

Emirates NBD Securities LLC

Condensed interim financial statements

For the six months period ended 30 June 2014

Emirates NBD Securities LLC

Condensed interim financial statements

<i>Contents</i>	<i>Page</i>
Independent auditors' report on review of condensed interim financial information	1
Condensed interim statement of financial position	2
Condensed interim statement of income	3
Condensed interim statement of comprehensive income	4
Condensed interim statement of changes in equity	5
Condensed interim statement of cash flows	6
Notes to the condensed interim financial statements	7 - 12



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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 June 2014 and the related interim statements of income and comprehensive income for the three month and six month periods then ended and interim statement of cash flows and changes in equity for the six month 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

23 July 2014
Dubai, United Arab Emirates

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

	<i>Notes</i>	Unaudited 30 June 2014 AED '000	Audited 31 December 2013 AED '000
Assets			
Property and equipment		1,785	2,055
Financial assets available-for-sale	6	13,145	12,455
Total non-current assets		14,930	14,510
Trade and other debtors	7	31,436	31,913
Other receivables		4,233	2,379
Due from Holding Company	8	293,930	257,260
Cash and bank balance	11	90,789	93,446
Total current assets		420,388	384,998
Other payables		7,051	6,037
Client Deposit		6,152	8,186
Total current liabilities		13,203	14,223
Net current assets		407,185	370,775
Net assets		422,115	385,285
Represented by			
Share capital		36,000	36,000
Statutory reserve		18,804	18,804
Fair value reserve		7,799	7,109
Capital contribution reserve		50,000	50,000
Retained earnings		309,512	273,372
Total equity holders' funds		422,115	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 23 July 2014.

Chairman

General Manager

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

		Unaudited three months period ended 30 June 2014 AED '000	Unaudited three months period ended 30 June 2013 AED '000	Unaudited six months period ended 30 June 2014 AED '000	Unaudited six months period ended 30 June 2013 AED '000
	<i>Notes</i>				
Commission income		21,648	7,590	42,392	12,440
Administrative and general expenses		(4,380)	(3,089)	(8,515)	(6,221)
Operating profit		17,268	4,501	33,877	6,219
Other income	9	1,813	1,414	1,821	1,800
Interest received from Holding Company	8	215	294	442	584
Profit for the period		19,296	6,209	36,140	8,603

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

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

		Unaudited three month period ended 30 June 2014 AED '000	Unaudited three month period ended 30 June 2013 AED '000	Unaudited six months period ended 30 June 2014 AED '000	Unaudited Six months period ended 30 June 2013 AED '000
	<i>Note</i>				
Profit for the period		19,296	6,209	36,140	8,603
Other comprehensive Income:					
Net change in fair value of financial assets available- for-sale	6	(3,999)	3,209	690	3,406
Total comprehensive income for the period		15,297	9,418	36,830	12,009

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Emirates NBD Securities LLC
Condensed interim statement of changes in equity
For the six months period ended 30 June 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	-	-	690	-	36,140	36,830
Balance at 30 June 2014	36,000	18,804	7,799	50,000	309,512	422,115
	=====	=====	=====	=====	=====	=====
Balance at 1 January 2013	36,000	18,804	(49)	50,000	248,915	353,670
Total comprehensive income for the period	-	-	3,406	-	8,603	12,009
Balance at 30 June 2013	36,000	18,804	3,357	50,000	257,518	365,679
	=====	=====	=====	=====	=====	=====

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

	Unaudited six months period ended 30 Jun 2014 AED'000	Unaudited six months period ended 30 Jun 2013 AED'000
<u>OPERATING ACTIVITIES</u>		
Profit for the period	36,140	8,603
<i>Adjustments for non-cash items:</i>		
Change in fair value of investments	-	(1,545)
Depreciation	326	351
	<u>36,466</u>	<u>7,409</u>
Change in trade and other debtors	477	7,205
Change in other receivables	(1,854)	(770)
Change in due from Holding Company	(36,670)	(12,098)
Change in other payables	1,014	(379)
	<u>(567)</u>	<u>1,367</u>
Net cash flows (used in)/from operating activities		
<u>INVESTING ACTIVITIES</u>		
Acquisition of property and equipment	(56)	(182)
Purchase of investment	-	(6)
(Decrease)/increase in term deposits maturing after three months	(21,596)	42,728
	<u>(21,652)</u>	<u>42,540</u>
Net cash flows (used in)/from investing activities		
Net (decrease)/increase in cash and cash equivalents	(22,219)	43,907
Cash and cash equivalents at the beginning of the period	41,802	42,192
Cash and cash equivalents at the end of the period	<u>19,583</u>	<u>86,099</u>

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Emirates NBD Securities LLC
Notes to the condensed interim financial statements
For the six months period ended 30 June 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 six months ended 30 June 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 six months period ended 30 June 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 June 2014 AED '000	Audited 31 December 2013 AED '000
	-----	-----
Equity securities:		
Available-for-sale (refer note below)	13,145	12,455
	=====	=====

Included in available-for-sale are:

- a) AED 12,883 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 six months period ended 30 June 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 June 2014, no accounts were transferred to Holding Company (full year 2013 no accounts were transferred). Receivables from MT as of 30 June 2014 was AED 47,125 K (2013: 50,281 K).

	Unaudited 30 June 2014 AED '000	Audited 31 December 2013 AED '000
Customer receivables	59,590	62,150
Less: allowance for impairment loss	(28,154)	(30,237)
	<u>31,436</u> =====	<u>31,913</u> =====

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:

	Unaudited 30 June 2014 AED '000	Audited 31 December 2013 AED '000
Due from Holding Company	293,930 =====	257,260 =====
Cash held with Holding Company	90,738 =====	93,398 =====

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

8 Related party transactions (*continued*)

Transactions with group entities

	Unaudited 30 June 2014 AED '000	Unaudited 30 June 2013 AED '000
Commission income from related parties	3,068	839
Interest income from Holding Company on fixed deposit and call account	442	584
Insurance premium paid to associate of Holding Company	224	187
	=====	=====

9 Other income

	Unaudited 30 June 2014 AED '000	Unaudited 30 June 2013 AED '000
Gain on securities designated as fair value through profit and loss	-	1,545
Reversal of allowance for impairment loss	1,549	-
Others	272	255
	=====	=====
	1,821	1,800

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

10 Contingent liabilities

	Unaudited 30 June 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 the Mashreq Bank in favor of Nasdaq Dubai)	5,509 =====	5,509 =====
Letters of guarantee (Issued by the Holding Company in favor of DGCX)	3,673 =====	3,673 =====

11 Cash and bank balance

	Unaudited 30 June 2014 AED '000	Unaudited 30 June 2013 AED '000
Cash in hand	5	4
Current account	19,578	22,048
Bank deposit (Maturity within three months)	- =====	64,047 =====
Cash and cash equivalents	19,583	86,099
Bank Deposit (Maturity after three months)	65,054	-
Client money (11.1)	6,152	2,002
	90,789 =====	88,101 =====

- 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.

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

12 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
	-----	-----	-----	-----
30 June 2014				
Available-for-sale financial assets	12,883	-	262	13,145
	-----	-----	-----	-----
	12,883	-	262	13,145
	=====	=====	=====	=====
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) of the statement of comprehensive income.