

Emirates NBD Securities LLC

Condensed interim financial statements

For the nine months period ended 30 September 2014

Emirates NBD Securities LLC

Condensed interim financial statements

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF EMIRATES NBD SECURITIES LLC

Introduction

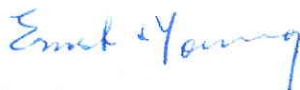
We have reviewed the accompanying condensed interim financial statements of Emirates NBD Securities LLC (the "Company"), which comprise the interim statement of financial position as at 30 September 2014 and the related interim statements of income and comprehensive income for the three months and nine months period then ended and interim statements of cash flows and changes in equity for the nine months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.



Ernst & Young

26 October 2014
Dubai, United Arab Emirates

Emirates NBD Securities LLC
Condensed interim statement of financial position
As at 30 September 2014 (Unaudited)

	Notes	Unaudited 30 September 2014 AED '000	Audited 31 December 2013 AED '000
Assets			
Property and equipment		1,631	2,055
Financial assets available-for-sale	6	16,996	12,455
Total non-current assets		18,627	14,510
Trade and other debtors	7	45,050	31,913
Other receivables		3,981	2,379
Due from Holding Company	8	290,679	257,260
Cash and bank balances	11	90,864	93,446
Total current assets		430,574	384,998
Other payables		7,867	6,037
Client deposit		5,933	8,186
Total current liabilities		13,800	14,223
Net current assets		416,774	370,775
Net assets		435,401	385,285
Represented by			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Fair value reserve		11,650	7,109
Capital contribution reserve		50,000	50,000
Retained earnings		318,947	273,372
Total equity holders' funds		435,401	385,285

The notes on pages 7 to 12 form an integral part of these financial statements.

The independent auditors' report is set out on page 1.

These financial statements were approved by the Board of Directors of Emirates NBD Securities LLC on 26 October 2014.


Chairman


General Manager



Emirates NBD Securities LLC
Condensed interim statement of income
For the nine months period ended 30 September 2014 (Unaudited)

	<i>Notes</i> -----	Unaudited three months period ended 30 Sep 2014 AED '000 -----	Unaudited three months period ended 30 Sep 2013 AED '000 -----	Unaudited nine months period ended 30 Sep 2014 AED '000 -----	Unaudited nine months period ended 30 Sep 2013 AED '000 -----
Commission income		13,826	9,573	56,218	22,013
Administrative and general expenses		(4,588) -----	(3,248) -----	(13,103) -----	(9,469) -----
Operating profit (loss)		9,238	(6,325)	43,115	12,544
Other income	9	5	1,674	1,826	3,474
Interest received from Holding Company	8	192 -----	267 -----	634 -----	851 -----
Profit for the period		9,435 =====	8,266 =====	45,575 =====	16,869 =====

The notes on pages 7 to 12 form an integral part of these financial statements.

The independent auditors' report is set out on page 1.

Emirates NBD Securities LLC
Condensed interim statement of comprehensive income
For the nine months period ended 30 September 2014 (Unaudited)

	<i>Note</i> -----	Unaudited three month period ended 30 Sep 2014 AED '000 -----	Unaudited three month period ended 30 Sep 2013 AED '000 -----	Unaudited nine months period ended 30 Sep 2014 AED '000 -----	Unaudited nine months period ended 30 Sep 2013 AED '000 -----
Profit for the period		9,435	8,266	45,575	16,869
Other comprehensive Income:					
Net change in fair value of financial assets available for sale	6	3,851 -----	1,678 -----	4,541 -----	5,084 -----
Total comprehensive income for the period		13,286 =====	9,944 =====	50,116 =====	21,953 =====

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Emirates NBD Securities LLC
Condensed interim statement of changes in equity
For the nine months period ended 30 September 2014 (Unaudited)

	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 2014	36,000	18,804	7,109	50,000	273,372	385,285
Total comprehensive income for the period	-	-	4,541	-	45,575	50,116
Balance at 30 September 2014	36,000	18,804	11,650	50,000	318,947	435,401
Balance at 1 January 2013	36,000	18,804	(49)	50,000	248,915	353,670
Total comprehensive income for the period	-	-	5,084	-	16,869	21,953
Balance at 30 September 2013	36,000	18,804	5,035	50,000	265,784	375,623

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Emirates NBD Securities LLC
Condensed interim statement of cash flows
For the nine months period ended 30 September 2014 (Unaudited)

	Unaudited nine months period ended 30 September 2014 AED'000	Unaudited nine months Period ended 30 September 2013 AED'000
	-----	-----
<u>OPERATING ACTIVITIES</u>		
Profit for the period	45,575	16,869
<i>Adjustments for non cash items:</i>		
Change in fair value of current investments	-	(3,214)
Depreciation	515	550
	-----	-----
	46,090	14,205
Change in trade and other debtors	(13,137)	11,319
Change in other receivables	(1,602)	(1,823)
Change in due from Holding Company	(33,419)	(23,437)
Change in other payables	1,830	267
	-----	-----
Net cash flows (used in) / from operating activities	(238)	531
	-----	-----
<u>INVESTING ACTIVITIES</u>		
Acquisition of property and equipment	(91)	(225)
Purchase of investment	-	(65)
Decrease in term deposit maturing after three months	(22,251)	(22,205)
	-----	-----
Cash flows used in investing activities	(22,342)	(22,495)
	-----	-----
Net decrease in cash and cash equivalents	(22,580)	(21,964)
Cash and cash equivalents at the beginning of the period	41,802	42,192
	-----	-----
Cash and cash equivalents at the end of the period	19,222	20,228
	=====	=====

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Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the nine months period ended 30 September 2014 (Unaudited)

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 Statement of compliance

These financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting'. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2013. These condensed interim financial information do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the financial statements as at and for the year ended 31 December 2013.

In addition, results for the nine months ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

3 Significant accounting policies

The accounting policies applied by the Company in the preparation of the condensed interim financial statements are consistent with those applied by the Company in the annual financial statements for the year ended 31 December 2013. The adoption of the new and amended IFRS and IFRIC interpretations with effect from 1 January 2014 has had no effect on the interim condensed financial statements of the Company.

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the nine months period ended 30 September 2014 (Unaudited)

4 Estimates

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

5 Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2013.

6 Investment securities

These comprise of the following:

	Unaudited 30 September 2014 AED '000	Audited 31 December 2013 AED '000
	-----	-----
Equity securities:		
Non-current:		
Available-for-sale (refer note below)	16,996 =====	12,455 =====

Included in available-for-sale are:

- a) AED 16,734 K (31 December 2013: AED 12,193 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.
- b) AED 198 K (31 December 2013: 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.

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the nine months period ended 30 September 2014 (Unaudited)

7 Trade and other debtors

Trade 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 period ended 30 September 2014, no accounts were transferred to Holding Company (full year 2013 no accounts were transferred). Receivables from MT as of 30 September 2014 was AED 47,104 K (2013 : AED 52,521 K)

	Unaudited 30 September 2014 AED '000	Audited 31 December 2013 AED '000
	-----	-----
Customer receivables	73,204	62,150
Less: allowance for impairment loss	(28,154)	(30,237)
	-----	-----
	45,050	31,913
	=====	=====

8 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 "IAS 24" (2009). Transactions and balances with the related parties, other than those as disclosed elsewhere in the financial statements, are as follows:

	Unaudited 30 September 2014 AED '000	Audited 31 December 2013 AED '000
	-----	-----
Due from Holding Company	290,679	257,260
	=====	=====
Cash held with Holding Company	90,813	93,398
	=====	=====

Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the nine months period ended 30 September 2014 (Unaudited)

8 Related party transactions (*continued*)

Transactions with group entities

	Unaudited 30 September 2014 AED '000	Unaudited 30 September 2013 AED '000
	-----	-----
Commission income from related parties	4,060	1,750
Interest income from Holding Company	634	851
Insurance premium paid to associate of Holding Company	336	272
	=====	=====

9 Other income

	Unaudited 30 September 2014 AED '000	Unaudited 30 September 2013 AED '000
	-----	-----
Gain on securities designated as fair value through profit and loss	-	3,214
Reversal of allowance for impairment loss	1,549	-
Others	277	260
	-----	-----
	1,826	3,474
	=====	=====

Emirates NBD Securities LLC
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For the nine months period ended 30 September 2014 (Unaudited)

10 Contingent liabilities

	Unaudited 30 September 2014 AED '000	Audited 31 December 2013 AED '000
Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX)	446,000 =====	220,000 =====
Letters of guarantee (Issued by Mashreq Bank in favor of Nasdaq Dubai)	5,509 =====	5,509 =====
Letters of guarantee (Issued by the Holding Company in favor of DGCX Dubai)	3,673 =====	3,673 =====

11 Bank balances and cash

	Unaudited 30 September 2014 AED '000	Unaudited 30 September 2013 AED '000
Cash in hand	5	5
Current account	19,217 =====	20,223 =====
Cash and cash equivalents	19,222	20,228
Bank deposits (Maturity after three months)	65,709	64,933
Client money (11.1)	5,933 ----- 90,864 =====	7,274 ----- 92,274 =====

- 11.1** 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.

12 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.

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
	-----	-----	-----	-----
30 September 2014				
Available-for-sale financial assets	16,734	-	262	16,996
	-----	-----	-----	-----
	16,734	-	262	16,996
	=====	=====	=====	=====
31 December 2013				
Available-for-sale financial assets	12,193	-	262	12,455
	-----	-----	-----	-----
	12,193	-	262	12,455
	=====	=====	=====	=====

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 26 K (2013: 26 K) in the statement of comprehensive income.