

Emirates NBD Securities LLC

Financial Statements

for the year ended 31 December 2011

Emirates NBD Securities LLC

Financial statements

for the year ended 31 December 2011

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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 2011.

Financial Results

The company has reported a net loss of AED 21,609 K for the year ended 31 December 2011.

Total equity holders' funds amount to AED 355,217 K as at 31 December 2011.

Directors

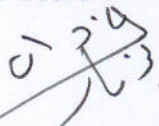
During the year, the Board of Directors comprised:

Mr. Fardan Bin Ali Al Fardan	Chairman
Mr. Abdul Wahed Mohammed Sharif Asad Al Fahim	Member
Mr. Saeed Yousuf	Member

Auditors

KPMG were appointed as auditors of Emirates NBD Securities LLC at the Emirates NBD Group Annual General Meeting held on 23 March 2011. 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 2012



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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 2011, 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, 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 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 2011, 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 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 2011, which may have had a material adverse effect on the business of the Company or its financial position.


KPMG

30 JAN 2012

Emirates NBD Securities LLC
Statement of financial position
as at 31 December 2011

	Notes	2011 (AED '000)	2010 (AED '000)
Assets			
Non-current assets			
Property and equipment	6	2,007	4,917
Investment securities	7	4,344	7,651
Total non current assets		6,351	12,568
Current assets			
Investment securities	7	2,352	3,440
Trade and other debtors	8	31,478	116,889
Other receivables	9	10,610	1,472
Due from Holding Company	10	237,139	172,662
Cash and cash equivalents	11	75,226	82,497
Total current assets		356,805	376,960
Current liabilities			
Other payables		7,939	8,145
Net current assets		348,866	368,815
Net assets		355,217	381,383
Represented by			
Share capital	12	36,000	36,000
Statutory reserve	12	18,804	18,804
Fair value reserve	12	(938)	2,369
Capital contribution reserve	12	50,000	50,000
Retained earnings		251,351	274,210
Total equity holders' funds		355,217	381,383

The notes on pages 8 to 27 form an integral part of these financial statements.

The independent auditors' report is set out on page 2.

These financial statements were approved by the Board of Directors on

30 JAN 2012

Chairman

General Manager

Emirates NBD Securities LLC
Statement of income
for the year ended 31 December 2011

	<i>Notes</i>	2011 (AED '000)	2010 (AED '000)
	-----	-----	-----
Commission income		6,387	12,950
Administrative and general expenses	13	(18,069)	(24,540)
		-----	-----
Operating loss		(11,682)	(11,590)
Other (expense) / income	14	(2,532)	7,976
Allowance for impairment losses		(9,554)	(10,358)
Interest received from Holding Company (net)	10	2,159	1,476
		-----	-----
Loss for the year		(21,609)	(12,496)
		=====	=====

The notes on pages 8 to 27 form an integral part of these financial statements.

The independent auditors' report is set out on page 2.

Emirates NBD Securities LLC
Statement of comprehensive income
for the year ended 31 December 2011

	<i>Notes</i>	2011 AED '000	2010 AED '000
	-----	-----	-----
Loss for the year		(21,609)	(12,496)
Other comprehensive loss:			
Net change in fair value of AFS investments	7	(3,307)	(1,827)
		-----	-----
Total comprehensive loss for the year		(24,916)	(14,323)
		=====	=====

The notes on pages 8 to 27 form an integral part of these financial statements.

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Emirates NBD Securities LLC
Statement of changes in equity
for the year ended 31 December 2011

	Share capital	Statutory reserve	Fair value reserve	Capital contribution reserve	Retained earnings	Total
	AED'00 0	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
Total comprehensive loss	-	-	(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
	=====	=====	=====	=====	=====	=====
	Share capital	Statutory reserve	Fair value reserve	Capital contribution reserve	Retained earnings	Total
	AED'00 0	AED '000	AED '000	AED '000	AED '000	AED'000
Balance at 1 January 2011	36,000	18,804	2,369	50,000	274,210	381,383
Total comprehensive loss	-	-	(3,307)	-	(21,609)	(24,916)
Directors' Fees	-	-	-	-	(1,250)	(1,250)
Balance at 31 December 2011	36,000	18,804	(938)	50,000	251,351	355,217
	=====	=====	=====	=====	=====	=====

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 27 form an integral part of these financial statements.

The independent auditors' report is set out on page 2.

Emirates NBD Securities LLC
Statement of cash flows
for the year ended 31 December 2011

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Cash flows from operating activities		
Loss for the year	(21,609)	(12,496)
Directors' fees	(1,250)	(1,250)
<i>Adjustments:</i>		
Change in fair value of current investments	1,088	706
Allowance for impairment losses	9,554	10,358
Depreciation	1,832	2,145
Loss on sale of equipment	1,669	1
	-----	-----
	(8,716)	(536)
Change in trade and other debtors	75,857	108,725
Change in other receivables	(9,138)	(343)
Change in due from Holding Company	(64,477)	(107,840)
Change in other payables	(206)	2,206
	-----	-----
Net cash flows from operating activities	(6,680)	2,212
	-----	-----
Cash flow from investing activities		
Acquisition of property and equipment	(681)	(384)
Proceeds on sale of equipment	90	1
	-----	-----
Cash used in investing activities	(591)	(383)
	-----	-----
Net movement in cash and cash equivalents	(7,271)	1,829
Cash and cash equivalents at the beginning of the year	82,497	80,668
	-----	-----
Cash and cash equivalents at the end of the year	75,226	82,497
	=====	=====

The notes on pages 8 to 27 form an integral part of these financial statements.

The independent auditors' report 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 share holding pattern in the Company is as follows:

Name of equity holders -----	Shareholding (%) -----
Emirates NBD 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, a Company in which the Investment Corporation of Dubai is the majority shareholder.

The principal activity of the Company is to act as an intermediary in dealings in shares, stocks, debentures and securities.

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

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), issued 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) Basis of measurement

These financial statements are 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) Functional and presentation currency

These financial statements are presented in UAE Dirhams ("AED"), which is the functional currency of the company, rounded to the nearest thousand.

Emirates NBD Securities LLC

Notes to the financial statements

2 Basis of preparation (continued)

(d) Use of estimates and 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 statement of income.

Items of property & equipment are depreciated on a straight line basis so as to write them off over their estimated useful lives, as below:

Leasehold improvements	7 years
Office equipment	5 years
Computers	4 years

(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 with maturities of three months or less from the acquisition date that 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 statement of changes in equity. When an investment is derecognised, the cumulative gain or loss in statement of changes in equity is transferred to the statement of income.

Emirates NBD Securities LLC

Notes to the financial statements

3 Significant accounting policies (continued)

(d) Financial instruments (continued)

Financial instruments 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 statement of income when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in statement of income.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from the statement of changes in 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 statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to statement of income.

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 benefits
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 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 statement of income 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 statement of income using the effective interest method.

(j) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that are issued but not effective for accounting period starting 1 January 2011, and have not been early adopted in preparing these financial statements.

The Management is in process of assessing the impact of new standards, amendments to standards and interpretations and amendments to published standards. The Management is of the view that none of these will have a material impact on the financial statements of the Company.

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.

Emirates NBD Securities LLC**Notes to the financial statements****4 Determination of fair value (continued)**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.

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 has in place group standards; regulations of Securities and Commodities Authority ("SCA"), Abu Dhabi Securities Exchange ("ADX") and the Dubai Financial Market ("DFM"); and policies and procedures dedicated to monitor and manage risk from such activities.

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.

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

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.

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.

Equity price 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.

Emirates NBD Securities LLC
Notes to the financial statements
5 Financial risk management (continued)
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 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 K (2010: AED 30,000 K). 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.

6 Property and equipment

	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

6 Property and equipment (continued)

	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 2011	7,835	1,832	15,457	-	25,124
Additions	126	-	114	441	681
Disposals	(5,995)	(612)	(118)	-	(6,725)
	-----	-----	-----	-----	-----
Balance at 31 December 2011	1,966	1,220	15,453	441	19,080
	-----	-----	-----	-----	-----
<u>Accumulated depreciation</u>					
Balance at 1 January 2011	4,546	1,364	14,297	-	20,207
Depreciation for the year	877	250	705	-	1,832
Disposals	(4,377)	(557)	(32)	-	(4,966)
	-----	-----	-----	-----	-----
Balance at 31 December 2011	1,046	1,057	14,970	-	17,073
	-----	-----	-----	-----	-----
<u>Net book value</u>					
At 31 December 2011	920	163	483	441	2,007
	=====	=====	=====	=====	=====

Emirates NBD Securities LLC

Notes to the financial statements

7 Investment securities

These comprise the following:

	2011 (AED '000)	2010 (AED '000)
Equity securities:		
Non-Current:		
Available-for-sale (refer note below)	4,344	7,651
Current:		
Held for trading	2,352	3,440
	<u>6,696</u>	<u>11,091</u>
	=====	=====

Included in available for sale are:

- a) AED 4,146 K (31 December 2010: AED 7,453,869) representing 4,936,337 shares in Dubai Financial Market ("DFM"). The Company in 2006 acquired the shares relating to DFM's IPO as per the allocation set by DFM for brokerage companies. On 16 April 2009, the restrictions over sale or trading of the shares were lifted in accordance with the original conditions of allocation.
- b) AED 198 K (31 December 2010: 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 Emirates Financial Services PSC, a fellow subsidiary of the Holding Company and Network International LLC, an associate 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. 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 24 October 2010 to allow licensing of companies interested in engaging in margin trading activity. The Company has assessed its current practices against the proposed regulation and developed an action plan to address any gaps in compliance.

Emirates NBD Securities LLC

Notes to the financial statements

8 Trade and other debtors (continued)

	2011 (AED '000)	2010 (AED '000)
Customer receivables	64,492	143,817
Less: allowance for impairment loss	(33,014)	(26,928)
	<u>31,478</u>	<u>116,889</u>
	=====	=====

The company transferred margin trading accounts of 9 (2010: 6) customers to its holding company at the carrying value as at the date of transfer. The accounts transferred had a total outstanding of AED 76,739 K (2010: 49,180 K) and a provision amounting to AED 1,568 K (2010: AED 585 K). All risks and reward associated with these margin trading accounts have been transferred to the Holding Company and therefore these accounts have been derecognized for the books of the company.

	2011 (AED '000)	2010 (AED '000)
Movement in allowance for impairment loss		
Balance as on 1 st January	26,928	17,155
Allowance made during the year	9,898	10,358
Recoveries / Write back	(344)	-
Write off	(3,468)	(585)
	<u>33,014</u>	<u>26,928</u>
	=====	=====

9 Other receivables

	2011 (AED '000)	2010 (AED '000)
Prepayments	158	321
Others	10,452	1,151
	<u>10,610</u>	<u>1,472</u>
	=====	=====

To meet the requirement arisen as a result of the increase in trading activity on the Nasdaq Dubai, the Company placed an amount of AED 10,000 K with Nasdaq as margin money on 18 May 2011.

Emirates NBD Securities LLC
Notes to the financial statements
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 24 (2009). The transactions and balances with the related parties, other than those as disclosed elsewhere in the financial statements, are as follows:

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

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Short term employee benefits	2,137	1,953
Post employment benefits	159	123
	=====	=====

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.

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Due from Holding Company	237,139	172,662
	=====	=====

A number of functions are centralized 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:

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Commission income from related parties (refer note 10.1)	412	1,209
Net interest income from Holding Company	2,159	1,476
Expenses borne by the Holding Company (refer note 10.2 & 10.3)	283	2,525
Insurance premium paid to associate of Holding Company	470	499
	=====	=====

Emirates NBD Securities LLC

Notes to the financial statements

10 Related party transactions *(continued)*

- 10.1** The Company has conducted trades with a value of AED 727,079 K (2010: AED 2,374,076 K) on behalf of related entities from which commission income of AED 412 K (2010: AED 1,209 K) has been earned during the year ended 31 December 2011.
- 10.2** During the year, it was mutually agreed between the Company and the Holding Company that all IT related cost for both the years 2010 and 2011 will be borne by the Holding Company and not to be recharged to the Company. Therefore, the provision made in the year 2010 and 2011 aggregating to AED 283 K was reversed during the year ended 31 December 2011.
- 10.3** 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 2,500 K 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 1,100 K and 2010 of AED 1,400 K has been reversed during the year ended 31 December 2010.

11 Cash and cash equivalents

Cash and cash equivalents represents cash balances and current account balances maintained with the Holding Company.

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Cash in hand	5	3
Cash at bank	75,221	82,494
	-----	-----
	75,226	82,497
	=====	=====

12 Share capital and reserves

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Authorised, issued and fully paid up:		
36,000 shares of AED 1,000 each	36,000	36,000
	-----	-----
	36,000	36,000
	=====	=====

Capital Contribution

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

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

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Staff costs	12,546	17,834
Occupancy costs	1,532	2,228
Depreciation	1,832	2,145
Others	2,159	2,333
	-----	-----
Total	18,069	24,540
	=====	=====

The number of employees at 31 December 2011 was 44 (2010: 63).

14 Other (expense) / income

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Unrealized loss on trading securities	(1,088)	(706)
Interest income	-	8,194
Dividend income	221	469
Other operating income	4	20
Loss on sale of property and equipment	(1,669)	(1)
	-----	-----
	(2,532)	7,976
	=====	=====

Emirates NBD Securities LLC**Notes to the financial statements****15 Lease commitments:**

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

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Less than one year	215	1,329
Between one and five years	-	1,392
	-----	-----
	215	2,721
	=====	=====

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. In June 2011, the company submitted letter with six month notice period, to cease the lease contract as on 31st March 2012.

16 Contingent liabilities

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Letters of guarantee (Issued by the holding company in favor of DFM and ADX)	150,000	300,000
	=====	=====
Letters of guarantee (Issued by the Mashreq Bank in favor of Nasdaq Dubai, refer note no.16.1)	5,509	5,509
	=====	=====
Letters of guarantee (Issued by the holding company in favor of DGCX)	3,673	3,673
	=====	=====

16.1 The guarantee issued by Holding Company, amounting to AED 5,509 K in favour of Nasdaq Dubai matured on 27 June 2011. On 28 June 2011, a new guarantee was issued by Mashreq Bank amounting to AED 5,509 K in favour of Nasdaq Dubai.

17 Capital commitments

A decision has been made by the management of the Company to install the enhanced version of Order Management Solution System ("OMS") in order to be able to offer customers with a better trading platform. To this effect, an agreement has been signed by the Company with Tradenet effective 1 April 2011. The estimated total cost of this project is expected to be AED 1,600 K, of which AED 441 K was paid as on December 2011. Therefore, the net capital commitment amounts to AED 1,159 K as at the reporting date.

Emirates NBD Securities LLC

Notes to the financial statements

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:

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Trade and other debtors	31,478	116,889
Due from holding company	237,139	172,662
Cash at bank	75,221	82,494
	-----	-----
Total	343,838	372,045
	=====	=====

The unsettled trade debtors of the Company as at the reporting date are 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:

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Individuals	31,238	81,340
Corporates	240	35,549
	-----	-----
Total	31,478	116,889
	=====	=====

Impairment losses

The ageing of trade receivables at the reporting date was:

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Not past due	240	52,284
Past due but not impaired	-	28,665
Individually Impaired	64,252	62,868
Less: Impairment	(33,014)	(26,928)
	-----	-----
	31,478	116,889
	=====	=====

Emirates NBD Securities LLC

Notes to the financial statements

18 Financial instruments (continued)

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.

Interest rate risk

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

	2011 (AED '000)	2010 (AED '000)
	-----	-----
Fixed rate instruments:		
Financial assets	62,671	60,000
Financial liabilities	-	-
Variable rate instruments:		
Financial assets	6,764	172,074
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 2011				
Financial instruments	68	(68)	-	-
	=====	=====	=====	=====
31 December 2010				
Financial instruments	1,721	(1,721)	-	-
	=====	=====	=====	=====

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 2011				
Available-for-sale financial assets	4,146	-	198	4,344
Financial assets designated at fair value through profit or loss	2,352	-	-	2,352
	-----	-----	-----	-----
	6,498		198	6,696
	=====	=====	=====	=====
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
	=====	=====	=====	=====

Emirates NBD Securities LLC

Notes to the financial statements

19 Shares held in trust on behalf of clients

Since 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.