

Emirates NBD Securities LLC

Financial Statements

For the year ended 31 December 2010

Emirates NBD Securities LLC

Financial statements

For the year ended 31 December 2010

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DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of Emirates NBD Securities LLC for the year ended 31 December 2010.

Financial Results

The company has reported a net loss of AED 12,496 K for the year ended 31 December 2010.

Total equity holders' funds amount to AED 381,383 K as at 31 December 2010.

Directors

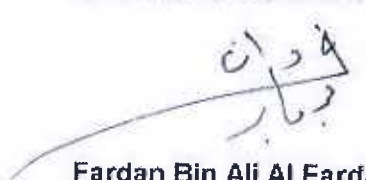
During the year, the Board of Directors comprised:

Mr. Fardan Bin Ali Al Fardan	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 NBD Securities LLC at the Emirates NBD Group Annual General Meeting held on 24 March 2010. KPMG are eligible for re-appointment and have expressed their willingness to continue in office.

On behalf of the Board



Fardan Bin Ali Al Fardan
Chairman

Dubai, UAE

Date: 30 JAN 2011



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Independent auditors' report

The Shareholders

Emirates NBD Securities LLC

Report on the financial statements

We have audited the accompanying financial statements of Emirates NBD Securities LLC (the "Company"), which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income (comprising a statement of comprehensive income and a separate income statement), changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from 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 the 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 policies used and the 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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and of 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 UAE 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 2010, which may have had a material adverse effect on the business of the Company or its financial position.


KPMG

By: Munther Dajani
Registration No. 268

30 JAN 2011


Emirates NBD Securities LLC
Statement of financial position
As at 31 December 2010

	Note	2010 (AED '000)	2009 (AED '000)
Assets			
Non-current assets			
Property and equipment	6	4,917	6,680
Investment securities	7	7,651	9,478
Total non current assets		12,568	16,158
Current assets			
Investment securities	7	3,440	4,146
Trade and other debtors	8	116,889	235,972
Other receivables	9	1,472	1,129
Due from holding company	10	172,662	64,822
Cash and cash equivalents	11	82,497	80,668
Total current assets		376,960	386,737
Current liabilities			
Other payables		8,145	5,939
Net current assets		368,815	380,798
Net assets		381,383	396,956
Represented by			
Share capital	12	36,000	36,000
Statutory reserve	12	18,804	18,804
Fair value reserve	12	2,369	4,196
Capital contribution reserve	12	50,000	50,000
Retained earnings	12	274,210	287,956
Total equity holders' funds		381,383	396,956

The notes on pages 8 to 28 are an integral part of these financial statements.

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

These financial statements were approved by the Board of Directors on 30 JAN 2011


Chairman


General Manager

Emirates NBD Securities LLC
Income statement
For the year ended 31 December 2010

	Note	2010 (AED '000)	2009 (AED '000)
Commission income		12,950	30,644
Administrative and general expenses	13	(24,540)	(37,135)
Operating loss		(11,590)	(6,491)
Other income	14	7,976	12,501
Allowance for impairment losses		(10,358)	(5,007)
Interest received from holding company (net)		1,476	862
(Loss) / profit for the year		(12,496)	1,865

The notes on pages 8 to 28 are an integral part of these financial statements.

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

Emirates NBD Securities
Statement of comprehensive income
For the year ended 31 December 2010

	Note	2010 AED '000	2009 AED '000
	-----	-----	-----
(Loss) / profit for the year		(12,496)	1,865
Other comprehensive Income:			
Net change in fair value of AFS investments	7	(1,827)	3,110
		-----	-----
Total comprehensive (loss) / income		(14,323)	4,975
		=====	=====

The notes on pages 8 to 28 are an integral part of these financial statements.

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

Emirates NBD Securities LLC
Statement of changes in equity
For the year ended 31 December 2010

	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 2009	30,000	18,804	1,086	50,000	292,091	391,981
Profit for the year	-	-	-	-	1,865	1,865
Other comprehensive income for the year	-	-	3,110	-	-	3,110
Total recognised gains for the year	-	-	3,110	-	1,865	4,975
Issue of shares	6,000	-	-	-	(6,000)	-
Balance at 31 December 2009	36,000	18,804	4,196	50,000	287,956	396,956
	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 2010	36,000	18,804	4,196	50,000	287,956	396,956
Loss for the year	-	-	-	-	(12,496)	(12,496)
Other comprehensive loss for the year	-	-	(1,827)	-	-	(1,827)
Total recognised losses for the year	-	-	(1,827)	-	(12,496)	(14,323)
Directors' fees	-	-	-	-	(1,250)	(1,250)
Balance at 31 December 2010	36,000	18,804	2,369	50,000	274,210	381,383

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 8 to 28 are an integral part of these financial statements.

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

Emirates NBD Securities LLC
Statement of cash flows
For the year ended 31 December 2010

	2010 (AED '000)	2009 (AED '000)
Cash flows from operating activities		
(Loss) / profit for the year	(12,496)	1,865
Adjustments:		
Change in fair value of current investments	706	132
Allowance for impairment losses	10,358	5,007
Depreciation	2,145	2,613
Loss on sale of property and equipment	1	-
	<u>714</u>	<u>9,617</u>
Change in investing securities	-	(355)
Change in trade and other debtors	108,725	42,950
Change in other receivables	(343)	(98)
Change in due from holding company	(107,840)	(37,974)
Change in other payables	2,206	1,218
Net cash flows from operating activities	<u>3,462</u>	<u>15,358</u>
Cash flow from investing activity		
Acquisition of plant and equipment	(384)	(874)
Proceeds on disposal of property and equipment	1	-
Cash used in investing activity	<u>(383)</u>	<u>(874)</u>
Cash flow from financing activity		
Directors' fees	(1,250)	-
Cash flows from financing activity	<u>(1,250)</u>	<u>-</u>
Net movement in cash and cash equivalents	<u>1,829</u>	<u>14,484</u>
Cash and cash equivalents at the beginning of the year	<u>80,668</u>	<u>66,184</u>
Cash and cash equivalents at the end of the year	<u>82,497</u>	<u>80,668</u>

The notes on pages 8 to 28 are an integral part of these financial statements.

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

Emirates NBD Securities LLC

Notes to the 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. 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.

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 shareholding pattern in the Company is as follows:

Name of equity holders	Shareholding (%)
Emirates NBD PJSC ("holding company" or "ENBD")	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, 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 Company also trades on its own account.

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.

Emirates NBD Securities LLC

Notes to the financial statements

2 Basis of preparation (continued)

(c) Use of estimates & judgments

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 judgment 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 judgments 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 results may differ from these estimates. Revisions to 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) Basis of consolidation

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented; for this purpose comparatives are revised. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity except that any share capital of the acquired entities is recognised as a capital contribution. Any cash paid for the acquisition is recognised directly in equity.

(b) 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.

Emirates NBD Securities LLC

Notes to the financial statements

3 Significant accounting policies (continued)**(c) Property and equipment**

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 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 & equipment are depreciated on a straight line basis so as to write them off over their estimated useful lives. In order to align the useful lives of the property, plant and equipment of EBI and NBD, the estimated useful lives had been revised in the year 2009 as below:

Leasehold improvements	7 years
Office equipment	5 years
Computers	4 years

A change in the estimate of the useful life of property, plant and equipment is accounted for prospectively as a change in estimate by adjusting depreciation in the current and future period.

(d) Financial instruments

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

Cash and cash equivalents comprise cash in hand and at bank which are subject to insignificant risk of changes in their fair value. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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(e)) are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Emirates NBD Securities LLC

Notes to the financial statements

3 Significant accounting policies (continued)

(d) Financial instruments (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.

(e) 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 difference 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.

Emirates NBD Securities LLC

Notes to the financial statements

3 Significant accounting policies (continued)**(e) Impairment (continued)**Non-financial assets

The carrying amounts of the Company'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.

(f) Employee benefitsShort-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 NBD 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.

(g) 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.

(h) 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.

Emirates NBD Securities LLC

Notes to the financial statements

3 Significant accounting policies (continued)

(i) 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.

(j) New standards and interpretations not yet effective

Certain new standards and interpretations which are not yet effective for the year ended 31 December 2010 and therefore have not been applied in preparing these financial statements are as follows:

- IFRS 9 - Financial instruments: This standard, issued as a replacement of IAS 39, retains but simplifies the mixed measurement model and establish two primary measurement categories for financial assets, namely, amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply

It also includes the requirements related to classification and measure of financial liabilities and de-recognition of financial assets and liabilities.

- IAS 24 - Related Party disclosures: This standard amends the definition of a related party and modifies certain related party disclosure requirements for government related entities.

Other new standards, revisions and interpretations have no material impact on the financial statements of the company.

Emirates NBD Securities LLC**Notes to the financial statements****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 debtors

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 risk

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 authorised 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.

Emirates NBD Securities LLC**Notes to the financial statements****5 Financial risk management (continued)**

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.

Credit risk

Credit risk is the risk of financial loss to the Company 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 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.

Emirates NBD Securities LLC**Notes to the financial statements****5 Financial risk management (continued)****Currency risk**

All the company's transactions are conducted in AED or US Dollar ("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 exposure to 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.

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 customers' orders for trade of securities in stock markets.

Capital management

The Company is regulated by Securities and Commodities Authority ("SCA") who sets and monitors the capital requirements for the Company. SCA currently requires the Company to maintain a minimal paid up capital of AED 30,000,000 (2009: AED 30,000,000). 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 NBD Securities LLC

Notes to the financial statements

6 Property and equipment

	Leasehold improvements (AED '000)	Office equipment (AED '000)	Computers (AED '000)	Capital work in progress (AED '000)	Total (AED '000)
<u>Cost</u>					
Balance at 1 January 2009	7,384	1,534	14,426	647	23,991
Additions	495	283	96	-	874
Transfers	(44)	49	642	(647)	-
Balance at 31 December 2009	7,835	1,866	15,164	-	24,865
<u>Accumulated depreciation</u>					
Balance at 1 January 2009	2,622	743	12,207	-	15,572
Depreciation for the year	1,019	343	1,251	-	2,613
Transfers for the year	(6)	7	(1)	-	-
Balance at 31 December 2009	3,635	1,093	13,457	-	18,185
<u>Net book value</u>					
At 31 December 2009	4,200	773	1,707	-	6,680

Emirates NBD Securities LLC

Notes to the financial statements

6 Property and equipment (continued)

	Leasehold improvements (AED '000)	Office Equipment (AED '000)	Computers (AED '000)	Total (AED '000)
<u>Cost</u>				
Balance at 1 January 2010	7,835	1,866	15,164	24,865
Additions	-	-	384	384
Disposals	-	(34)	(91)	(125)
Balance at 31 December 2010	7,835	1,832	15,457	25,124
<u>Accumulated depreciation</u>				
Balance at 1 January 2010	3,635	1,093	13,457	18,185
Depreciation for the year	911	304	930	2,145
Disposals	-	(33)	(90)	(123)
Balance at 31 December 2010	4,546	1,364	14,297	20,207
<u>Net book value</u>				
At 31 December 2010	3,289	468	1,160	4,917

Emirates NBD Securities LLC

Notes to the financial statements

7 Investment securities

These comprise the following:

	2010 (AED '000)	2009 (AED '000)
Equity securities:		
Non current:		
Available for sale (refer note below)	7,651	9,478
Current:		
Held for trading	3,440	4,146
Total	<u>11,091</u>	<u>13,624</u>

Included in available for sale are:

- a) AED 7,453,869 (31 December 2009: AED 9,280,313) representing 4,936,337 shares in Dubai Financial Market ("DFM"). The Company in 2006 acquired the shares relating to DFM's IPO per the allocation set by DFM for brokerage companies. On 16th April 2009, the restrictions over sale or trading of the shares were lifted in accordance with the original conditions of allocation.
- b) AED 198,000 (31 December 2009: AED 198,000) 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 holding company.

8 Trade and other debtors

Trade debtors includes 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. Execution only customer trades are settled through their respective investment accounts that exist with Emirates NBD PJSC.
- Customer receivables arise due to exposures on account of margin trading (MT). The SCA has issued a circular dated 24th October 2010 to allow licensing of companies interested in engaging in margin trading activity. The Company is assessing its current practices against the proposed regulation and will develop an action plan to address any gaps in compliance.

Emirates NBD Securities LLC

Notes to the financial statements

8 Trade and other debtors (continued)

	2010 (AED '000)	2009 (AED '000)
Customer receivables	143,817	253,127
Less: Allowance for impairment loss	(26,928)	(17,155)
	<u>116,889</u>	<u>235,972</u>

	2010 (AED '000)	2009 (AED '000)
Movement in allowance for impairment loss		
Balance as on 1 st January	17,155	12,268
Allowance made during the year	10,358	5,474
Recoveries / Write back	-	(467)
Write off	(585)	(120)
	<u>26,928</u>	<u>17,155</u>

9 Other receivables

	2010 (AED '000)	2009 (AED '000)
Prepayments	321	922
Others	1,151	207
	<u>1,472</u>	<u>1,129</u>

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 2,282 million (AED 2,901 million previous year) on behalf of related parties.

Emirates NBD Securities LLC
Notes to the financial statements
10 Related party transactions (continued)

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

	2010 (AED '000)	2009 (AED '000)
Short term employee benefits	1,953	1,804
Post employment benefits	123	124
	=====	=====

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.

A number of functions are centralised and the costs of these are borne by the holding company and not recharged to the Company.

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

	2010 (AED '000)	2009 (AED '000)
Due from holding company	172,662	64,822
Due from key management personnel (included in unsettled trade debtors)	-	2,296
	=====	=====
Net interest income received from holding company	1,476	862
Expenses borne by the holding company (refer note 13)	2,525	-
Insurance premium paid to associate of holding company	499	846
	=====	=====

11 Cash and cash equivalents

Cash and cash equivalents represents cash balances and current account balances maintained with the holding company.

	2010 (AED '000)	2009 (AED '000)
Cash in hand	3	4
Cash at bank	82,494	80,664
	82,497	80,668
	=====	=====

Emirates NBD Securities LLC
Notes to the financial statements
12 Share capital and reserves

	2010 (AED '000)	2009 (AED '000)
Authorised, issued and fully paid up:		
36,000 shares of AED 1,000 each (2009 : 30,000 shares of AED 1,000 each)	36,000	30,000
 Additional shares issued: 6,000 shares of AED 1,000 each (see note below)	 -	 6,000
	36,000	36,000

On 21 November 2009, 6,000 shares of AED 1,000 each were issued from retained earnings of the Company as compensation for the acquisition of NBD Securities LLC.

Capital Contribution

The capital contribution reserve represents the share capital of the acquired entity.

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 have ceased as the statutory reserve now 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

	2010 (AED '000)	2009 (AED '000)
Staff costs	17,834	21,694
Occupancy costs	2,228	4,318
Depreciation	2,145	2,613
Others	2,333	8,510
Total	24,540	37,135

The number of employees at 31 December 2010 was 63 (2009: 83).

Emirates NBD Securities LLC

Notes to the financial statements

13 Administrative and general expenses (continued)

Due to restructuring of the equipment lease lines after the merger of NBD Securities LLC and Emirates International Securities LLC, it was agreed that expenses amounting to AED 2.5 million pertaining to year 2009 and 2010 will be borne by the holding company and will not be recharged to the Company. Therefore, the provision made in the year 2009 of AED 1.1 million and 2010 of AED 1.4 million has been reversed during the year ended 31 December 2010.

14 Other income

	2010 (AED '000)	2009 (AED '000)
Unrealized loss on trading securities	(706)	(132)
Interest income	8,194	12,000
Dividend income	469	633
Other operating income	20	-
Loss on sale of property and equipment	(1)	-
	<u>7,976</u>	<u>12,501</u>

15 Lease commitments:

At 31 December, the Company's non-cancellable operating lease rentals are payable as follows:

	2010 (AED '000)	2009 (AED '000)
Less than one year	1,329	-
Between one and five years	1,392	-
	<u>2,721</u>	<u>-</u>

The company leases a number of office premises under operating leases usually with a lease period of 1 year, renewable annually, for which the lease rentals are payable in advance. However, in respect of one of the lease agreements, the company has entered into a three year contract which may be terminated at any time provided a six months notice is submitted to that effect.

Emirates NBD Securities LLC

Notes to the financial statements

16 Contingent liabilities

	2010 (AED '000)	2009 (AED '000)
Letters of guarantee (Issued by the holding company in favor of DFM and ADX)	300,000	800,000
Letters of guarantee (Issued by the holding company in favor of Nasdaq Dubai)	5,509	-
Letters of guarantee (Issued by the holding company in favor of DGCX)	367	-

17 Capital commitments

As mandated by SCA, during the year ended 31 December 2010, the Company entered into a contract for installation of additional security and authentication measures on their online trading platform for AED 36,725 (2009: Nil). The work has been completed in 2010.

18 Financial instruments

Credit risk

Exposure to credit risk

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

	2010 (AED '000)	2009 (AED '000)
Trade and other debtors	116,889	235,972
Due from holding company	172,662	64,822
Cash at bank	82,494	80,664
Total	372,045	381,458

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

Emirates NBD Securities LLC

Notes to the financial statements

18 Financial instruments (continued)

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

	2010 (AED '000)	2009 (AED '000)
Individuals	81,340	193,843
Corporates	35,549	42,129
Total	116,889	235,972

Impairment losses

The ageing of trade receivables at the reporting date was:

	2010 (AED '000)	2009 (AED '000)
Not past due	52,284	195,360
Past due but not impaired	28,665	-
Individually Impaired	62,868	57,767
Less: Impairment	(26,928)	(17,155)
	116,889	235,972

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 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.

Emirates NBD Securities LLC

Notes to the financial statements

18 Financial instruments (continued)

Interest rate risk

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

	2010 (AED '000)	2009 (AED '000)
Fixed rate instruments:		
Financial assets	60,000	44,907
Financial liabilities	-	-
Variable rate instruments:		
Financial assets	172,074	226,152
Financial liabilities	-	-

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 recognised in the profit and loss account or directly in equity as 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
31 December 2010				
Financial instruments	1,721	(1,721)	-	-
31 December 2009				
Financial instruments	2,262	(2,262)	-	-

Emirates NBD Securities LLC

Notes to the financial statements

18 Financial instruments (continued)

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 December 2010				
Available-for-sale financial assets	7,453	-	198	7,651
Financial assets designated at fair value through profit or loss	3,440	-	-	3,440
	-----	-----	-----	-----
	10,893		198	11,091
	=====	=====	=====	=====
31 December 2009				
Available-for-sale financial assets	9,280	-	198	9,478
Financial assets designated at fair value through profit or loss	4,146	-	-	4,146
	-----	-----	-----	-----
	13,426	-	198	13,624
	=====	=====	=====	=====

Emirates NBD Securities LLC**Notes to the financial statements****19 Shares held in trust on behalf of clients**

Effective July 2010, as a result of the merger between DFM and Nasdaq Dubai the shares held in the custody of Deutsche Bank had been moved to DFM in its entirety.

20 Comparative figures

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