

Emirates NBD Securities LLC

Financial statements

For the year ended 31 December 2012

EMIRATES NBD SECURITIES LLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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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 2012.

Financial Results

The Company has reported a net loss of AED 1,186 K for the year ended 31 December 2012.

Total equity holders' funds amount to AED 353,670 K as at 31 December 2012.

Directors


The Directors of the Company during the year (and to date of this report) were as follows:

Mr. Suvo Sarkar	Chairman
Mr. Pierre Pissaloux	Member
Mr. Faisal Aqil Al Bastaki	Member
Mr. Fardan Bin Ali Al Fardan	Resigned on 30 August 2012
Mr. Abdul Wahed Mohammed Sharif Asad Al Fahim	Resigned on 30 August 2012
Mr. Saeed Yousuf	Resigned on 30 August 2012 and subsequently nominated as Company Secretary

Auditors

KPMG were appointed as Auditors of Emirates NBD Securities LLC at the Emirates NBD Group Annual General Meeting held on 25 March 2012. KPMG are eligible for re-appointment and have expressed their willingness to continue in office.

On behalf of the Board


Suvo Sarkar
Chairman

Dubai, UAE

Date: 31 Jan 2013



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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 2012, the statements of comprehensive income (comprising an income statement and a separate statement of comprehensive income), changes in equity and cash flows for the year then ended, and notes to the financial statements, 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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; the financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law (8) of 1984 (as amended), Union Law no.10 of 1980 and the Articles of Association of the Company; 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 2012, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG
Vijendra Nath Malhotra
Registration No: 48B

31 JAN 2013

EMIRATES NBD SECURITIES LLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	2012 AED '000	2011 AED '000
Assets			
Property and equipment	7	2,518	2,007
Financial assets at available for sale	8	5,233	4,344
Total noncurrent assets		7,751	6,351
Financial assets at fair value through profit and loss	8	3,250	2,352
Trade and other debtors	9	30,445	31,478
Other receivables	10	559	10,610
Due from Holding Company	11	231,867	237,139
Cash at bank	12	88,723	75,226
Total current assets		354,844	356,805
Other payables		5,122	5,171
Client deposit		3,803	2,768
Total current liabilities		8,925	7,939
Net current assets		345,919	348,866
Net assets		353,670	355,217
Represented by			
Share capital	13	36,000	36,000
Statutory reserve	13	18,804	18,804
Fair value reserve	13	(49)	(938)
Capital contribution reserve	13	50,000	50,000
Retained earnings		248,915	251,351
Total equity holders' funds		353,670	355,217

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 of Emirates NBD Securities LLC on 31 Jan 2013 and signed by their behalf by:


Chairman


General Manager

EMIRATES NBD SECURITIES LLC
STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>Notes</i>	2012 AED '000	2011 AED '000
Commission income		10,223	6,387
Administrative and general expenses	14	(13,113)	(18,069)
Operating loss		(2,890)	(11,682)
Gain / (loss) on securities designated as fair value through profit or loss		898	(1,088)
Other expense	15	(482)	(1,444)
Allowance for impairment on trade and other debtors		(4)	(9,554)
Interest received from Holding Company	11	1,292	2,159
Loss for the year		(1,186)	(21,609)

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 2012**

	<i>Notes</i>	2012 AED '000	2011 AED '000
Loss for the year	<u>-----</u>	<u>(1,186)</u>	<u>(21,609)</u>
Other comprehensive income:			
Net change in fair value of AFS investments	8	<u>889</u>	<u>(3,307)</u>
Total comprehensive loss for the year		<u>(297)</u> =====	<u>(24,916)</u> =====

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 2012**

	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 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
	=====	=====	=====	=====	=====	=====
	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 2012	36,000	18,804	(938)	50,000	251,351	355,217
Total comprehensive loss	-	-	889	-	(1,186)	(297)
Directors' fees**	-	-	-	-	(1,250)	(1,250)
Balance at 31 December 2012	36,000	18,804	(49)	50,000	248,915	353,670
	=====	=====	=====	=====	=====	=====

In accordance with the Ministry of Economy and Planning Interpretation of Article 118 of Commercial Companies Law No. 8 of 1984, Directors' fee has been treated as an appropriation from equity in 2011.

* Directors' fees related to 2010

**Directors' fees related to 2011 and with effect from 2012, it will be borne by Holding Company.

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 CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 AED '000	2011 AED '000
Cash flows from operating activities		
Loss for the year	(1,186)	(21,609)
Directors' fees	(1,250)	(1,250)
<i>Adjustments:</i>		
Change in fair value of current investments	(898)	1,088
Allowance for impairment losses	4	9,554
Depreciation	649	1,832
Loss on disposal of equipment	643	1,669
	(2,038)	(8,716)
Change in trade and other debtors	1,029	75,857
Change in other receivables	10,051	(9,138)
Change in due from Holding Company	5,272	(64,477)
Change in other payables	(49)	(554)
Net cash flows generated from/ (used in) operating activities	14,265	(7,028)
Cash flows from investing activities		
Acquisition of property and equipment	(1,803)	(681)
Proceeds on sale of equipment	-	90
Increase in fixed deposits maturing after three months	(824)	(1,904)
Cash flows used in investing activities	(2,627)	(2,495)
Net increase/ (decrease) in cash and cash equivalents	11,638	(9,523)
Cash and cash equivalents at the beginning of the year	30,554	40,077
Cash and cash equivalents at the end of the year	42,192	30,554

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

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EMIRATES NBD SECURITIES LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the laws of the U.A.E.

These financial statements have been approved for issue by the Board of Directors on 31 January 2013.

(b) Basis of measurement

These financial statements are prepared under the historical cost convention, except for investment securities designated at fair value through profit or loss and available for-sale which are measured 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.

2 Basis of preparation (continued)

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The critical areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to these financial statements are included in the relevant accounting policies.

3 Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(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

Property and equipment is stated at cost less accumulated depreciation and impairment losses, if any. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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.

EMIRATES NBD SECURITIES LLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

3 Significant accounting policies (continued)**(b) Property and equipment (continued)***Useful lives of property and equipment*

The Group's Management determines the estimated useful lives of its property and equipment for calculating depreciation as the policies of the Company are in line with the Group's policies. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. Estimated useful lives are as below:

Freehold improvements	10 years
Leasehold improvements	7 years
Office equipment	5 years
Computers	4 years

Fixed assets not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policies.

(c) Financial instruments***Classification***

A financial instrument is any contract that gives rise to both a financial asset for the Company and the financial liability or equity instrument of another party. Non-derivative financial instruments comprise investments in equity securities, trade and other receivables (except prepayments), cash and cash equivalents and other payables.

Available-for-sale financial assets

Available-for-sale assets are financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Classification (continued)

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Financial assets classified as held-for-trading comprise short-term sovereign debt securities actively managed by the Group's treasury department to address short-term liquidity needs.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available-for-sale

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 and are used by the Company for day to day operations. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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.

Initial Recognition

Financial assets and liabilities are recognised on the statement of financial position when the Company becomes a party to contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets designated at fair value through profit or loss or available-for-sale assets are recognised.

EMIRATES NBD SECURITIES LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Measurement

A financial asset is recognised initially at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

All other financial assets and non-trading financial liabilities are measured at amortised cost less impairment allowances.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Company has substantially transferred all the risks and rewards of ownership. A financial liability is derecognised when it is extinguished.

(d) Offsetting

Financial assets and liabilities are offset and the net amount is reported on the statement of the financial position only when the Company has a legally enforceable right to set off the recognised amount and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS or IAS or if gains or losses are arising from a group of similar transactions.

(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.

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.

(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.

(i) Dividend income

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.

EMIRATES NBD SECURITIES LLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

3 Significant accounting policies (continued)

(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 2012, 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.

(k) Trade and other debtors

All receivables are stated at amortised cost less impairment losses, if any.

(l) Payables

Payables are stated at amortised cost.

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.

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.

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.

EMIRATES NBD SECURITIES LLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****5 Financial risk management (continued)****Credit risk (continued)**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:

	2012 AED '000	2011 AED '000
Trade and other debtors	30,445	31,478
Due from holding company	231,867	237,139
Cash at bank	88,719	75,221
Total	351,031	343,838
	=====	=====

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:

	2012 AED '000	2011 AED '000
Individuals	30,425	31,238
Corporates	20	240
Total	30,445	31,478
	=====	=====

Impairment losses

The ageing of trade receivables at the reporting date was:

	2012 AED '000	2011 AED '000
Not past due	20	240
Individually Impaired	62,911	64,252
Less: Impairment	(32,486)	(33,014)
	30,445	31,478
	=====	=====

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

5 Financial risk management (continued)

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 is not significantly exposed to liquidity risks as its primary source of funding is through approved financing arrangements with the Holding Company, which itself is a reputable bank in the UAE.

Further, 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.

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 continuous 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. The Company pays/receives interest to/from the holding company on intra-group net payables/receivables. All interest bearing financial assets and liabilities are at fixed interest rates.

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

	2012 AED '000	2011 AED '000
	-----	-----
Fixed rate instruments:		
Fixed deposits	63,884	62,671
Financial liabilities	-	-
Variable rate instruments:		
Call accounts	16,849	6,764
Financial liabilities	-	-
	=====	=====

5 Financial risk management (continued)

Market risk (continued)

Interest rate risk (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 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 2012				
Financial instruments	168	(168)	-	-
	=====	=====	=====	=====
31 December 2011				
Financial instruments	68	(68)	-	-
	=====	=====	=====	=====

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.

The amounts mentioned in the table below reflect an equal but opposite potential effect on profit before tax and equity based on an assumed 5% strengthening or weakening in prices, with all other variables held constant:

	31 December 2012			31 December 2011		
	Total	Effect on profit	Effect on equity	Total	Effect on profit	Effect on equity
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Effect of change in equity price by 5%						
Financial assets at fair value through profit and loss	3,250	162	-	2,352	118	-
Financial assets available- for- sale	5,035	-	252	4,344	-	217
	=====	=====	=====	=====	=====	=====

EMIRATES NBD SECURITIES LLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****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.

6 Capital management

The Company's capital management approach is driven by strategy and organizational requirements, taking into account the commercial environment in which it operates. The Company's capital management takes into account assets growth and the optimal amount and mix of capital required to support planned business growth.

Regulatory Capital

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.

7 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 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
FOR THE YEAR ENDED 31 DECEMBER 2012****7 Property and equipment (continued)**

	Freehold improve- ments AED '000	Leasehold improve- ments 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 2012	-	1,966	1,220	15,453	441	19,080
Additions	349	-	40	1,245	169	1,803
Disposals		(1,674)	-	(220)	-	(1,894)
Balance at 31 December 2012	<u>349</u>	<u>292</u>	<u>1,260</u>	<u>16,478</u>	<u>610</u>	<u>18,989</u>
<u>Accumulated depreciation</u>						
Balance at 1 January 2012	-	1,046	1,057	14,970	-	17,073
Depreciation for the year	3	196	98	352	-	649
Disposals		(1,031)	-	(220)	-	(1,251)
Balance at 31 December 2012	<u>3</u>	<u>211</u>	<u>1,155</u>	<u>15,102</u>	<u>-</u>	<u>16,471</u>
<u>Net book value</u>						
At 31 December 2012	<u>346</u>	<u>81</u>	<u>105</u>	<u>1,376</u>	<u>61</u>	<u>2,518</u>

8 Investment securities

These comprise the following:

	2012 AED '000	2011 AED '000
Equity securities:		
Non-Current:		
Available-for-sale (refer note below)	5,233	4,344
Current:		
Designated value through profit and loss	3,250	2,352
	<u>8,483</u>	<u>6,696</u>

EMIRATES NBD SECURITIES LLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****8 Investment securities (continued)**

Included in available for sale are:

- a) AED 5,035 K (31 December 2011: AED 4,146 K) 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 2011: AED 198 K) 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 a joint venture / subsidiary, respectively, of the Holding Company.

9 Trade and other debtors

Trade and other debtors include 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 the Holding Company.
- Receivables from Margin Trading (MT), which the Company previously engaged in. During 2011, SCA issued a circular that brokerage companies cannot carry out MT. The company has formulated a strategy for transferring margin trading accounts to its Holding Company. For the year ended 31 December 2012, no accounts were transferred to Holding Company (full year 2011: 9 accounts transferred with total outstanding amounting to AED 76,739 K).

	2012 AED '000	2011 AED '000
Customer receivables	62,931	64,492
Less: allowance for impairment loss	(32,486)	(33,014)
	30,445	31,478
	=====	=====

EMIRATES NBD SECURITIES LLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****9 Trade and other debtors (continued)**

	2012 AED '000	2011 AED '000
Movement in allowance for impairment loss		
Balance as on 1 st January	33,014	26,928
Allowance made during the year	73	9,898
Recoveries / Write back	(69)	(344)
Write off	(532)	(3,468)
	<u>32,486</u>	<u>33,014</u>
	=====	=====

10 Other receivables

	2012 AED '000	2011 AED '000
Prepayments	101	158
Others	458	10,452
	<u>559</u>	<u>10,610</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 and withdrawn in Jan 2012.

11 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:

	2012 AED '000	2011 AED '000
Short term employee benefits	1,847	2,137
Post employment benefits	118	159
	<u>=====</u>	<u>=====</u>

EMIRATES NBD SECURITIES LLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****11 Related party transactions (continued)**

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.

	2012 AED '000	2011 AED '000
	-----	-----
Due from Holding Company	231,867	237,139
Cash held with Holding Company	88,674	75,084
	=====	=====

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:

	2012 AED '000	2011 AED '000
	-----	-----
Commission income from related parties (refer note 11.1)	435	412
Interest income from Holding Company on fixed deposits and call account	1,292	2,159
Expenses borne by the Holding Company (refer note 11.2)	-	283
Insurance premium paid to associate of Holding Company	421	470
	=====	=====

11.1 Commission income from related parties in 2012 comprised of:

	Trade value AED '000	Commission income AED'000
	-----	-----
Emirates Funds LLC	2,900	2
Emirates NBD Asset Management Limited	939	1
Jeema Minieral Water PSC	6,659	10
ENBD, Treasury	647,025	302
ENBD Private Office	183,185	75
National General Insurance	19,764	30
Al Fardan Real Estate	79,754	15
	-----	-----
	940,226	435
	=====	=====

EMIRATES NBD SECURITIES LLC**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****11 Related party transactions (continued)**

- 11.2** 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 in the year ended 2011.

The composition of the Board of Directors (including Chairman) underwent a change in June 2012 whereby, all existing directors were replaced and three new directors were inducted as part of the reconstituted Board.

During the year, the head office of the Company has moved into premises owned by the Holding Company on which no rent is being paid.

The Company has obtained a guarantee for Nasdaq worth AED 5,509 K from Mashreq. There is a mutual agreement between the Holding Company and Mashreq Bank whereby they provide guarantees for each others' brokerage entity to Nasdaq, at no charge to each other.

12 Cash at bank

	2012 AED '000	2011 AED '000
Cash in hand	4	5
Current account	21,031	9,783
Bank deposit (Maturity within three months)	21,157	20,766
	=====	=====
Cash and cash equivalents	42,192	30,544
Bank Deposit (Maturity after three months)	42,728	41,905
Client money (12.1)	3,803	2,768
	-----	-----
	88,723	75,227
	=====	=====

- 12.1** In accordance with the regulations issued by the Emirates Securities and Commodities Authority ("ESCA") the Company maintains separate bank accounts for advances received from its customers ("clients' money"). The clients' money is not available to the Company other than to settle transactions executed on behalf of the customers maintaining deposits with the Company.

13 Share capital and reserves

	2012 AED '000	2011 AED '000
	-----	-----
Authorised, issued and fully paid up:		
36,000 shares of AED 1,000 each	36,000	36,000
	-----	-----
	36,000	36,000
	=====	=====

EMIRATES NBD SECURITIES LLC
NOTES TO THE FINANCIAL STATEMENTS
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13 Share capital and reserves (continued)

Capital contribution reserve

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.

14 Administrative and general expenses

	2012 AED '000	2011 AED '000
Staff costs	9,249	12,546
Occupancy costs	1,314	1,532
Depreciation	649	1,832
Others	1,901	2,159
Total	13,113	18,069

The number of employees at 31 December 2012 was 35 (2011: 44).

15 Other expense

	2012 AED '000	2011 AED '000
Dividend income	137	221
Other operating income	24	4
Loss on property and equipment write off	(643)	(1,669)
	(482)	(1,444)

EMIRATES NBD SECURITIES LLC
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16 Lease commitments:

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

	2012 AED '000	2011 AED '000
Less than one year	272	215
Between one and five years	-	-
	272	215
	=====	=====

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.

17 Contingent liabilities

	2012 AED '000	2011 AED '000
Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX)	150,000	150,000
	=====	=====
Letters of guarantee (Issued by the Mashreq Bank in favor of Nasdaq Dubai)	5,509	5,509
	=====	=====
Letters of guarantee (Issued by the Holding Company in favor of DG CX)	-	3,673
	=====	=====

18 Capital commitments

A decision was made by the management of the Company to install the enhanced version of Order Management Solution System ("OMS") in order to offer customers with a better trading platform. To this effect, an agreement was signed by the Company with Tradenet. The estimated total cost of this project was expected to be AED 1,600 k which has been capitalized partially in 2011 and the remaining amount in 2012."

19 Fair value measurement principles

Fair values

Fair values versus carrying amounts

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

EMIRATES NBD SECURITIES LLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

19 Fair value measurement principles (continued)

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 2012				
Available-for-sale financial assets	5,035	-	198	5,233
Financial assets designated at fair value through profit or loss	3,250	-	-	3,250
	-----	-----	-----	-----
	8,285		198	8,483
	=====	=====	=====	=====
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
	=====	=====	=====	=====

Although the company believes that its estimate of fair value of level 3 is appropriate, the use of different methodologies or assumptions could lead to different measurement of fair value. For fair value measurement in level 3, change in 10% in the fair value of the investment would have an equal but opposite potential effect of AED 20 K (2011: 20 K) of the statement of comprehensive income.

20 Comparative figures

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