

**Securities & Investment Company (UAE) LLC**

Condensed interim financial information

**30 September 2016**

**Principal business address:**

P.O. Box 37618

Abu Dhabi

United Arab Emirates

# **Securities & Investment Company (UAE) LLC**

## **Condensed interim financial information**

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## **Independent auditors' report**

The Board of Directors  
Securities & Investment Company (UAE) LLC  
Abu Dhabi  
United Arab Emirates

### **Report on the Review of Condensed Interim Financial Information**

We have reviewed the accompanying 30 September 2016 condensed interim financial information of Securities & Investment Company (UAE) LLC (the "Company"), which comprises:

- the condensed interim statement of financial position as at 30 September 2016;
- the condensed interim statement of profit or loss and other comprehensive income for the nine month period ended 30 September 2016;
- the condensed interim statement of changes in equity for the nine month period ended 30 September 2016;
- the condensed interim statement of cash flows for the nine month period ended 30 September 2016; and
- notes to the interim financial information.

#### *Management's responsibility for the 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 30 September 2016 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

*Emphasis of a 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.

KPMG Lower Gulf Limited

Date: 27 OCT 2016

# Securities & Investment Company (UAE) LLC


## Condensed interim statement of financial position

as at

		30 September 2016 (Unaudited) AED	31 December 2015 (Audited) AED
	<i>Note</i>		
<b>Assets</b>			
Cash and bank balances		55,594,529	68,483,821
Margin trading receivables	4	4,289,167	1,553,697
Trade receivables and prepayments	5	5,918,058	1,760,997
Furniture and equipment		27,528	85,143
Intangible assets		-	35,963
<b>Total assets</b>		<b>65,829,282</b>	<b>71,919,621</b>
<b>Equity</b>			
Share capital		30,000,000	30,000,000
Statutory reserve		2,362,215	2,362,215
Accumulated losses		(19,111,078)	(16,254,475)
<b>Total equity</b>		<b>13,251,137</b>	<b>16,107,740</b>
<b>Liabilities</b>			
Employee terminal benefits		190,733	150,758
Trade and other payables	6	32,901,733	36,131,755
Amount due to related party	7	19,485,679	19,529,368
<b>Total liabilities</b>		<b>52,578,145</b>	<b>55,811,881</b>
<b>Total equity and liabilities</b>		<b>65,829,282</b>	<b>71,919,621</b>

These condensed interim financial statements were approved and authorised for issue by the Board of Directors on 27 October 2016, and was signed on their behalf by:

  
Chairman

  
Vice Chairman

The notes 1 to 9 are an integral part of this condensed interim financial information.

The independent auditor's report on review of condensed interim financial information is set out on pages 1 and 2.

# Securities & Investment Company (UAE) LLC

Condensed interim statement of profit or loss and other comprehensive income  
for the nine-month period ended 30 September (Unaudited)

	2016 AED	2015 AED
Net commission income	1,692,219	1,650,684
Interest income	41,101	6,470
<b>Total income</b>	<b>1,733,320</b>	<b>1,657,154</b>
General and administrative expenses	(4,058,483)	(4,303,533)
Depreciation	(99,558)	(355,626)
Finance costs	(431,882)	(510,093)
<b>Loss for the period</b>	<b>(2,856,603)</b>	<b>(3,512,098)</b>
Other comprehensive income	-	-
<b>Total comprehensive loss for the period</b>	<b>(2,856,603)</b>	<b>(3,512,098)</b>

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## Securities & Investment Company (UAE) LLC

Condensed interim statement of changes in equity  
for the nine-month period ended 30 September (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	-	-	(3,512,098)	(3,512,098)
<b>At 30 September 2015</b>	<b>30,000,000</b>	<b>2,362,215</b>	<b>(15,027,189)</b>	<b>17,335,026</b>
At 1 January 2016	30,000,000	2,362,215	(16,254,475)	16,107,740
Total comprehensive loss for the period	-	-	(2,856,603)	(2,856,603)
<b>At 30 September 2016</b>	<b>30,000,000</b>	<b>2,362,215</b>	<b>(19,111,078)</b>	<b>13,251,137</b>

The notes 1 to 9 are an integral part of this condensed interim financial information.

# Securities & Investment Company (UAE) LLC

Condensed interim statement of cash flows  
for the nine-month period ended 30 September (Unaudited)

	2016 AED	2015 AED
<b>Cash flows from operating activities</b>		
Loss for the period	(2,856,603)	(3,512,098)
<i>Adjustments for:</i>		
Depreciation and amortization	99,558	355,626
Interest income	(41,101)	(6,470)
Finance costs	431,882	510,093
Provision for employees' terminal benefits / (recoveries)	51,344	(7,169)
	<u>(2,314,920)</u>	<u>(2,660,018)</u>
<i>Changes in:</i>		
- Trade receivables and prepayments	(4,157,061)	(4,085,306)
- Margin trading receivables	(2,735,470)	2,803,589
- Trade and other payables	(3,230,022)	3,286,859
- Amounts due to related party	(43,689)	(62,918)
- Employees' terminal benefits paid	(11,369)	(21,572)
	<u>(12,492,531)</u>	<u>(739,366)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activity</b>		
Purchase of furniture, fixtures and equipment	(5,980)	(23,950)
	<u>(5,980)</u>	<u>(23,950)</u>
<b>Net cash used in investing activity</b>		
<b>Cash flows from financing activities</b>		
Finance costs paid	(431,882)	(510,093)
Interest received	41,101	6,470
	<u>(390,781)</u>	<u>(503,623)</u>
<b>Net cash used in financing activities</b>		
<b>Net decrease in cash and cash equivalents</b>	<u>(12,889,292)</u>	<u>(1,266,939)</u>
Cash and cash equivalents at 1 January	68,483,821	48,127,198
<b>Cash and cash equivalents at 30 September</b>	<u><u>55,594,529</u></u>	<u><u>46,860,259</u></u>

The notes 1 to 9 are an integral part of this condensed interim financial information.

The independent auditor's report on review of condensed interim financial information is set out on pages 1 and 2.



# Securities & Investment Company (UAE) LLC

## Notes to the condensed interim financial information

### 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 Exchange (ADX) and Dubai Financial Market (DFM).

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

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

On 1 April 2015, a new UAE Federal Law No. (2) for Commercial Companies ("UAE Companies Law of 2015") was issued with effective date 1 July 2015. As per the transitional provisions of the new law, companies are to ensure compliance by 30 June 2017. The Company is in the process of adopting the new federal law and will be fully compliant before the transitional provisions deadline.

#### 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.

# Securities & Investment Company (UAE) LLC

## Notes to the condensed interim financial information

### 3 Significant accounting policies *(continued)*

#### b) Basis of preparation *(continued)*

The accounting policies applied by the Company in the presentation of these condensed interim financial statements are consistent with those applied by the Company in its audited financial statements as at and for the year ended 31 December 2015, except for IFRSs that became effective for accounting periods beginning on or after 1 January 2016. These are listed below:

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards
- Investment Entities: Applying the Consolidated Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)

These annual improvements and amendments to standards have no significant impact on the condensed interim financial statements.

<b>Forthcoming requirements</b>	<b>Effective from</b>
Disclosure Initiative (Amendments to IAS 7)	1-January-2017
IFRS 15 Revenue from Contracts with Customers	1-January-2018
IFRS 9 Financial Instruments	1-January-2018
IFRS 16 Leases	1-January-2019

The Company has not early adopted any revised IFRSs that have been issued but not yet effective.

#### 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.

# Securities & Investment Company (UAE) LLC

## Notes to the condensed interim financial information

### 4 Margin trading receivables

The Company has obtained the license from ESCA under registration 604010 dated 24 November 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 8,984,191 (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 714,883 (31 December 2015: AED 3,290,663) without any expiration.

### 5 Trade receivable and prepayments

	<b>30 September 2016 (Unaudited) AED</b>	31 December 2015 (Audited) AED
Settlement account with financial markets	-	1,291,714
Prepaid expenses	468,785	340,493
Security deposits	45,000	53,000
Receivable from customers	5,232,459	-
Other receivables	171,814	75,790
	<u>5,918,058</u>	<u>1,760,997</u>

### 6 Trade and other payables

	<b>30 September 2016 (Unaudited) AED</b>	31 December 2015 (Audited) AED
Payables to customers *	28,246,718	35,180,556
Margin trading payables	-	484,171
Settlement account with financial markets	4,429,073	-
Provision for staff bonuses	157,379	356,255
Others	68,563	110,773
	<u>32,901,733</u>	<u>36,131,755</u>

\* Included in payables to customers is a balance of AED 6,375,623 (31 December 2015: AED 14,296,216) arising from transactions with the Parent Company in the ordinary course of business and are on arm's length terms (please refer to note 7).

# Securities & Investment Company (UAE) LLC

## Notes to the condensed interim financial information

### 7 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:

	<b>30 September 2016 (Unaudited) AED</b>	31 December 2015 (Audited) AED
<i>Due to the Ultimate Parent:</i>		
Amounts due to a related party	<b>19,485,679</b>	19,529,368
Payables to customers (note 6)	<b>6,375,623</b>	14,296,216

On 4 June 2014, the Parent provided the Company with a credit facility amounting to USD 5,300,000 (equivalent to AED 19,455,664). 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 Libor.

	<b>Nine-month period ended 30 September 2016 (Unaudited) AED</b>	Nine month period ended 30 September 2015 (Unaudited) AED
<i>Transactions with Parent:</i>		
Total transactions amount	<b>597,235,641</b>	763,855,674
Commission income	<b>450,535</b>	575,555
Interest on loan	<b>194,476</b>	269,172

*Transactions with key management personnel*

	<b>Nine-month period ended 30 September 2016 (Unaudited) AED</b>	Nine-month period ended 30 September 2015 (Unaudited) AED
Short term employee benefits	<b>566,193</b>	470,150
Post-employment benefits	<b>14,187</b>	77,583

# Securities & Investment Company (UAE) LLC

## Notes to the condensed interim financial information

### 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 10 million 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 provided letters of guarantee in the amount of AED 50 million (*31 December 2015: AED 50 million*) in favor of Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM) in accordance with the requirements of the Securities and Commodities Authority.

### 9 Going concern

The Company have incurred losses of AED 2.85 million in the period ended 30 September 2016 with accumulated losses amounting to AED 19.11 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.