# Dubai Financial Market (DFM) P.J.S.C

## Consolidated financial statements
## for the year ended 31 December 2018

**Dubai Financial Market (DFM) P.J.S.C**

Consolidated financial statements
*For the year ended 31 December 2018*

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# Independent Auditors' Report

To the Shareholders of Dubai Financial Market (DFM) P.J.S.C.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Dubai Financial Market (DFM) P.J.S.C. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Key Audit Matters (continued)*

**Impairment of goodwill and other intangible assets**

*Refer to note 6 'Goodwill and other intangible assets'*

Impairment of goodwill and intangible assets is a Key Audit Matter due to
- the size of the balance (being 53.2% of total assets); and
- The determination of recoverable amount being the higher of fair value less costs to sell and value in use requires judgement on the part of management.

Management's assessment of impairment of the Group's goodwill and intangible assets, through their value in use model, involves significant judgements and estimates such as forecast cash flows, discount rates applied, and the assumptions underlying the forecast growth and terminal growth rates.

**Our response**

- We assessed management's identification of CGUs based on our understanding of the Group's business and the requirements of the relevant accounting standards.

- We evaluated the process by which managements' future cash flow forecasts were prepared, including testing the underlying calculations and reconciling them to the latest Board of Directors approved financial targets. We analyzed the Group's previous ability to forecast cash flows accurately and challenged the reasonableness of current forecasts by comparing key assumptions to historical results, economic and industry forecasts (external market assumptions) and internal planning data.

- We involved our valuation specialists to critically assess the appropriateness of the discount rates and long-term growth rates used, and comparing these assumptions to external market data.

- We performed a sensitivity analysis over key assumptions such as discount rates, forecast growth rates and terminal growth rates.

- We also assessed the adequacy of relevant disclosures in the Group's financial statements.

*Other matter*

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 31 January 2018.

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon ('the Annual report'). The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

iv) the financial information included in the Chairman`s Statement, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 24.5 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2018;

**Report on Other Legal and Regulatory Requirements (continued)**

vi) note 18 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2018.

KPMG Lower Gulf Limited

Emilio Pera
Registration No: 1146
Dubai, United Arab Emirates
Date: 13 FEB 2019

# Dubai Financial Market (DFM) P.J.S.C

## Consolidated statement of financial position
*as at 31 December 2018*

| | Note | 2018 AED'000 | 2017 AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 6 | **2,878,874** | 2,878,874 |
| Other intangible assets | 6 | **2,146,587** | 2,203,076 |
| Property and equipment | 7 | **294,445** | 275,245 |
| Financial assets measured at fair value through other comprehensive income (FVOCI) | 8 | **752,614** | 856,546 |
| Investment at amortised cost | 9 | **185,017** | 94,756 |
| Investment deposits | 10 | **364,749** | 292,213 |
| **Total non-current assets** | | **6,622,286** | 6,600,710 |
| **Current assets** | | | |
| Prepaid expenses and other receivables | 11 | **74,326** | 63,021 |
| Investment deposits | 10 | **2,465,148** | 2,290,148 |
| Cash and cash equivalents | 12 | **280,943** | 473,609 |
| **Total current assets** | | **2,820,417** | 2,826,778 |
| **Total assets** | | **9,442,703** | 9,427,488 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 13 | **8,000,000** | 8,000,000 |
| Treasury shares | | **(4,364)** | (4,364) |
| | | **7,995,636** | 7,995,636 |
| Investments revaluation reserve – FVOCI | 14 | **(815,844)** | (702,860) |
| Statutory reserve | 14 | **442,211** | 429,664 |
| Retained earnings | | **142,249** | 419,182 |
| **Equity attributable to owners of the company** | | **7,764,252** | 8,141,622 |
| Non-controlling interest | | **19,137** | 19,091 |
| **Total equity** | | **7,783,389** | 8,160,713 |
| **Non-current liabilities** | | | |
| Subordinated loan | 18 | **27,829** | 26,616 |
| Provision for employees' end of service benefits | 15 | **21,388** | 18,913 |
| **Total non-current liabilities** | | **49,217** | 45,529 |
| **Current liabilities** | | | |
| Payables and accrued expenses | 16 | **1,083,932** | 852,695 |
| Dividends payable | 17 | **516,022** | 352,378 |
| Due to related parties | 18 | **10,143** | 16,173 |
| **Total current liabilities** | | **1,610,097** | 1,221,246 |
| **Total liabilities** | | **1,659,314** | 1,266,775 |
| **Total equity and liabilities** | | **9,442,703** | 9,427,488 |

These consolidated financial statements were approved on 13 February 2019 by the Board of Directors and signed on its behalf by:

Chairman

The notes on pages 12 to 54 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on page 1-6.

## Dubai Financial Market (DFM) P.J.S.C

## Consolidated statement of income

*for the year ended 31 December 2018*

| | Note | 2018 AED'000 | 2017 AED'000 |
|---|---|---|---|
| **Income** | | | |
| Trading commission fees | | **138,214** | 255,254 |
| Brokerage fees | | **21,646** | 21,046 |
| Clearing, settlement and depository fees | | **26,043** | 36,935 |
| Listing and market data fees | | **9,486** | 9,814 |
| Other Fees | | **7,865** | 5,963 |
| **Operating income** | | **203,254** | 329,012 |
| Investment income | *19* | **129,781** | 101,423 |
| Other income | | **1,358** | 481 |
| **Total income** | | **334,393** | 430,916 |
| **Expenses** | | | |
| General and administrative expenses | *20* | **(151,179)** | (139,797) |
| Amortisation of other intangible assets | *6* | **(56,489)** | (56,489) |
| Interest expense | *18* | **(1,213)** | (1,160) |
| **Operating expenses** | | **(208,881)** | (197,446) |
| **Net profit for the year** | | **125,512** | 233,470 |
| **Profit attributable to:** | | | |
| Owners of the company | | **125,466** | 232,878 |
| Non-controlling interest | | **46** | 592 |
| | | **125,512** | 233,470 |
| **Basic and Diluted Earnings per share – AED** | *21* | **0.016** | 0.029 |

The notes on pages 12 to 54 form an integral part of these consolidated financial statements.

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## Dubai Financial Market (DFM) P.J.S.C

## Consolidated statement of comprehensive income
*for the year ended 31 December 2018*

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Net profit for the year** | **125,512** | 233,470 |
| ***Other comprehensive income*** | | |
| **Items that will not be reclassified to profit or loss** | | |
| Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI) | **(130,744)** | 35,412 |
| **Total comprehensive (loss)/income for the year** | **(5,232)** | 268,882 |
| **Attributable to:** | | |
| Owners of the Company | **(5,278)** | 268,290 |
| Non-controlling interest | **46** | 592 |
| | **(5,232)** | 268,882 |

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# Dubai Financial Market (DFM) P.J.S.C

**Consolidated statement of changes in equity**
*for the year ended 31 December 2018*

| | Share Capital AED'000 | Treasury shares AED'000 | Investments revaluation reserve FVOCI AED'000 | Statutory reserve AED'000 | Retained earnings AED'000 | Attributable to owners of the company AED'000 | Non-controlling interest AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|---|
| As at 1 January 2017 | 8,000,000 | (4,364) | (738,272) | 406,377 | 237,902 | 7,901,643 | 18,499 | 7,920,142 |
| Net profit for the year | - | - | - | - | 232,878 | 232,878 | 592 | 233,470 |
| Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI) | - | - | 35,412 | - | - | 35,412 | - | 35,412 |
| Total comprehensive income for the year | - | - | 35,412 | - | 232,878 | 268,290 | 592 | 268,882 |
| Appropriation of non-sharia compliant income (Note 23) | - | - | - | - | (28,281) | (28,281) | - | (28,281) |
| Transfer to statutory reserve (Note 14) | - | - | - | 23,287 | (23,287) | - | - | - |
| Zakat | - | - | - | - | (30) | (30) | - | (30) |
| **As at 31 December 2017** | 8,000,000 | (4,364) | (702,860) | 429,664 | 419,182 | 8,141,622 | 19,091 | 8,160,713 |
| **As at 1 January 2018** | 8,000,000 | (4,364) | (702,860) | 429,664 | 419,182 | 8,141,622 | 19,091 | 8,160,713 |
| Adjustment on initial application of IFRS 9 | - | - | - | - | (547) | (547) | - | (547) |
| **Adjusted balance at 1 January 2018** | 8,000,000 | (4,364) | (702,860) | 429,664 | 418,635 | 8,141,075 | 19,091 | 8,160,166 |
| Net profit for the year | - | - | - | - | 125,466 | 125,466 | 46 | 125,512 |
| Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI) | - | - | (130,744) | - | - | (130,744) | - | (130,744) |
| Total comprehensive loss for the year | - | - | (130,744) | - | 125,466 | (5,278) | 46 | (5,232) |
| *Transactions with owners of the Company* | | | | | | | | |
| Dividends declared, net of appropriation of non-sharia compliant income (Note 13) | - | - | - | - | (335,508) | (335,508) | - | (335,508) |
| Appropriation of non-sharia compliant income (Note 23) | - | - | - | - | (35,999) | (35,999) | - | (35,999) |
| Transfer to statutory reserve (Note 14) | - | - | - | 12,547 | (12,547) | - | - | - |
| Realised loss on disposal of investment | - | - | 17,760 | - | (17,760) | - | - | - |
| Zakat | - | - | - | - | (38) | (38) | - | (38) |
| **As at 31 December 2018** | **8,000,000** | **(4,364)** | **(815,844)** | **442,211** | **142,249** | **7,764,252** | **19,137** | **7,783,389** |

The notes on pages 12 to 54 form an integral part of these consolidated financial statements.
The independent auditor's report is set out on page 1-6.

## Dubai Financial Market (DFM) P.J.S.C

## Consolidated statement of cash flows
*for the year ended 31 December 2018*

| | *Note* | **2018 AED'000** | 2017 AED'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the year | | **125,512** | 233,470 |
| **Adjustments for:** | | | |
| Depreciation of property and equipment | *7* | **11,943** | 10,886 |
| Provision for employees' end of service benefits | *15* | **2,509** | 2,973 |
| Amortisation of other intangible assets | *6* | **56,489** | 56,489 |
| Interest expense | *18* | **1,213** | 1,160 |
| Revenue from investment deposits | *19* | **(110,053)** | (88,854) |
| Dividend revenues | *19* | **(19,728)** | (12,569) |
| **Operating cash flow before changes in operating assets and liabilities** | | **67,885** | 203,555 |
| Changes in: | | | |
| - Prepaid expenses and other receivables | | **8,660** | (11,710) |
| - Due to a related party | | **(6,030)** | 7,752 |
| - Payables and accrued expenses | | **259,480** | 301,838 |
| **Cash generated from operations** | | **329,995** | 501,435 |
| Employees' end of service benefits paid | *15* | **(34)** | (126) |
| **Net cash generated from operating activities** | | **329,961** | 501,309 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale and redemption of investments | | **36,695** | 18,298 |
| Purchase of investments | | **(130,969)** | (94,756) |
| Purchase of property and equipment (net of disposal non cash transaction AED138k) | *7* | **(31,143)** | (23,586) |
| Net investment deposits (excluding cash and cash equivalents & non cash transactions) | | **(275,000)** | (385,000) |
| Investment deposit income received | | **93,627** | 79,816 |
| Dividend received | *19* | **19,728** | 12,569 |
| **Net cash used in investing activities** | | **(287,062)** | (392,659) |
| **Cash flows from financing activities** | | | |
| Dividends paid to shareholders | *13* | **(171,285)** | (5,884) |
| Distribution of non-Sharia compliant income to shareholders | *13,23* | **(64,280)** | - |
| **Net cash used in financing activities** | | **(235,565)** | (5,884) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(192,666)** | 102,766 |
| Cash and cash equivalents at the beginning of the year | | **473,609** | 370,843 |
| **Cash and cash equivalents at the end of the year** | *12* | **280,943** | 473,609 |

The notes on pages 12 to 54 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on page 1-6.

## 1. Establishment and operations

Dubai Financial Market (DFM) - PJSC (the "Company") is a public joint stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on February 6, 2007, and is subject to the provisions of the UAE Federal Law No. (2) of 2015 (Companies Law). The Company received its registration under Federal Law No. 4 of 2000 with the Securities and Commodities Authority ('SCA') on November 4, 2000.

The licensed activities of the Company are trading in financial instruments, acting as a commercial, industrial and agricultural holding and trust company, financial investment consultancy, and brokerage in local and foreign shares and bonds. In accordance with its Articles of Association, the Company complies with the provisions of Islamic Shari'a in all its activities and operations and invests its funds in accordance with these provisions.

The Company's shares are listed on the Dubai Financial Market ("DFM").

The Company currently operates the Dubai stock exchange, related clearing house and carries out investment activities on its own behalf.

The registered address of the Company is Dubai World Trade Center, Sheikh Zayed Road, P.O. Box 9700, Dubai.

The ultimate parent and controlling party is the Government of Dubai which owns 79.63 % of DFM through Borse Dubai Limited (the "Parent"), a Government of Dubai entity.

These consolidated financial statements comprise DFM – (PJSC) and its subsidiaries (together referred to as "the Group"). Details of the subsidiaries are as follows:

| **Company name** | **Activity** | **Country of incorporation** | **Ownership held** |
|---|---|---|---|
| Nasdaq Dubai Limited* | Electronic Financial Market | U.A.E. | 67% |

Nasdaq Dubai Limited has the following subsidiary:

| **Company name** | **Activity** | **Country of incorporation** | **Ownership held** |
|---|---|---|---|
| Nasdaq Dubai Guardian Limited | Bare nominee solely on behalf of Nasdaq Dubai Limited | U.A.E. | 100% |

* The remaining 33% is held by Borse Dubai Limited (note 22).

## 2. Basis of preparation

### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting standards ("IFRS") as issued by International Accounting Standard Board ("IASB"), and applicable provisions of the UAE Federal law No. 2 of 2015 ("UAE Companies Law of 2015").

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income (FVOCI).

### (c) Functional and presentation currency

The consolidated financial statements are prepared and presented in United Arab Emirates Dirham (AED) which is the Group's functional and presentation currency and are rounded off to the nearest thousands ("000") unless otherwise indicated.

### (d) Use of estimates and judgements

The preparation of consolidated 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 prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are disclosed in note 5.

## 3. Changes in significant accounting policies

The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group had already early adopted the requirements for the classification and measurement version of IFRS 9 in the year 2011. The Group has assessed the changes between the version of IFRS 9 issued in July 2014 and the earlier version adopted and assessed that there are no significant changes on account of changes in classification requirements. As such there is no impact on opening equity as at 1 January 2018 on account of changes in classification requirements of IFRS 9. The Group has now fully applied final version of IFRS 9 from 1 January 2018 and initially applied IFRS 15 from 1 January 2018.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Group's financial statements. Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

### IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Adoption of IFRS 15 did not have a significant impact on the financial statements of Group except for the change in accounting policies described in note 4.15.

### IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses and hence have not been changed in the consolidated statement of income for the year ended 31 December 2017. Impairment losses on financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but have not been generally applied to comparative information.

## 3. Changes in significant accounting policies (continued)

### IFRS 9 Financial Instruments (continued)

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Group has early adopted the November 2009 classification and measurement version of IFRS 9 and accordingly the adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to classification and measurement.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 has resulted in an additional allowance for impairment of AED 547 thousands which is as follows.

| | **AED'000** |
|---|---|
| Loss allowance at 31 December 2017 under IAS 39 | 317 |
| *Additional impairment recognised at 1 January 2018 on:* | |
| Investment deposits | 467 |
| Investments at amortised cost | 80 |
| **Loss allowance at 1 January 2018 under IFRS 9** | **864** |

## 3. Changes in significant accounting policies (continued)

### IFRS 9 Financial Instruments (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to impairment requirements. The information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition. This assessment has been made on the basis of the facts and circumstances that existed at the date of initial application.

### *New and amended standards not early adopted by the Group*

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2018 and not early adopted

### IFRS 16, 'Leases' (Effective date 1 January 2019)

The Group is required to adopt IFRS 16 Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

***(i) Leases in which the Group is a lessee***

The Group will recognise new assets and liabilities for its operating leases of the premises. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

The Group is in the process of evaluating the potential impact of IFRS 16 on the consolidated financial statements.

## 3. Changes in significant accounting policies (continued)

***New and amended standards not early adopted by the Group***

### IFRS 16, 'Leases' (Effective date 1 January 2019)

***(ii) Transition***

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

**Other standards**

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.

## 4. Summary of significant accounting policies (continued)

### 4.1 Consolidation

#### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Group applies the acquisition method to account for business combinations. The consideration given for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration given includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred except if related to the issue of debt or equity securities.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

Goodwill is initially measured as the excess of the aggregate of the consideration given and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

*Loss of control*

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated statement of profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any noncontrolling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to statement of profit or loss or transferred to another category of equity as specified / permitted by applicable IFRSs).

## 4. Summary of significant accounting policies (continued)

### 4.2 Other intangible assets

Other intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Other intangible assets that have a finite useful life and are carried at cost less accumulated amortisation and impairment. Other intangible assets are amortised over their estimated useful lives, using the straight-line method as follows:

| | |
|---|---|
| License to operate as a Stock Exchange | 50 years |

The amortisation method, useful lives and residual values are reviewed and adjusted, as appropriate, at each consolidated statement of financial position date.

Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

### 4.3 Goodwill

Goodwill represents the excess of the consideration transferred over interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### 4.4 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any identified impairment loss. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

## 4. Summary of significant accounting policies (continued)

### 4.4 Property and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement when incurred.

The carrying amount of the land is its initial fair value together with any incidental costs. Subsequent to the initial recognition, the land is carried at historical cost less accumulated impairment and is not depreciated. Subsequent costs are included in the land's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

| | **Years** |
|---|---|
| Computers and information systems | 3-5 |
| Leasehold improvements | 7 |
| Furniture and office equipment | 3-10 |
| Motor vehicles | 4 |

Depreciation method, useful lives and assets' residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Capital work in progress is stated at cost and is transferred to the appropriate asset category when it is available for use and is depreciated in accordance with the Group's accounting policy.

## 4. Summary of significant accounting policies (continued)

### 4.5 Cash and cash equivalents and investment deposits

Cash and cash equivalents and investment deposits are initially recognised at fair value and measured subsequently at amortised cost using the effective interest method. Impairment of amounts due from financial institutions and investment deposits is assessed as outlined in the accounting policy on financial assets.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, current, saving and mudarabah accounts with banks and investment deposits with an original maturity of less than three months.

### 4.6 Financial instruments

***(i) Recognition and initial measurement***

Financial assets and financial liabilities are recognised when they are originated and the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value and the difference between the fair value and the consideration given or received is recognised in the consolidated income statement. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the consolidated income statement.

All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

***(ii) Classification and subsequent measurement***

*(a) Financial assets*

On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI – debt investment; FVOCI – equity instrument; or FVTPL.

All recognised financial assets are subsequently measured at either amortised cost or fair value, depending on the classification of the financial assets.

A financial asset is measured at amortised cost if:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

## 4. Summary of significant accounting policies (continued)

## 4.6 Financial instruments (continued)

### *(ii) Classification and subsequent measurement (continued)*

*(a) Financial assets (continued)*

*Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether Group management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

*Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

## 4. Summary of significant accounting policies (continued)

### 4.6 Financial instruments (continued)

***(ii) Classification and subsequent measurement (continued)***

*(a) Financial assets (continued)*

Subsequent measurement and gains and losses:

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

## 4. Summary of significant accounting policies (continued)

### 4.7 Financial assets (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve.

The cumulative gain or loss is not reclassified to consolidated income statement on disposal of the investments.

The Group has designated all investments in equity instruments that are not held for trading as FVOCI on initial application of IFRS 9.

Dividends on these investments in equity instruments are recognised in the consolidated income statement when the Group's right to receive the dividends is established. Dividends earned are recognised in the consolidated income statement and are included in the 'investment income' (Note 19).

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

## 4. Summary of significant accounting policies (continued)

## 4.7 Financial assets (continued)

### *(i) Non-derivative financial assets*

Impairment of financial assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

## 4. Summary of significant accounting policies (continued)

## 4.7 Financial assets (continued)

***(i) Non-derivative financial assets (continued)***

*Measurement of ECLs*

*For financial assets at amortised cost and debt securities at FVOCI*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Previously the amount of the impairment loss was recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

## 4.8 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the fair value of the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated income statement.

## 4.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## 4. Summary of significant accounting policies (continued)

### 4.10 Impairment on non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or cash generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4.11 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

The Group uses an allowance matrix to measure the ECLs of trade receivables, which comprise a very large number of small balances.

## 4. Summary of significant accounting policies (continued)

### 4.12 Employees' end of service benefits

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law, for their period of service up to the end of the year. The provision relating to end of service benefit is disclosed as a non-current liability.

U.A.E. National employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per Federal Labour Law No. 7 of 1999, the Group is required to contribute between 12.5% - 15% of the "contribution calculation salary" of U.A.E. payroll costs to the retirement benefit scheme to fund the benefits.

The employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated income statement.

The Group provides for staff terminal benefits based on an estimation of the amount of future benefit that employees have earned in return for their service until their retirement. This calculation is performed based on a projected unit credit method.

### 4.13 Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the consolidated statement of profit or loss when the changes arise.

### 4.14 Share capital

*Ordinary shares*

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

*Treasury shares*

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

### 4.15 Revenue recognition

*Performance obligations and revenue recognition policies*

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

## 4. Summary of significant accounting policies (continued)

### 4.15 Revenue recognition (continued)

*Performance obligations and revenue recognition policies* (continued)

| Type of service | Nature and timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition under IFRS 15 (applicable from 1 January 2018) | Revenue recognition under IAS 18 (applicable before 1 January 2018) |
|---|---|---|---|
| Trading Commission Fees | Trading Commission Fees represents the fees charged by DFM on each trade (both buy and sell) undertaken by the brokers as per laws & regulations of SCA. | Trading commission fees are recognised at the time when the underlying trade has been consummated. | Trading commission fees was recognised on the trade date. |
| Brokerage fees | Invoices are issued to broker as an annual/daily subscription and are payable on presentation.<br><br>Brokerage revenue comprises of various license and services provided to the broker. | Revenue is recognised at the time when the broker utilises the services provided by DFM. i.e over the period of the annual subscriptions.<br><br>Revenue for one-time services are recognised at the time when the service is provided to the broker. | Brokers' fees was recognised on a straight-line basis over the membership period and over which the services are provided. |
| Listing and Market Data Fees | Listing fee is charged to companies that list their stocks on DFM.<br><br>Market Data Fees is charged for the use of DFM's market data.<br><br>The listing and market data fee is applicable for one year or monthly basis and is payable on presentation. | Revenue is recognised over the period of the listing and the period for which the customer has access to the market data feed as per the contract period. | Listing and market data fees was recognised on a straight-line basis over the listing period and the period over which market data services are provided. |

## 4. Summary of significant accounting policies (continued)

### 4.15 Revenue recognition (continued)

*Performance obligations and revenue recognition policies* (continued)

| **Type of service** | **Nature and timing of satisfaction of performance obligations, including significant payment terms** | **Revenue recognition under IFRS 15 (applicable from 1 January 2018)** | **Revenue recognition under IAS 18 (applicable before 1 January 2018)** |
|---|---|---|---|
| Clearing, Depository and Settlement Fees | These services are subscribed by a customer on daily/annual basis which is payable on presentation. | Revenue is recognised at the time when the underlying service is provided to the customer/company. | Clearing, Depository and Settlement Revenue was recognised when the underlying services was provided to the customer/company. |
| Other fees | Invoices are issued based on customer/companies request and are payable on presentation of the invoice. | Revenue is recognised at the time when the underlying service is provided to the customer/company. | Fees was recognised when the underlying services was provided to the company. |

### 4.16 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

## 5. Critical accounting estimates and judgments

In the application of the Group's accounting policies, which are described in Note 4 to these consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical accounting estimates and judgments, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

*Valuation of unquoted equity investments*

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments, net asset value of the investee company / funds or other valuation models.

*Estimated useful lives of other intangible assets*

Management has estimated the useful economic lives of the other intangible assets based on analysis of relevant factors relating to the expected period over which the other intangible assets are expected to generate cash inflows to the Group in the foreseeable future. Management assesses the estimated useful lives on a periodic basis.

*Impairment for goodwill and other intangible assets*

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Refer to note 6 for estimates and judgments.

On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the recoverable amount using value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Other intangible assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. Prior impairment of other intangible assets are reviewed for possible reversal at each reporting date.

### 5. Critical accounting estimates and judgments (continued)

*Depreciation of property and equipment*

The cost of property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial. Management assesses the estimated useful lives on a periodic basis.

*Impairment loss on trade receivables*

At each reporting date, the management uses an allowance matrix to measure the Expected Credit Loss (ECL) of trade receivables. Impairment loss on trade receivables is recognised based on ECL.

*Provision for end of service benefits*

The Group provides end of service benefits for its expatriate employees in accordance with U.A.E. Labour Law. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

## 6. Goodwill and other intangible assets

| | Goodwill AED'000 | License to operate as a stock exchange AED'000 | Total AED'000 |
|---|---|---|---|
| **Cost** | | | |
| **At 1 January 2017 and 2018** | 2,878,874 | 2,824,455 | 5,703,329 |
| **Amortisation** | | | |
| At 1 January 2018 | - | 621,379 | 621,379 |
| Charge for the year | - | 56,489 | 56,489 |
| **At 31 December 2018** | - | **677,868** | **677,868** |
| At 1 January 2017 | - | 564,890 | 564,890 |
| Charge for the year | - | 56,489 | 56,489 |
| At 31 December 2017 | - | 621,379 | 621,379 |
| **Carrying amount** | | | |
| **At 31 December 2018** | **2,878,874** | **2,146,587** | **5,025,461** |
| At 31 December 2017 | 2,878,874 | 2,203,076 | 5,081,950 |

**Impairment testing of Goodwill**

Determining whether goodwill is impaired requires an estimation of recoverable amount of the cash generating units to which goodwill has been allocated. DFM as a standalone entity is considered a single cash generating unit for impairment testing purpose and to arrive at the value in use ("VIU") for the cash generating unit, the management used discounted cash flows ("DCF") to calculate the recoverable amount to which goodwill is allocated. Management of the Company does not believe that there is any impairment of Goodwill as at the reporting date. The following key assumptions were used in the model:

1. Cash flows used in determining VIU were projected for five years on historical experience; and the growth in trading volume and trading value for the next five years based on approved strategic financial projections for the years 2019-2023. It has been assumed that in the next five years, the main operating revenues would increase by average 31% per annum and EBITDA growth rate by average 42% per annum, within the period taking into consideration the economic factors such as EXPO2020, the approved immigration and investment laws, GDP improvements and others.

2. Discount rate of 10.92% was used to discount the cash flows projected which was estimated based on the current risk free rate of 3.2%, current market risk premium of 6.16%, country risk premium of 0.57% and the beta coefficient of 1.15 related to the CGU.

## 6. Goodwill and other intangible assets (continued)

**Impairment testing of Goodwill** (continued)

3. The cash flow projections included specific estimates for five years and a terminal growth rate of 2% thereafter. There terminal growth was determined based on management estimate of the long-term compound annual EBITDA growth rate, consistent with the assumption that a market participant would make.

Any material adverse in these key assumptions would result in an impairment loss. The Board of the Group believe that the key assumptions are appropriate as at 31 December 2018 and there is no impairment of the goodwill.

The estimated recoverable amount of the CGU as at 31 December 2018 exceeds its carrying amount by approximately AED 32 million (2017: AED 860 million). Management has identified that an increase in discount rate by 0.1% and decrease in budgeted EBITDA growth rate by 0.5% could cause the carrying amount to exceed the recoverable amount.

## 7. Property and equipment

| | Computers and information systems AED'000 | Leasehold improvement AED'000 | Furniture and office equipment AED'000 | Motor vehicles AED'000 | Capital work-in-progress Others AED'000 | Capital work-in-progress Building under construction AED'000 | Land AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 31 December 2016 | 121,563 | 14,596 | 16,664 | 316 | 6,637 | - | 231,306 | 391,082 |
| Additions | 4,216 | 2,645 | 1,533 | 72 | 14,057 | 1,063 | - | 23,586 |
| Disposals | (6,221) | - | (407) | (251) | - | - | - | (6,879) |
| Transfers | 693 | 5,295 | 1,410 | - | (7,398) | - | - | - |
| At 31 December 2017 | 120,251 | 22,536 | 19,200 | 137 | 13,296 | 1,063 | 231,306 | 407,789 |
| Additions | 3,748 | 481 | 4,106 | - | 10,504 | 12,442 | - | 31,281 |
| Disposals | (3,033) | - | (2,103) | - | - | - | - | (5,136) |
| Transfers | 1,827 | - | 6,691 | - | (8,518) | - | - | - |
| **At 31 December 2018** | **122,793** | **23,017** | **27,894** | **137** | **15,282** | **13,505** | **231,306** | **433,934** |
| **Accumulated depreciation** | | | | | | | | |
| At 31 December 2016 | 105,036 | 11,628 | 11,590 | 283 | - | - | - | 128,537 |
| Charge for the year | 6,864 | 1,464 | 2,524 | 34 | - | - | - | 10,886 |
| Disposals | (6,221) | - | (407) | (251) | - | - | - | (6,879) |
| At 31 December 2017 | 105,679 | 13,092 | 13,707 | 66 | - | - | - | 132,544 |
| Charge for the year | 6,934 | 1,673 | 3,302 | 34 | - | - | - | 11,943 |
| Disposals | (2,949) | - | (2,049) | - | - | - | - | (4,998) |
| **At 31 December 2018** | **109,664** | **14,765** | **14,960** | **100** | - | - | - | **139,489** |
| **Carrying Amount** | | | | | | | | |
| **At 31 December 2018** | **13,129** | **8,252** | **12,934** | **37** | **15,282** | **13,505** | **231,306** | **294,445** |
| At 31 December 2017 | 14,572 | 9,444 | 5,493 | 71 | 13,296 | 1,063 | 231,306 | 275,245 |

## 8. Financial assets measured at fair value through other comprehensive income (FVOCI)

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Designated as equity instruments | | |
| Investment in equity securities | **282,506** | 377,035 |
| Managed funds – Note 8.1 | **268,361** | 275,851 |
| Investment in sukuk– Note 8.2 | **201,747** | 203,660 |
| | **752,614** | 856,546 |

The Group has made an irrevocable election to designate investment in equity securities, managed funds and investment in sukuks as FVOCI at initial recognition as per IFRS 9 and subsequent changes in fair value are presented in OCI.

Investments by geographic concentration are as follows:

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| - Within U.A.E. | **721,312** | 817,136 |
| - Outside U.A.E. | **31,302** | 39,410 |
| | **752,614** | 856,546 |

8.1. Managed funds include funds of AED 250.74 million (2017: AED 245.29 million) (Note 18) managed by a shareholder of the parent.

8.2. The investment in sukuk are perpetual instruments, callable at the option of the issuers and are measured at fair value through other comprehensive income. The sukuk carries profit rates ranging from 6.04 % to 6.75% per annum. (2017: 6.04% to 6.75% per annum), which are payable at the discretion of the issuers.

## 9. Investment at amortised cost

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Investment in Sukuk | **185,017** | 94,756 |
| | **185,017** | 94,756 |

Investment in sukuk in the U.A.E matures in 4-9 years and carry a fixed profit rates ranging from 4.50% - 5.112% per annum (2017: 5% - 5.112%) per annum.

## 10. Investment deposits

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Current:** | | |
| Investment deposits maturing in less than 3 months | **86,730** | 486, 730 |
| Investment deposits maturing up to 1 year but more than 3 months | **2,378,418** | 1,803,418 |
| | **2,465,148** | 2,290,148 |
| **Non-current:** | | |
| Investment deposits maturing after 1 year | **364,749** | 292,213 |
| | **2,829,897** | 2,582,361 |

10.1. Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging from 3% to 4.1% (2017: 2% to 3%) per annum.

10.2. Investment deposits of AED 136.73 million (2017: AED 136.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.

10.3. Dividends received from and payable on behalf of companies listed on DFM and iVESTOR card balances as at 31 December 2018 aggregates to AED 1,003.2 million (2017: AED 730 million) out of which AED 900 million (2017: AED 550 million) have been invested in short term deposits by the Company, AED 45 million have been invested in investment at amortised cost (2017: Nil) and AED 58.2 million in the bank's current account (2017: AED 180 million).

10.4. Dividend declared and payable by Group to Parent Company amounting to AED 487 million (31 December 2017: AED 319 million) has been invested in investment deposits by the Company.

## 11. Prepaid expenses and other receivables

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Accrued income on investment deposits | **48,586** | 33,338 |
| Central counterparty balances (Note 11.1) | **6,818** | 11,649 |
| Prepaid expenses | **8,480** | 9,043 |
| Accrued trading commission fees | **901** | 4,242 |
| Other receivables | **7,488** | 3,011 |
| Due from brokers | **1,617** | 2,055 |
| VAT receivable on capital expenditure | **503** | - |
| | **74,393** | 63,338 |
| Less: allowance for doubtful debts | **(67)** | (317) |
| | **74,326** | 63,021 |

## 11. Prepaid expenses and other receivables (continued)

**Net movement in allowance for doubtful debts:**

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Opening balance | **317** | 348 |
| Reversal for the year | **(250)** | (31) |
| Closing balance | **67** | 317 |

11.1. These balances relate to Nasdaq Dubai Limited which acts as a central counterparty for all the trades which are usually settled on a T+2 basis.

## 12. Cash and cash equivalents

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Cash on hand | **193** | 207 |
| Bank balances: | | |
| Current accounts | **38,955** | 41,357 |
| Savings accounts (Note 12.1) | **-** | 1 |
| Mudarabah accounts (Note 12.2) | **118,902** | 141,005 |
| | **158,050** | 182,570 |
| Add : Investment deposits with original maturities not exceeding three months | **122,893** | 291,039 |
| Cash and cash equivalents | **280,943** | 473,609 |

12.1. The rate of return on the savings and mudarabah accounts is 0.25% to 0.66% per annum (2017: 0.17% to 0.44% per annum).

12.2. Dividends received from and payable on behalf of companies listed on DFM and iVESTOR Card balances aggregates to AED 1,003.2 million as at 31 December 2018 (2017: AED 730 million) out of which AED 58.2 million (2017: AED 180 million) have been kept in mudarabah accounts (Note 10.3).

## 13. Share capital

| | **2018 AED'000** | 2017 AED'000 |
|---|---|---|
| Authorised, issued and paid up share capital: 8,000,000,000 shares (2017: 8,000,000,000 shares) of AED 1 each (2017: AED 1 each) | **8,000,000** | 8,000,000 |

The Company has declared dividends of AED 399.8 million for the year ended 31 December 2017 (31 December 2016: Nil), including Non-sharia compliant income of AED 36 million for the year ended 31 December 2017 and AED 28 million for the year ended 31 December 2016 (Note 23), representing AED 0.05 per share. The dividends were approved by the shareholders at the Annual General Meeting held on 28 March 2018 (Note 17).

## 14. Reserves

*Statutory reserve*

In accordance with the UAE Federal Law No. 2 of 2015 (Companies Law), the Group has established a statutory reserve by appropriation of 10% of the Company's net profit for each year which will be increased until the reserve equals 50% of the share capital. This reserve is not available for distribution, except as stipulated by the law.

| | **Statutory reserve AED'000** |
|---|---|
| Balance as of 31 December 2016 | 406,377 |
| Transfer from net income for the year | 23,287 |
| Balance as of 31 December 2017 | 429,664 |
| Transfer from net income for the year | 12,547 |
| **Balance as of 31 December 2018** | **442,211** |

*Investments revaluation reserve - FVOCI*

The investment revaluation reserve represents accumulated gains and losses arising on the revaluation of financial assets at fair value through other comprehensive income.

## 15. Provision for employees' end of service benefits

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Balance at the beginning of the year | **18,913** | 16,066 |
| Charged during the year | **2,509** | 2,973 |
| Paid during the year | **(34)** | (126) |
| Balance at the end of the year | **21,388** | 18,913 |

## 16. Payables and accrued expenses

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Dividends payable on behalf of companies listed on the DFM (Note 16.1) | **679,392** | 498,650 |
| iVESTOR cards | **323,825** | 231,612 |
| Members' margin deposits | **23,534** | 38,841 |
| Non sharia compliant income | **-** | 28,281 |
| Brokers' retention | **24,641** | 16,485 |
| Accrued expenses and other payables | **18,558** | 14,352 |
| Central counterparty balances (Note 11.1) | **6,818** | 11,649 |
| Due to U.A.E. Securities and Commodities Authority | **4,876** | 8,635 |
| Unearned revenue | **852** | 3,285 |
| Zakat | **943** | 905 |
| Vat Payable | **493** | - |
| | **1,083,932** | 852,695 |

16.1. Dividends received from and payable on behalf of companies listed on DFM and iVESTOR card balances as at 31 December 2018 aggregates to AED 1,003.2 million (2017: AED 730 million) out of which AED 900 million (2017: AED 550 million) have been invested in short term deposits, AED 45 million have been invested in investment at amortised cost (2017: Nil) and AED 58.2 million in the bank's current account (2017: AED 180 million).

## 17. Dividends payable

The Company has declared dividends of AED 399.8 million for the year ended 31 December 2017 (31 December 2016: Nil), including Non-sharia compliant income of AED 36 million for the year ended 31 December 2017 and AED 28 million for the year ended 31 December 2016 (Note 23). The Company did not declare any dividends for 2016 but has appropriated non-sharia compliant income of AED 28 million for 2016. The payable balance include AED 487 million (2017: AED 319 million) payable to the parent company (Note 18).

## 18. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related parties comprise companies under common ownership or management, key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. Key management personnel include the heads of various divisions. During the year, the Group entered into transactions with related parties in the ordinary course of business. These transactions were carried out at market rates. The transactions with related parties and balances arising from these transactions are as follows:

| **Transactions during the year** | **2018 AED'000** | 2017 AED'000 |
|---|---|---|
| **Fellow subsidiaries and associates** | | |
| Investment income | **51,822** | 49,262 |
| Interest expense | **1,213** | 1,160 |
| Mortgage fees | **719** | 678 |
| Dividend income | **8,441** | 8,441 |
| Rent – Dubai World Trade Centre | **9,783** | 9,713 |

***Compensation of key management personnel***

The remuneration of directors and other members of key management during the year were as follows:

| | | |
|---|---|---|
| Salaries and short-term benefits | **9,201** | 8,870 |
| General pension and social security | **940** | 917 |
| Board of Directors | | |
| - Remuneration to the Nasdaq Board | **1,591** | 1,082 |
| - Meeting allowance for the Group | **984** | 1,032 |
| DFM board remuneration | **2,100** | 1,800 |

**Balances**

| | | |
|---|---|---|
| ***Other related parties*** | | |
| Managed funds (Note 8) | **250,737** | 245,287 |
| Financial assets at FVOCI (Note 8) | **326,802** | 319,775 |
| Investment at amortised cost | **135,222** | 44,952 |
| Cash and bank balances | **141,715** | 119,370 |
| Investment deposits (Note 10) | **1,214,810** | 1,215,768 |

Investment deposits include AED 100 million (31 December 2017: AED 100 million) placed as collateral with related parties.

## 18. Related party transactions and balances (continued)

| *Parent* | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Expenses paid on behalf of the Group | **10,143** | 16,173 |
| Subordinated loan | **27,829** | 26,616 |
| Dividends payable | **487,000** | 318,500 |

The subordinated loan has been provided by Borse Dubai Limited, to Nasdaq Dubai Limited through the Company (Note 1). The subordinated loan is unsecured, has no fixed repayment date and bears interest at market rate and is subordinated to the rights of all other creditors of the subsidiary.

The Company has agreed not to call for the subordinated loan from its subsidiary for at least 1 year from the date of signing the financial statements for the year ended 31 December 2018.

The Group has not provided any loans to its directors during the year ended 31 December 2018 and 2017.

The Group obtains approval from the shareholders every year with regards to the transactions with the related parties in order to comply with the provisions of the UAE Federal Law No. 2 of 2015 (Companies Law).

The Group has applied partial exemption allowed under IAS 24 to Government owned entities and has disclosed only transactions that are either individually or collectively significant. The ultimate parent and controlling party is the Government of Dubai which owns 79.63 % of DFM through Borse Dubai Limited, a Government of Dubai entity.

## 19. Investment income

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Return on investment deposits | **110,053** | 88,854 |
| Dividends | **19,728** | 12,569 |
| | **129,781** | 101,423 |

## 20. General and administrative expenses

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Payroll and other benefits | **91,737** | 85,474 |
| Depreciation (Note 7) | **11,943** | 10,886 |
| Maintenance expenses | **10,750** | 9,590 |
| Rent | **10,579** | 9,440 |
| Telecommunication expenses | **9,267** | 9,032 |
| Professional expenses | **2,854** | 2,944 |
| iVESTOR expenses | **2,514** | 2,765 |
| Other | **11,535** | 9,666 |
| | **151,179** | 139,797 |

## 21. Earnings per share

| | 2018 | 2017 |
|---|---|---|
| Net profit for the year attributable to the owners of the Company (AED'000) | **125,466** | 232,878 |
| Authorised, issued and paid up share capital ('000) | **8,000,000** | 8,000,000 |
| Less: Treasury shares ('000) | **(4,237)** | (4,237) |
| Number of shares issued ('000) | **7,995,763** | 7,995,763 |
| Earnings per share - AED | **0.016** | 0.029 |

## 22. Commitments

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| Commitments for the purchase of property and equipment | **29,235** | 31,107 |

In 2010, the Company entered into an agreement with Borse Dubai Limited to acquire the remaining 33% (2017: 33%) shareholding of Nasdaq Dubai Limited against a consideration of AED 148 million (2017: AED 148 million). The exercise and completion of this acquisition is contingent upon the mutual agreement of the Company and Borse Dubai Limited and on a date to be mutually agreed between the Company and Borse Dubai Limited.

## 23. Non Sharia compliant income

Non-Sharia compliant income as approved by the Company's Sharia and Fatwa Supervisory Board, has been appropriated from retained earnings for distribution by the Group to its shareholders towards disbursement by the shareholders for charitable purposes. Based on the ruling of the Sharia and Fatwa Supervisory Board, it is the sole responsibility of the individual shareholders to donate their respective shares of this amount for charitable purposes.

| **Year** | **AED'000** |
|---|---|
| 2014 | 29,646 |
| 2015 | 15,648 |
| 2016 | 28,281 |
| **2017** | **35,999** |

Non-Sharia compliant income of AED 35.9 million relating to 2017 (2017: AED 28.3 million relating to 2016) has been appropriated after approval by the Company's Sharia and Fatwa Supervisory Board.

## 24. Financial risk management objectives

### 24.1 Financial risk factors

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks. The Group regularly reviews its risk management policies to reflect changes in markets, products and emerging best practice.

The Group's finance department monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign exchange risk, price risk and profit rate risk), credit risk and liquidity risk.

### 24.2 Market risk

#### *(a) Foreign exchange risk*

The Group's activities are not exposed to the financial risks of changes in foreign currency exchange rates because substantially all the financial assets and liabilities are denominated in United Arab Emirates Dirhams (AED) or US Dollars to which the AED is pegged.

#### *(b) Price risk*

The Group is exposed to equity price risks arising from equity investments. The Group does not actively trade in these investments. The Group as at 31 December 2018 has equity investment portfolio measured at FVOCI amounting to AED 753 million (2017: AED 857 million).

***Equity price sensitivity analysis***

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If equity prices had been 5% higher/lower:

- Investment revaluation reserve would increase/decrease by AED 37 million (2017: AED 43 million) as a result of the changes in fair value of the investments.

## 24. Financial risk management objectives (continued)

## 24.2 Market risk (continued)

### *(c) Profit rate risk*

Profit rate risk is the risk that the value of the future cash flows for the financial instruments will fluctuate due to changes in market profit rates. The principal risk to which financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. The Group's long term financial assets and liabilities are priced generally on a floating rate basis, which tracks the changes in market interest rates.

Financial assets which potentially subject the Group to profit rate risk consist principally of investment deposits and balances with banks and other financial institutions. A shift of +/- 50bps in the yield curve would result in increase/ decrease in investment income and equity by AED 16.7 million (2017: AED 15.9 million).

## 24.3 Credit risk

The Group is exposed to credit risk, which is the risk that the counterparty will cause a financial loss to the Group by failing to discharge an obligation. Financial assets which potentially subject the Group to credit risk consist principally of investment deposits, investment at amortised cost, balances with banks and other financial institutions.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with licensed brokers and receivables from brokers are secured by bank guarantees. The credit exposures are controlled by counterparty limits that are reviewed and approved by the management.

The credit risk on balances with banks is limited because most of the banks have high credit-ratings assigned by international credit-rating agencies.

## 24. Financial risk management objectives (continued)

### 24.3 Credit risk (continued)

The maximum exposure to credit risk for the components of the consolidated statement of financial position is as follows:

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Financial assets** | | |
| Investment deposits (Note 10) | **2,829,987** | 2,582,361 |
| Investment at amortised cost (Note 9) | **185,017** | 94,756 |
| Investment in sukuk (Note 8) | **201,747** | 203,660 |
| Cash and cash equivalents (Note 12) | **280,750** | 473,402 |
| Other receivables (Note 11) | **65,343** | 53,978 |
| **Total financial assets** | **3,562,844** | 3,408,157 |

The Group has made a provision of AED 0.067 million (2017: AED 0.32 million) against its doubtful receivables as at 31 December 2018. The remaining receivables were neither past due nor impaired at the consolidated statement of financial position date.

The rating of the banks as per Moody's and Fitch and the respective balances are:

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Bank Rating** | | |
| P1 | **1,816,510** | 725,165 |
| P2 | **925,001** | 1,938,385 |
| Unrated | **104,387** | 100,000 |
| Total | **2,845,898** | 2,763,550 |

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

## 24. Financial risk management objectives (continued)

### 24.3 Credit risk (continued)

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

*Debt securities at amortised cost*

The Group limits its exposure to credit risk by investing only in debt securities issued by reputed UAE financial institutions, government owned entities and other UAE based entities which are unrated.

For rated entities, the Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings by supplementing it with the with available press and regulatory information about issuers. For unrated entities the Group evaluates the financial performance of the issuers periodically to monitor changes in credit risk and further supplements with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by Moody's and Fitch ratings. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 27% for reputed UAE financial institutions and 40% for other entities except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

## 24. Financial risk management objectives (continued)

### 24.3 Credit risk (continued)

The following table presents an analysis of the credit quality of debt securities classified as investment at amortised cost and long term investment deposits with counterparties other than banks. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

| **Credit rating** | | **At amortised cost 31 December 2018** | |
|---|---|---|---|
| *In thousands of AED* | **12-month ECL** | **Lifetime ECL – not credit-impaired** | **Lifetime ECL - credit-impaired** |
| Gross carrying amounts (amortised cost before impairment) | 135,221 | 276,549 | 279,129 |
| Impairment | - | - | (240,630) |
| Loss allowance | - | (442) | (62) |
| Amortised cost | 135,221 | 276,107 | 38,437 |
| Carrying amount | 135,221 | 276,107 | 38,437 |

The Group did not have any debt securities that were past due but not impaired at 31 December 2017.

The Group has no collateral in respect of these investments.

*Cash and cash equivalents*

The Group held cash and cash equivalents of AED 281 million as at 31 December 2018 (2017: AED 474 million), short term investment deposits of AED 2,465 million (2017: AED 2,290 million) and long term investment deposits of AED 100 million (2017: Nil) with bank and financial institution counterparties, which are rated P1 or P2, based on Moody's and Fitch ratings or are unrated.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore no ECL has been recognised.

### 24.4 Liquidity risk

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the remaining contractual maturities at the date of the consolidated statement of financial position.

## 24. Financial risk management objectives (continued)

### 24.4 Liquidity risk (continued)

The liquidity profile of financial liabilities were as follows:

| 31 December 2017 | Within 3 months AED'000 | 3 to 6 months AED'000 | 6 to 12 months AED'000 | 1 to 5 Years AED'000 | Over 5 years AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | |
| Payables and accrued expenses | 849,410 | - | - | - | - | 849,410 |
| Subordinated loan | - | - | - | 26,616 | - | 26,616 |
| Due to a related party | - | - | 16,173 | - | - | 16,173 |
| Dividends payable | - | 352,378 | - | - | - | 352,378 |
| **Total financial liabilities** | 849,410 | 352,378 | 16,173 | 26,616 | - | 1,244,577 |
| **31 December 2018** | | | | | | |
| **Financial liabilities** | | | | | | |
| Payables and accrued expenses | **1,083,080** | **-** | **-** | **-** | **-** | **1,083,080** |
| Subordinated loan | **-** | **-** | **-** | **27,829** | **-** | **27,829** |
| Due to a related party | **-** | **-** | **10,143** | **-** | **-** | **10,143** |
| Dividends payable | **-** | **516,022** | **-** | | **-** | **516,022** |
| **Total financial liabilities** | **1,083,080** | **516,022** | **10,143** | **27,829** | **-** | **1,637,074** |

## 24. Financial risk management objectives (continued)

### 24.5 Fair value of financial instruments

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The Group's financial assets and financial liabilities comprise of cash and bank balances, investment deposits, receivables and payables whose maturity is short term. Long term investment deposits carry market rates of return. Consequently their fair value approximates the carrying value, after taking into account impairment, stated in the consolidated statement of financial position.

The Group has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1. Instruments included in level 1 comprise primarily of quoted equity investments classified as fair value through other comprehensive income.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market inputs where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. These investments comprise funds, the fair values of which are based on the net asset value provided by the fund managers.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Level 3 assets represent unquoted private equity and mutual fund investments whose fair value is determined based on varying unobservable assumptions which depend on a broad range of macroeconomic factors. The carrying values of these investments are adjusted as follows:

- Private equity investments - using the latest available net book value and market approach using prevailing secondary market prices of similar instruments
- Mutual funds - based on the net asset value derived from the EBITDA/PE multiple or value per share provided by the fund managers.

## 24. Financial risk management objectives (continued)

### 24.5 Fair value of financial instruments (continued)

There were no changes in valuation techniques during the year.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2017 and 2018.

| | 31 December 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | AED'000 | AED'000 | AED'000 | AED'000 |
| ***Financial assets at fair value through other comprehensive income*** | | | | |
| - Equities | 333,618 | - | 43,417 | 377,035 |
| - Managed funds | - | 275,681 | 170 | 275,851 |
| - Investments in Sukuk | 203,660 | - | - | 203,660 |
| **Total** | 537,278 | 275,681 | 43,587 | 856,546 |

| | **31 December 2018** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **AED'000** | **AED'000** | **AED'000** | **AED'000** |
| ***Financial assets at fair value through other comprehensive income*** | | | | |
| - Equities | **259,566** | **-** | **22,940** | **282,506** |
| - Managed funds | **-** | **268,361** | **-** | **268,361** |
| - Investments in Sukuk | **201,747** | **-** | **-** | **201,747** |
| **Total** | **461,313** | **268,361** | **22,940** | **752,614** |

There are no transfers between Level 1 and Level 2 during the year ended 31 December 2018.

The Group has purchased shares amounting to AED 33.3 million during the year ended 31 December 2018 (2017: Nil).

*Reconciliation of Level 3 fair value measurements of financial assets*

| | **Measured at FVOCI Unquoted equities** | |
|---|---|---|
| | **2018** | 2017 |
| | **AED'000** | AED'000 |
| Opening balance | **43,587** | 48,403 |
| Disposal during the year | **(1,714)** | (4,005) |
| Fair value changes | **(18,933)** | (811) |
| Closing balance | **22,940** | 43,587 |

## 24. Financial risk management objectives (continued)

### 24.5 Fair value of financial instruments (continued)

The fair value of the following financial assets and liabilities approximate their carrying amount: cash and cash equivalents, investment deposits, accrued income on investment deposits, accrued trading commission fees, central counterparty balances, due from brokers, other receivables, brokers' retention, due to U.A.E Securities and Commodities Authority, dividends payable on behalf of companies listed on the DFM, iVESTOR cards, members' margin deposits and accrued expenses and other payables.

During the year ended 31 December 2018, the Company acquired an investment in sukuk (Note 9) which is measured at amortised cost in the consolidated statement of financial position. The following table summarises the amortised cost and fair value of the sukuk at 31 December 2018, all of which are classified as level 2 in fair value hierarchy:

| | Carrying Amount | Fair value |
|---|---|---|
| | AED'000 | AED'000 |
| **Investment at amortised cost** | | |
| Investment in sukuk | 185,017 | 174,963 |

The following table summarises the amortised cost and fair value of the Sukuk at 31 December 2017:

| | Carrying Amount | Fair value |
|---|---|---|
| | AED'000 | AED'000 |
| **Investment at amortised cost** | | |
| Investment in sukuk | 94,756 | 95,728 |

## 25. Financial assets and liabilities

### Financial assets by category

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Assets as per consolidated statement of financial position** | | |
| Financial assets measured at fair value through other comprehensive income (FVOCI) | **752,614** | 856,546 |
| **Amortised cost** | | |
| Cash and cash equivalents (Note 12) | **280,943** | 473,609 |
| Investment deposits | **2,829,987** | 2,582,361 |
| Investment at amortised cost | **185,017** | 94,756 |
| Other receivables | **65,343** | 53,978 |
| | **3,361,290** | 3,204,704 |

### Financial liabilities by category

| | 2018 AED'000 | 2017 AED'000 |
|---|---|---|
| **Liabilities as per consolidated statement of financial position** | | |
| **Other financial liabilities at amortised cost** | | |
| Payables and accrued expenses | **1,083,080** | 849,410 |
| Subordinated loan | **27,829** | 26,616 |
| Due to a related party | **10,143** | 16,173 |
| Dividend payable | **516,022** | 352,378 |
| | **1,637,074** | 1,244,577 |

## 26. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 27. Segment reporting

Following the management approach to IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. The Group is managed as one unit and therefore the Board of Directors are of the opinion that the Group is engaged in a single segment of operating stock exchanges and related clearing house.

## 28. Social contributions

The Group has made no material monetary social contributions during the year. The details of the non-monetary social contributions are presented in the Corporate Governance reports of the individual entities receiving the contribution.