

**Emirates NBD Securities LLC**

Condensed interim financial statements

for the six months period ended 30 June 2012

## **Emirates NBD Securities LLC**

Condensed interim financial statements  
*for the six months period ended 30 June 2012*

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

Telephone +971 (4) 403 0300  
Fax +971 (4) 330 1515  
Website [www.ae-kpmg.com](http://www.ae-kpmg.com)

## **Independent Auditors' Report on Review of Condensed Interim Financial Information**

The Shareholders  
Emirates NBD Securities LLC

### *Introduction*

We have reviewed the accompanying condensed statement of financial position of Emirates NBD Securities LLC ("the Company") as at 30 June 2012, the condensed statements of comprehensive income (comprising a condensed statement of income and a separate condensed statement of comprehensive income), changes in equity and cash flows for the six month period then ended, and notes to the condensed interim financial information (the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information 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 information as at 30 June 2012 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

**KPMG**  
Vijendra Nath Malhotra  
Registration No.: 48 B

25 JUL 2012

**Emirates NBD Securities LLC**  
**Condensed interim statement of financial position**  
**As at 30 June 2012**

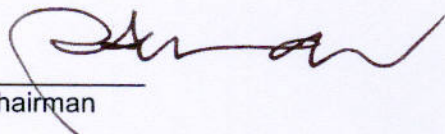
	Notes	Unaudited 30 June 2012 AED '000	Audited 31 December 2011 AED '000
<b>Assets</b>			
Property and equipment		1,891	2,007
Investment securities	6	4,828	4,344
<b>Total non-current assets</b>		<b>6,719</b>	<b>6,351</b>
Investment securities	6	2,848	2,352
Trade and other debtors	7	31,600	31,478
Other receivables		1,388	10,610
Due from Holding Company	8	234,697	237,139
Cash and cash equivalents		86,760	75,226
<b>Total current assets</b>		<b>357,293</b>	<b>356,805</b>
Other payables		8,859	7,939
<b>Total current liabilities</b>		<b>8,859</b>	<b>7,939</b>
<b>Net current assets</b>		<b>348,434</b>	<b>348,866</b>
<b>Net assets</b>		<b>355,153</b>	<b>355,217</b>
<b>Represented by</b>			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Fair value reserve		(454)	(938)
Capital contribution reserve		50,000	50,000
Retained earnings		250,803	251,351
<b>Total equity holders' funds</b>		<b>355,153</b>	<b>355,217</b>


The notes on pages 7 to 11 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 on

25 JUL 2012

  
Chairman

  
General Manager

**Emirates NBD Securities LLC**  
**Condensed interim statement of income**  
**for the six months period ended 30 June 2012**

		<b>Three months period ended</b>		<b>Six months period ended</b>	
	<i>Notes</i>	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2012</b>	<b>30 June 2011</b>
		<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>
Commission income		<b>2,431</b>	2,465	<b>6,567</b>	4,413
Administrative and general expenses		<b>(3,333)</b>	(4,628)	<b>(7,018)</b>	(9,832)
<b>Operating loss</b>		<b>(902)</b>	(2,163)	<b>(451)</b>	(5,419)
Other income/ (expense)	9	<b>(413)</b>	(23)	<b>545</b>	(79)
Allowance for impairment losses		<b>(56)</b>	(2,430)	<b>(63)</b>	(6,088)
Interest received from Holding Company (net)	8	<b>342</b>	652	<b>671</b>	1,348
<b>Profit / (Loss) for the period</b>		<b>(1,029)</b>	(3,964)	<b>702</b>	(10,238)
		<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>

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**Emirates NBD Securities LLC**  
**Condensed interim statement of comprehensive income**  
**for the six months period ended 30 June 2012**

		Three months period ended		Six months period ended	
	Notes	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	-----	AED '000	AED '000	AED '000	AED '000
		-----	-----	-----	-----
<b>Profit / (loss) for the period</b>		<b>(1,029)</b>	<b>(3,964)</b>	<b>702</b>	<b>(10,238)</b>
<b>Other comprehensive loss:</b>					
Net change in fair value of AFS investments		<b>(1,046)</b>	<b>(691)</b>	<b>484</b>	<b>(1,678)</b>
		-----	-----	-----	-----
<b>Total comprehensive profit / (loss) for the period</b>		<b>(2,075)</b>	<b>(4,655)</b>	<b>1,186</b>	<b>(11,916)</b>
		=====	=====	=====	=====

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**Emirates NBD Securities LLC**  
**Condensed interim statement of changes in equity**  
**for the six months period ended 30 June 2012**

	<b>Share Capital</b>	<b>Statutory reserve</b>	<b>Fair value reserve</b>	<b>Capital contribution reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>AED'000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED'000</b>
Balance at 1 January 2011	36,000	18,804	2,369	50,000	274,210	381,383
Total comprehensive loss	-	-	(1,678)	-	(10,238)	(11,916)
Directors' fees	-	-	-	-	(1,250)	(1,250)
Balance at 30 June 2011	36,000	18,804	691	50,000	262,722	368,217

	<b>Share Capital</b>	<b>Statutory reserve</b>	<b>Fair value reserve</b>	<b>Capital contribution reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>AED'000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED '000</b>	<b>AED'000</b>
Balance at 1 January 2012	36,000	18,804	(938)	50,000	251,351	355,217
Total comprehensive profit	-	-	484	-	702	1,186
Directors' fees	-	-	-	-	(1,250)	(1,250)
Balance at 30 June 2012	36,000	18,804	(454)	50,000	250,803	355,153

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

The notes on pages 7 to 11 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 cash flows**  
**for the six months period ended 30 June 2012**

	Unaudited 30 June 2012 AED'000 -----	Unaudited 30 June 2011 AED'000 -----
<b>Cash flows from operating activities</b>		
Profit / (loss) for the period	702	(10,238)
Directors' fees	(1,250)	(1,250)
<i>Adjustments:</i>		
Change in fair value of current investments	(496)	313
Allowance for impairment losses	63	6,088
Depreciation	350	1,046
Loss / (profit) on sale of property and equipment	102	(11)
	----- (529)	----- (4,052)
Change in trade and other debtors	(185)	57,001
Change in other receivables	9,222	(10,948)
Change in due from Holding Company	2,442	(50,697)
Change in other payables	920	1,451
Net cash flows from used in operating activities	----- 11,870 -----	----- (7,245) -----
<b>Cash flow from investing activities</b>		
Acquisition of property and equipment	(336)	(566)
Proceeds on sale of equipment	-	90
Cash used in investing activities	----- (336) -----	----- (476) -----
<b>Net movement in cash and cash equivalents</b>	11,534	(7,721)
<b>Cash and cash equivalents at the beginning of the period</b>	75,226 -----	82,497 -----
<b>Cash and cash equivalents at the end of the period</b>	86,760 =====	74,776 =====

The notes on pages 7 to 11 form an integral part of these financial statements.

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**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**for the six months period ended 30 June 2012 (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:

<b>Name of equity holders</b>	<b>Shareholding (%)</b>
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 2011. This condensed interim financial information does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

**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 2011.

**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**for the six months period ended 30 June 2012 (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 2011.

**6 Investment securities**

These comprise of the following:

	<b>Unaudited 30 June 2012 AED '000</b>	<b>Audited 31 December 2011 AED '000</b>
	-----	-----
Equity securities:		
Non-current:		
Available-for-sale (refer note below)	<b>4,828</b>	4,344
Current:		
Held for trading	<b>2,848</b>	2,352
	-----	-----
Total	<b>7,676</b>	6,696
	=====	=====

Included in available-for-sale are:

- a) AED 4,630 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.

**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**for the six months period ended 30 June 2012 (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.
- Customer receivables arise due to exposures on account of margin trading (MT). The SCA 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.

	<b>Unaudited</b> <b>30 June 2012</b> <b>AED '000</b>	<b>Audited</b> <b>31 December 2011</b> <b>AED '000</b>
	-----	-----
Customer receivables	<b>64,258</b>	64,492
Less: allowance for impairment loss	<b>(32,658)</b>	(33,014)
	-----	-----
	<b>31,600</b>	31,478
	=====	=====

The company has formulated a strategy for transferring margin trading accounts to its Holding Company. For the six months period ended 30 June 2012, no accounts were transferred to Holding Company (full year 2011: 9 accounts transferred with total outstanding amounting to AED 76,739 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 from the books of the Company.

**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). The transactions and balances with the related parties, other than those as disclosed elsewhere in the financial statements, are as follows:

	<b>Unaudited</b> <b>30 June 2012</b> <b>AED '000</b>	<b>Audited</b> <b>31 December 2011</b> <b>AED '000</b>
	-----	-----
Due from Holding Company	<b>234,697</b>	237,139
	=====	=====
Cash held with Holding Company	<b>86,714</b>	75,089
	=====	=====

**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**for the six months period ended 30 June 2012 (Unaudited)**

**8 Related party transactions (continued)**

**Transactions with ENBD group entities**

	<b>Unaudited 30 June 2012 AED '000</b>	<b>Unaudited 30 June 2011 AED '000</b>
	-----	-----
Commission income from related parties (refer note 8.1) **	<b>184</b>	397
Net interest income from Holding Company	<b>671</b>	1,348
Expenses borne by the Holding Company (refer note 8.2)	<b>-</b>	283
Insurance premium paid to associate of Holding Company	<b>208</b>	227
	=====	=====

\*\*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.

- 8.1** The Company has conducted trades with a value of AED 468,857 K (30 June 2011: AED 707,681 K) on behalf of related entities from which commission income of AED 184 K (30 June 2011: AED 397 K) has been earned during the six months period ended 30 June 2012.
- 8.2** During the six months ended 30 June 2011, 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 six months ended 30 June 2011.

**9 Other income / (expense)**

	<b>Unaudited 30 June 2012 AED '000</b>	<b>Unaudited 30 June 2011 AED '000</b>
	-----	-----
Unrealized gain / (loss) on trading securities	<b>496</b>	(313)
Dividend income	<b>137</b>	221
(Loss) / profit on sale of property and equipment	<b>(102)</b>	11
Other operating income	<b>14</b>	2
	-----	-----
	<b>545</b>	(79)
	=====	=====

**Emirates NBD Securities LLC**  
**Notes to the condensed interim financial statements**  
**for the six months period ended 30 June 2012 (Unaudited)**

**10 Contingent liabilities**

	<b>Unaudited 30 June 2012 AED '000</b>	<b>Audited 31 December 2011 AED '000</b>
	-----	-----
Letters of guarantee (Issued by the Holding Company in favor of DFM and ADX)	<b>150,000</b> =====	150,000 =====
Letters of guarantee (Issued by the Mashreq Bank in favor of Nasdaq Dubai)	<b>5,509</b> =====	5,509 =====
Letters of guarantee (Issued by the Holding Company in favor of DGCX)	<b>3,673</b> =====	3,673 =====

- 10.1** The guarantee issued by Holding Company, amounting to AED 5,509,500 in favour of Nasdaq Dubai matured on 28 June 2012. On 29 June 2012, a new guarantee was issued by Mashreq Bank amounting to AED 5,509,500 in favour of Nasdaq Dubai.

**11 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 777k was paid as of 30 June 2012. Therefore, the net capital commitment amounts to AED 823 K as at the reporting date.

**12 Comparative figures**

Certain comparative figures have been reclassified where appropriate to conform to the presentation and accounting policies adopted in these condensed interim financial statements.