Emirates International Securities LLC

Financial Statements

For the year ended 31 December 2007

Emirates International Securities LLC

Financial statements

For the year ended 31 December 2007

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of Emirates International Securities LLC for the year ended 31 December 2007.

Financial Results

The company has reported a net profit of AED 44,808,739 for the year ended 31 December 2007.

The Directors propose that the net profit of AED 44,808,739 be appropriated as follows:

		AED '000
(a)	Net profit for the year	44,808
(b)	Transfer to legal and statutory reserve per clause 22 of the Articles of Association	4,500
(c)	Balance to be retained in Retained Earnings	40,308

Total equity holders' funds amount to AED 307,710,274 as at 31 December 2007.

Directors

During the year, the Board of Directors comprised:

Mr. Fardan Bin Ali Alfardan	Chairman
Mr. Abdul Wahed Mohammed Sharif Asad Al Fahim	Member
Mr. Khalid Kalban	Member
Mr. Abdulwahid Al Sayyah	Member
Mr. Saeed Yousuf	Member

Auditors

KPMG were appointed as auditors of Emirates International Securities LLC at the EBI Group Annual General Meeting held on 13 March 2007. KPMG are eligible for re-appointment and have expressed their willingness to continue in office.

On behalf of the Board

30 JAN 2008

Fardan Bin Ali Alfardan
Chairman

Dubai, UAE

Date: 30 JAN 2008

KPMG

P O Box 3800
Level 32, Emirates Towers
Sheikh Zayed Road
Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

Independent auditors' report

The Shareholders
Emirates International Securities LLC

Report on the financial statements

We have audited the accompanying financial statements of Emirates International Securities LLC ("the Company"), which comprise the balance sheet as at 31 December 2007, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been kept by the Company, and the contents of the Directors' report which relate to these financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2007, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG

30 JAN 2008

Emirates International Securities LLC

Balance sheet
As at 31 December 2007

	Note	2007 (AED '000)	2006 (AED '000)
Non-current assets			
Property and equipment	6	4,100	6,539
Investment securities	7	23,144	3,812
Current assets			
Investment securities	7	11,973	9,234
Trade and other debtors	8	245,923	45,862
Other receivables	9	3,434	1,753
Due from holding company	10	17,185	178,314
Cash and cash equivalents	11	4,369	2,325
Total current assets		**282,884**	**232,066**
Current liabilities			
Unsettled trade creditors	8	5	5
Other payables		2,413	2,816
Total current liabilities		**2,418**	**2,821**
Net current assets		**280,466**	**229,245**
Total assets		**307,710**	**245,018**
Represented by			
Share capital	12	30,000	10,000
Statutory reserve	12	9,500	5,000
Fair value reserve	12	19,134	-
Retained earnings		249,076	230,018
		307,710	**245,018**

The notes on pages 7 to 23 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 30 JAN 2008

Chairman

General Manager

The report of the independent auditors is set out on page 2.

30 JAN 2008

Emirates International Securities LLC

Income statement
For the year ended 31 December 2007

	Note	2007 (AED '000)	2006 (AED '000)
Commission income		51,917	74,390
Administrative and general expenses	13	(27,318)	(26,967)
Operating profit		24,599	47,423
Other income/(expense)	14	9,822	(5,394)
Recoveries/(allowance) for impairment losses		844	(2,183)
Interest received from holding company – net		9,543	7,253
Profit for the year		44,808	47,099

The notes on pages 7 to 23 are an integral part of these financial statements.

The report of the independent auditors is set out on page 2.

Emirates International Securities LLC

Statement of cash flows
For the year ended 31 December 2007

	2007 (AED '000)	2006 (AED '000)
Cash flows from operating activities		
Profit for the year	44,808	47,099
Adjustments for :		
Unrealized (profit)/loss on revaluation of current investment	(4,611)	8,850
Depreciation	3,197	2,970
(Recoveries)/allowance for impairment losses	(844)	2,183
	42,550	61,102
Change in investing securities	1,674	(8,722)
Change in unsettled trade debtors	(199,217)	54,126
Change in other receivables	(1,681)	(1,504)
Change in due from holding company	161,129	(111,804)
Change in unsettled trade creditors	-	(496)
Change in other payables	(403)	478
Net cash flows from/(used in) operating activities	4,052	(6,820)
Cash flow from investing activity		
Acquisition of property and equipment	(758)	(2,565)
Cash used in investing activity	(758)	(2,565)
Cash flow from Financing activity		
Directors' Fees paid	(1,250)	(1,250)
Cash used in financing activity	(1,250)	(1,250)
Net movement in cash and cash equivalents	2,044	(10,635)
Cash and cash equivalents at the beginning of the year	2,325	12,960
Cash and cash equivalents at the end of the year	4,369	2,325

The notes on pages 7 to 23 are an integral part of these financial statements.

Emirates International Securities LLC

Statement of changes in equity
For the year ended 31 December 2007

	Share Capital AED '000	Statutory reserve AED '000	Retained earnings AED '000	Fair value Reserve AED '000	Total AED'000
Balance at 1 January 2006	10,000	5,000	184,169	-	199,169
Profit for the year	-	-	47,099	-	47,099
Directors' fees	-	-	(1,250)	-	(1,250)
Balance at 31 December 2006	10,000	5,000	230,018	-	245,018

	Share Capital AED '000	Statutory reserve AED '000	Retained earnings AED '000	Fair value Reserve AED '000	Total AED '000
Balance at 1 January 2007	10,000	5,000	230,018	-	245,018
Issue of bonus shares	20,000	-	(20,000)	-	-
Profit for the year	-	-	44,808	-	44,808
Directors' fees	-	-	(1,250)	-	(1,250)
Transfer to statutory reserve	-	4,500	(4,500)	-	-
Change in fair value of available-for-sale financial assets	-	-	-	19,134	19,134
Balance at 31 December 2007	30,000	9,500	249,076	19,134	307,710

In accordance with the Ministry of Economy and Planning Interpretation of Article 118 of Commercial Companies Law No. 8 of 1984, Directors' fees have been treated as an appropriation from equity.

The notes on pages 7 to 23 are an integral part of these financial statements.

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.

The share holding pattern in the Company is as follows:

Name of equity holders	Shareholding (%)
Emirates Bank International 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 PJSC.

The principal activity of the Company is to act as an intermediary in dealings in stocks and equities which are listed on the Dubai Financial Market and Abu Dhabi Securities Market.

The registered address of the Company is P.O. Box 2923, Dubai, United Arab Emirates.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), interpretations thereof issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB and the requirements of Federal Law No 8 of 1984 (as amended).

(b) Functional and presentation currency

These financial statements are presented in UAE Dirhams ("AED") rounded to the nearest thousand, and have been prepared under the historical cost convention, except for equity securities held for trading or classified as available-for-sale which are accounted for at fair value. The methods used to measure fair value are discussed further in note 4.

(c) Use of estimates & judgements

The preparation of the financial statements requires management to make certain estimates and assumptions that affect the selection and application of accounting policies and reported amounts of financial assets and liabilities and the resultant allowances for impairment and fair values. In particular, considerable judgement by management is required in determining the level of allowances for impairment of receivables as well as allowances for impairment of unquoted investment securities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual result may differ from these estimates. Revisions to

2 Basis of preparation (continued)

(c) Use of estimates & judgements (continued)

accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3 Significant accounting policies

The following accounting policies which comply with International Financial Reporting Standards ("IFRS") have been applied consistently in dealing with items which are considered material in relation to the financial statements.

(a) Revenue recognition

Commission income
The Company earns commission income on those transactions in which it acts as an agent. Commission income is recognised on an accrual basis when the right to receive is established.

(b) Property and equipment and depreciation

Property and equipment is stated at cost less accumulated depreciation and impairment losses, if any. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

Items of property and equipment are depreciated on the straight-line basis so as to write them off over their estimated useful lives as follows:

	Years
Leasehold Improvements	3-4
Office equipment	3-4
Computers	3-4

(c) Financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables (except prepayments), cash and cash equivalents, unsettled trade creditors and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances held with banks.

Available-for-sale financial assets
The Company's investments in certain equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(d) are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Emirates International Securities LLC

Notes to the financial statements

3 Significant accounting policies (continued)

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(d) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of an asset measured at amortised cost is calculated as the differences between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3 Significant accounting policies (continued)

(e) Employee benefits

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

End of service benefits
In compliance with UAE labour law, the Company has a termination gratuity benefit scheme covering all of its expatriate salaried employees who have been employed with the Company for more than one year. The Company operates a pension scheme in respect of eligible UAE national employees in compliance with the UAE Federal Law on Pensions and Social Security.

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term Incentive Plan (“LTIP”)
With effect from 01 April 2006, the Emirates Bank Group has introduced two Long Term Incentive Plans for selected key employees. These are cash settled share based incentive plans wherein participants are awarded with Long Term Incentive (LTI) units which will be converted into cash after vesting. The liability towards this is being borne by the holding company and recorded in its books.

(f) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(g) Operating leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

3 Significant accounting policies (continued)

(h) Finance income and expenses

Finance income comprises interest income, dividend income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

(i) New standards and interpretations applicable to the company but not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements. The following are the new standards not yet adopted:

- IFRS 8 *Operating Segments.*
- IAS 23 *(Revised) Borrowing Costs.*
- IFRIC 11 *IFRS 2- Group and Treasury Share Transactions.*
- IFRIC 12 *Service Concession Arrangements.*
- IFRIC 13 *Customer Loyalty Programmes.*
- IFRIC 14 *IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions.*
- IAS 1 *(Revised) Presentation of financial statements*

Apart from Revised IAS 23, the other new standards, amendments to standards and interpretation will not have any material financial impact or changes to the presentation of the Company's financial statements.

Revised IAS 23 Borrowing Costs ("revised IAS 23") removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2009 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Company will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

4 Determination of fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment securities
The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. In accordance with IAS 39, all the investments are stated at their fair values. The fair value of investments in recognized financial markets is their quoted price. Where the investments are not traded in an active market, traded in small volumes, or where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument that is substantially the same or is based on discounted cash flow analysis or maintainable earnings models or other reliable valuation methods. Investments whose fair value cannot be reliably measured are carried at cost (being the most recent estimate of fair value) less any impairment losses.

Trade and other receivables
The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

5 Financial risk management

The company has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk
Operational risks

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout in the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has authorized the quality assurance department to develop and monitor the Company's risk management policies. The Quality Assurance Manager reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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5 Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's credit risk is mainly attributable to the trade margin facilities extended to the Company's customers. The exposure to credit risk on these facilities is monitored on an on-going basis by the management.

The Company has a policy in place under which each new customer is analysed individually for creditworthiness before the Company allows these customers to open a trading account with the Company. A trading limit is established for each customer, which represents the maximum open amount of margin facilities that is available to the customer for trading purposes. These individual limits are monitored and reviewed on an on-going basis.

The Company's cash is placed with its holding company, a fellow subsidiary and financial institutions of good repute.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company maintained a credit line with its holding company, which itself is a reputable bank in the UAE.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
All the Company's transactions are conducted in AED or USD. The AED is currently pegged to the USD and while this continues to be the case, the company has no significant exposure to currency risk.

Interest rate risk
The Company has interest rate risk in relation to the amount due from holding company and the margin trading accounts. The Company pays/receives interest to/from the holding company on intra-group net payables/receivables and receives interest on margin trading balances.

All interest bearing financial assets and liabilities are at variable interest rates.

5 Financial risk management (continued)

Market risk

Equity price risk arises from investment securities of the Company. Exposure to price risk is monitored by senior management on an ongoing basis to assess the impact of changes in market conditions. Investment securities are managed on a fair value basis.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

To mitigate the operational risk, the company has obtained fidelity and indemnity insurance cover against possible errors from its brokers while executing customer's orders for trade of securities in stock markets.

Capital management

The Company is regulated by Emirates Securities and Commodities Authority ("ESCA") who sets and monitors the capital requirements for the Company. ESCA currently requires the Company to maintain a minimal paid up capital of AED 30,000,000 (2006: AED 10,000,000).

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Company has complied with all externally imposed capital requirements throughout the period.

There were no changes in the Company's approach to capital management during the year.

Emirates International Securities LLC

Notes to the financial statements

6 Property and equipment

	Leasehold improvements (AED '000)	Office Equipment (AED '000)	Computers (AED '000)	Total (AED '000)
Cost				
Balance at 1 January 2006	361	243	6,483	7,087
Additions	525	197	1,843	2,565
Disposals	-	-	(6)	(6)
Balance at 31 December 2006	886	440	8,320	9,646
Accumulated depreciation				
Balance At 1 January 2006	8	31	104	143
Depreciation for the year	123	137	2,710	2,970
Disposals	-	-	(6)	(6)
Balance at 31 December 2006	131	168	2,808	3,107
Net book value				
At 31 December 2006	**755**	**272**	**5,512**	**6,539**

	Leasehold improvements (AED '000)	Office Equipment (AED '000)	Computers (AED '000)	Total (AED '000)
Cost				
Balance at 1 January 2007	886	440	8,320	9,646
Additions	379	275	104	758
Balance at 31 December 2007	**1,265**	**715**	**8,424**	**10,404**
Accumulated depreciation				
Balance 1 January 2007	131	168	2,808	3,107
Depreciation for the year	349	176	2,672	3,197
Balance at 31 December 2007	**480**	**344**	**5,480**	**6,304**
Net book value				
At 31 December 2007	**785**	**371**	**2,944**	**4,100**

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Notes to the financial statements

7 Investment securities

These comprise the following:

	2007 (AED '000)	2006 (AED '000)
Equity securities:		
Current:		
Held for trading	11,973	9,234
Non Current:		
Available for sale (refer note below)	23,144	3,812
Total	35,117	13,046

Included in available for sale are:

a) AED 22,946,000 (31 December 2006: AED 3,812,000) representing 3,701,018 shares in Dubai Financial Market ("DFM"). The Company in 2006 has acquired the shares relating to DFM's IPO as per the allocation set by DFM for brokerage companies. As per the terms of allocation, the Company cannot dispose of these shares for a period of two years effective from 15 November 2006; and

b) AED 198,000 (31 December 2006: AED Nil) representing 1% equity interest in Egyptian Company for Electronic System Development ("NPC"). The remaining 99% equity interest in NPC is collectively owned by Network International LLC and Emirates Financial Services PSC, who are fellow subsidiaries of the Company.

8 Trade and other debtors and creditors

These represent trades which have been executed with the market but have yet to settle as well as margin trading debtors. Settlement periods for the Dubai Financial Market and Abu Dhabi Securities Market are T+2.

Customer trades are settled through their respective investment accounts that exist with Emirates Bank International PJSC. The maintenance of margin trading accounts, although a market practice, is not strictly in compliance with ESCA regulations. The Company is currently assessing its practices and will develop an action plan to regularize its position after further consultation with ESCA.

	2007 (AED '000)	2006 (AED '000)
Trade and other debtors		
Customer Receivable	249,013	49,799
Less: Allowance for impairment loss	(3,090)	(3,937)
	245,923	45,862

Emirates International Securities LLC

Notes to the financial statements

8 Unsettled trade debtors and creditors (continued)

	2007 (AED '000)	2006 (AED '000)
Movement in allowance for impairment loss		
Balance as on 1st January	3,937	1,816
Allowance made during the year	-	2,477
Recoveries / Write back	(844)	(294)
Write off	(3)	(62)
	3,090	3,937

	2007 (AED '000)	2006 (AED '000)
Unsettled trade Creditors		
Customer payables	5	5
	5	5

9 Other receivables

	2007 (AED '000)	2006 (AED '000)
Prepayments	3,386	1,031
Others	48	722
	3,434	1,753

10 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 No.24. The management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties. During the year, the Company executed transactions amounting to AED 520 million (AED 2,190 million previous year) on behalf of related parties.

The total amount of compensation paid to directors and key management personnel during the year is as follows:

	2007 (AED '000)	**2006 (AED '000)**
Short term employee benefits	2,719	2,340
Post employment benefits	108	59

Key management personnel are those persons, including non-executive directors, having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The transactions and balances with holding companies and related parties, other than as disclosed elsewhere in the financial statements are as follows:

	2007 (AED '000)	**2006 (AED '000)**
Due from holding company		
Market settlements a/c receivable with holding company	10,321	5,674
Inter-Group settlements a/c	6,864	172,640
	17,185	178,314
Due from key management personnel (included in unsettled trade debtors)	2	4,246
Due to key management personnel (included in unsettled trade creditors)	5	5
Insurance premium paid to associate of holding company	515	119
Net interest income received from holding company	9,543	7,253
Call center charges paid to fellow subsidiary	145	588

Emirates International Securities LLC

Notes to the financial statements

11 Cash and cash equivalents

Included in cash and cash equivalents is an amount of AED 4,274,000 (2006: AED 2,229,000) current account maintained with the holding company and AED 51,000 (2006 AED 49,000) with National Bank of Dubai PJSC, a fellow subsidiary.

12 Share capital and reserves

	2007 (AED '000)	2006 (AED '000)
Authorised, issued and fully paid up:		
30,000 shares of AED 1,000 each (2006: 10,000 shares of AED 1,000 each)	30,000	10,000

In February 2007, in compliance with ESCA requirements, the Company increased its paid up capital of AED 10,000,000 to AED 30,000,000 via a bonus issue of 20,000 new shares of AED 1,000 each at par (2006: nil). These shares rank pari passu with the previous existing shares issued by the Company.

Statutory reserve

In accordance with clause 22 of the Company's Memorandum and Articles of Association and article 255 of the UAE Federal Commercial Companies Law, a minimum of 10% of the net profit for the period is allocated to a non-distributable statutory reserve. Such allocations may cease when the statutory reserve equals half of the paid up equity capital.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

13 Administrative and general expenses

	2007 (AED '000)	2006 (AED '000)
These include:		
Staff costs	14,800	13,126
Occupancy costs	1,902	1,956
Depreciation	3,197	2,969
Others	7,419	8,916
Total	27,318	26,967

The number of employees at 31 December 2007 was 74 (2006 : 78).

Emirates International Securities LLC

Notes to the financial statements

14 Other income/(expense)

	2007 (AED '000)	2006 (AED '000)
Realized profit / (loss) on disposal of trading securities	79	(1,908)
Unrealized profit / (loss) on trading securities	4,611	(8,850)
Interest income	4,841	5,303
Dividend income	291	61
	9,822	(5,394)

15 Contingent liabilities

	2007 (AED '000)	2006 (AED '000)
Letters of guarantee (issued by holding company in favor of DFM and ADSM)	700,000	700,000

16 Operating leases

Non-cancelable operating lease rentals payable as at year end are follows:

	2007 (AED '000)	2006 (AED '000)
Less than one year	3,132	763
Between one and five years	Nil	1,658

17 Capital commitments

During the year ended 31 December 2007 the company entered into a contract for furnishing of new leased premises for AED 327 thousand (2006: nil). The work will be completed in 2008.

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Notes to the financial statements

18 Financial instruments

Credit risk
<u>Exposure to credit risk</u>

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2007 (AED '000)	2006 (AED '000)
Unsettled trade debtors	245,923	45,862
Due from holding company	17,185	178,314
Cash and cash equivalents	4,369	2,325
Total	267,477	226,501

The unsettled trade debtors of the Company as at the reporting date are mainly derived from Gulf Cooperation Council countries ("GCC").

The maximum exposure to credit risk for trade and other debtors at the reporting date by type of customer was:

	2007 (AED '000)	2006 (AED '000)
Individuals	177,759	39,171
Corporates	55,197	6,691
Financial institutions	12,967	-
Total	245,923	45,862

Emirates International Securities LLC

Notes to the financial statements

18 Financial instruments (continued)

Impairment losses

The ageing of trade receivables at the reporting date was:

	2007 (AED '000)	2006 (AED '000)
Not past due	244,026	43,939
Individually Impaired	4,987	5,860
Less: Impairment	(3,090)	(3,937)
	245,923	45,862

The movement in the allowance for impairment in respect of trade receivables during the year is referred to in note 8.

Liquidity risk

The financial liabilities of the Company comprises mainly unsettled trade creditors and other payables which are non interest bearing with a maturity of less than six months. The contractual cash flows are not materially different from their carrying amounts.

Interest rate risk

At the reporting date, the interest profile of the Company's interest bearing financial instruments are as follows:

	2007 (AED '000)	2006 (AED '000)
Fixed rate instruments:		
Financial assets	-	-
Financial liabilities	-	-
Variable rate instruments:		
Financial assets	263,108	224,176
Financial liabilities	-	-

Emirates International Securities LLC

Notes to the financial statements

18 Financial instruments (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have resulted in the following increases/ (decreases) being recognized in the profit and loss account or directly in equity shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant

	Profit and Loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31st December 2007				
Financial instruments	2,625	(2,625)	-	-
31st December 2006				
Financial instruments	2,229	(2,229)	-	-

Fair values

The fair values of the financial instruments are not materially different from their carrying amounts.

19 Shares held in trust on behalf of clients

During the year, the Company entered into an arrangement with Deutsche Bank for trading on the Dubai International Financial Exchange (DIFX) on behalf of clients. Under this arrangement, EIS maintains a custody account with Deutsche Bank where shares are beneficially held in trust on behalf of clients.

20 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the financial statements.