015 AED
Net commission income	738,040	692,586
Interest income	4,658	1,721
Total income	742,698	694,307
Administrative and general expenses	(1,269,200)	(1,477,948)
Depreciation	(39,215)	(176,396)
Finance costs	(157,958)	(180,497)
Total comprehensive loss for the period	(723,675)	(1,140,534)

The notes 1 to 9 are an integral part of these condensed interim financial statements.

The independent auditor's report on review of condensed interim financial information is set out on page 2.

Securities & Investment Company (UAE) LLC

Condensed interim statement of changes in equity

for the three-month period ended 31 March (Unaudited)

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Total AED
At 1 January 2015	30,000,000	2,362,215	(11,515,091)	20,847,124
Total comprehensive loss for the period	-	-	(1,140,534)	(1,140,534)
At 31 March 2015	30,000,000	2,362,215	(12,655,625)	19,706,590
At 1 January 2016	30,000,000	2,362,215	(16,254,475)	16,107,740
Total comprehensive loss for the period	-	-	(723,675)	(723,675)
At 31 March 2016	30,000,000	2,362,215	(16,978,150)	15,384,065

The notes 1 to 9 are an integral part of these condensed interim financial statements.

The independent auditor's report on review of condensed interim financial information is set out on page 2.

Securities & Investment Company (UAE) LLC

Condensed interim statement of cash flows for the three-month period ended 31 March (Unaudited)

	2016 AED	2015 AED
Cash flows from operating activities		
Loss for the period	(723,675)	(1,140,534)
<i>Adjustments for:</i>		
Depreciation	39,215	176,396
Interest income	(4,658)	(1,721)
Finance costs	157,958	180,497
Provision for employees' terminal benefits	20,349	31,998
	<u>(510,811)</u>	<u>(753,364)</u>
Change in trade receivable and prepayments	108,825	175,720
Change in trade and other payables	(2,267,653)	(8,462,670)
Change in due to related party	29,520	(22,455)
Change in margin trading receivables	273,362	(100,138)
Employees' terminal benefits paid	(3,939)	(13,370)
	<u>(2,370,696)</u>	<u>(9,176,277)</u>
Cash flows from investing activities		
Purchase of furniture and equipment	(5,980)	(10,000)
	<u>(5,980)</u>	<u>(10,000)</u>
Cash flows from financing activities		
Finance costs paid	(157,958)	(180,497)
Interest received	4,658	1,721
	<u>(153,300)</u>	<u>(178,776)</u>
Net decrease in cash and cash equivalents	(2,529,976)	(9,365,053)
Cash and cash equivalents at the beginning of the period	68,483,821	48,127,198
Cash and cash equivalents at 31 March	<u>65,953,845</u>	<u>38,762,145</u>

The notes 1 to 9 are an integral part of these condensed interim financial statements.

The independent auditor's report on review of condensed interim financial information is set out on page 2.

Securities & Investment Company (UAE) LLC

Notes to the condensed interim financial statements

1 Legal status and principal activities

Securities & Investment Company (UAE) LLC (Formerly "CI Capital Gulf Financial Brokerage Company LLC") (the "Company") was established on 11 February 2002, as a limited liability company, registered in the Emirate of Abu Dhabi under UAE Federal Law No. 8 of 1984 (as amended). The Company was granted a license to operate, in the Emirate of Abu Dhabi, by the Emirates Securities and Commodities Authority ("ESCA") on 13 May 2002 and its registered head office P.O. Box 35399, Al Ghaith Tower, Hamdan Street, Abu Dhabi, United Arab Emirates.

The principal activity of the Company is to provide brokerage services for customers trading in shares and securities on Abu Dhabi Securities Market and Dubai Financial Market.

On 15 September 2011, CI Capital Gulf Financial Brokerage Company was acquired by the Securities & Investment Company BSC(c) and changed its name to Securities & Investment Company (UAE) LLC located in Al Wahda commercial towers, P.O. Box 37618 under a new management. The Company's license number is CN-1043543.

2 Principal shareholders

	Shareholding
Securities & Investment Company BSC(c)	99%
Sico Ventures Company Spc	1%
	<hr/>
	100%
	<hr/> <hr/>

3 Significant accounting policies

a) Statement of compliance

This condensed interim financial information has been prepared in accordance with International Accounting Standard ("IFRS"), IAS 34 *Interim Financial Reporting*. It does not include all of the information required for full annual audited financial statements, and should be read in conjunction with the annual audited financial statements of the Company as at and for the year ended 31 December 2015.

b) Basis of preparation

The condensed interim financial information is prepared under the historical cost convention.

Items included in the condensed interim financial information of the Company are measured and presented in United Arab Emirates "Dirhams" ('AED') which is the functional currency of the Company.

The Company has consistently applied the accounting policies and the methods of computation used for the preparation of annual audited financial statements for the year ended 31 December 2015.

Securities & Investment Company (UAE) LLC

Notes to the condensed interim financial statements

3 Significant accounting policies (continued)

c) Key accounting estimates and judgments

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

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2015.

d) Financial risk management

The Company's financial risk management objectives, policies and procedures are consistent with those disclosed in the annual audited financial statements as at and for the year ended 31 December 2015.

4 Margin trading receivables

The Company has obtained the license from ESCA under registration 604010 dated 24/11/2013 for margin trading, whereby the Company would provide finance to its clients as percentage of the market value of securities. These securities are considered as collateral. The financing agreements are usually short term. The margin trading account will be subject to interest charges. However, management at its discretion can extend margin facilities free of interest.

Investors who borrowed from the Company will need to provide additional cash or securities if the price of a stock drops against the products minimum eligibility. In case of default or deterioration of collateral value, the Company is allowed to liquidate the position. The fair value of securities held as collateral against margin trading receivables as at the reporting date amounts to AED 6,416,921 (31 December 2015: AED 4,038,794).

As at the reporting date, the commitments extended to customers for margin trading has an undrawn balance of AED 5,616,588 (31 December 2015: AED 3,290,663) without any expiration.

5 Trade receivable and prepayments

	(Unaudited) 31 March 2016 AED	(Audited) 31 December 2015 AED
Settlement account with financial markets	860,562	1,291,714
Prepaid expenses	666,779	340,493
Security deposits	53,000	53,000
Others	71,831	75,790
	<u>1,652,172</u>	<u>1,760,997</u>

Securities & Investment Company (UAE) LLC

Notes to the condensed interim financial statements

6 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Company, related parties, include major shareholders, directors of the Company and companies of whom they are principal owners and key management personnel.

Balances with related parties are as follows:

	(Unaudited) 31 March 2016 AED	(Audited) 31 December 2015 AED
<i>Due to the Ultimate Parent:</i>		
Due to related party	19,558,888	19,529,368
Due to related party (as customer)	12,658,170	14,296,216
	<u> </u>	<u> </u>

On 4 June 2014, the Parent provided the Company with a credit facility amounting USD 5,300,000. The credit facility is available for a period of 5 years to meet SCA requirements of margin trading. Interest rate are set for a period of 3 months at Libor plus 1%

	(Unaudited) three month period ended 31 March 2016 AED	(Unaudited) three month period ended 31 March 2015 AED
<i>Transactions with Ultimate Parent:</i>		
Total transaction amount	235,569,558	306,959,082
Net commission income	177,912	231,280
Interest on loan	78,313	99,877
	<u> </u>	<u> </u>

Transactions with key management personnel

	(Unaudited) three month period ended 31 March 2016 AED	(Unaudited) three month period ended 31 March 2015 AED
Short term employee benefits	551,193	427,150
Post-employment benefits	13,844	132,452
	<u> </u>	<u> </u>

Securities & Investment Company (UAE) LLC
Notes to the condensed interim financial statements

7 Trade and other payables

	(Unaudited) 31 March 2016 AED	(Audited) 31 December 2015 AED
Payables to customers	32,011,079	35,180,556
Margin Trading Payables	1,767,456	484,171
Provision for bonus to staff	52,460	356,255
Accrued fees	27,756	110,763
Others	5,351	10
	<u>33,864,102</u>	<u>36,131,755</u>

8 Contingent liabilities

- i) During the year 2013, the Company was served notice of legal action brought against it jointly with a third party by one of the Company's old customers.

The plaintiff claimed damages of AED 10M resulting from a fraudulent transaction carried out by the third party and allegedly one of the old employees of the Company. The transaction took place prior to the acquisition of the entire shares of the Company by the current shareholders when the Company's name was CI Capital Gulf Financial Brokerage Company LLC.

The current shareholders included a clause in the sale and purchase agreement that exonerate the Company from any legal action related to any incident prior to the purchase date of 15 September 2011 and places the liability on the old shareholders.

At this stage of the action, the Management believes that the liability is not possible as defined under International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets", and that there is no need for a provision to be created in these financial statements.

- ii) The Company has letters of guarantee in the amount of AED 50 million (31 December 2015: AED 50 million) in favour of Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) in accordance with the requirements issued by the Securities and Commodities Authority.

9 Going Concern

The Company have incurred losses of AED 0.724 million in the current quarter with accumulated losses amounting to AED 16.98 million. The financial statements have been prepared on the basis that the Company is a going concern given that it intends to carry on its business operations in future and based on the confirmation of financial support received from its holding company