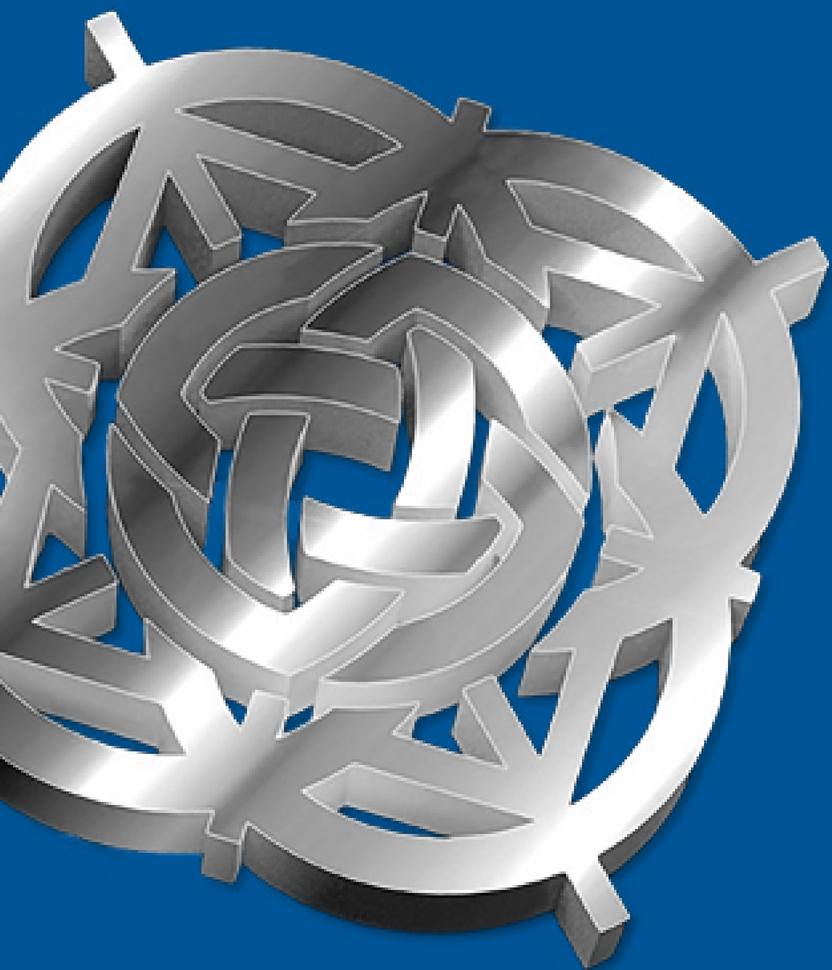
DFM
سوق دبي المالي

Annual Report 2011



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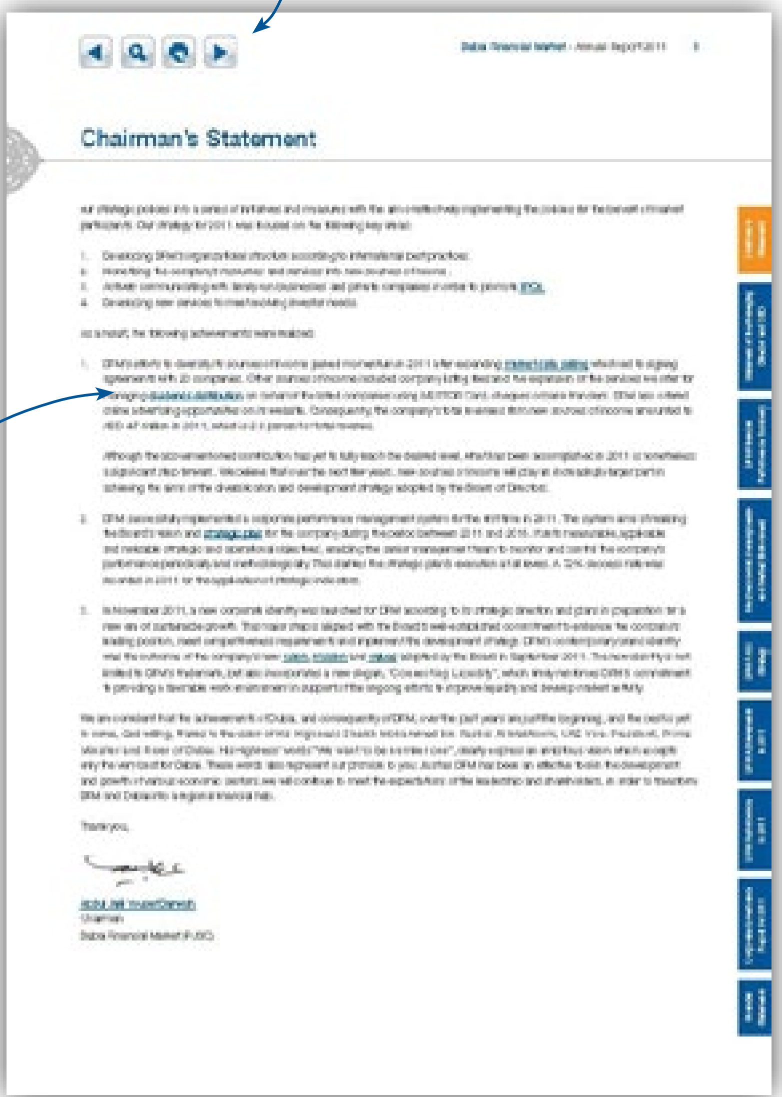

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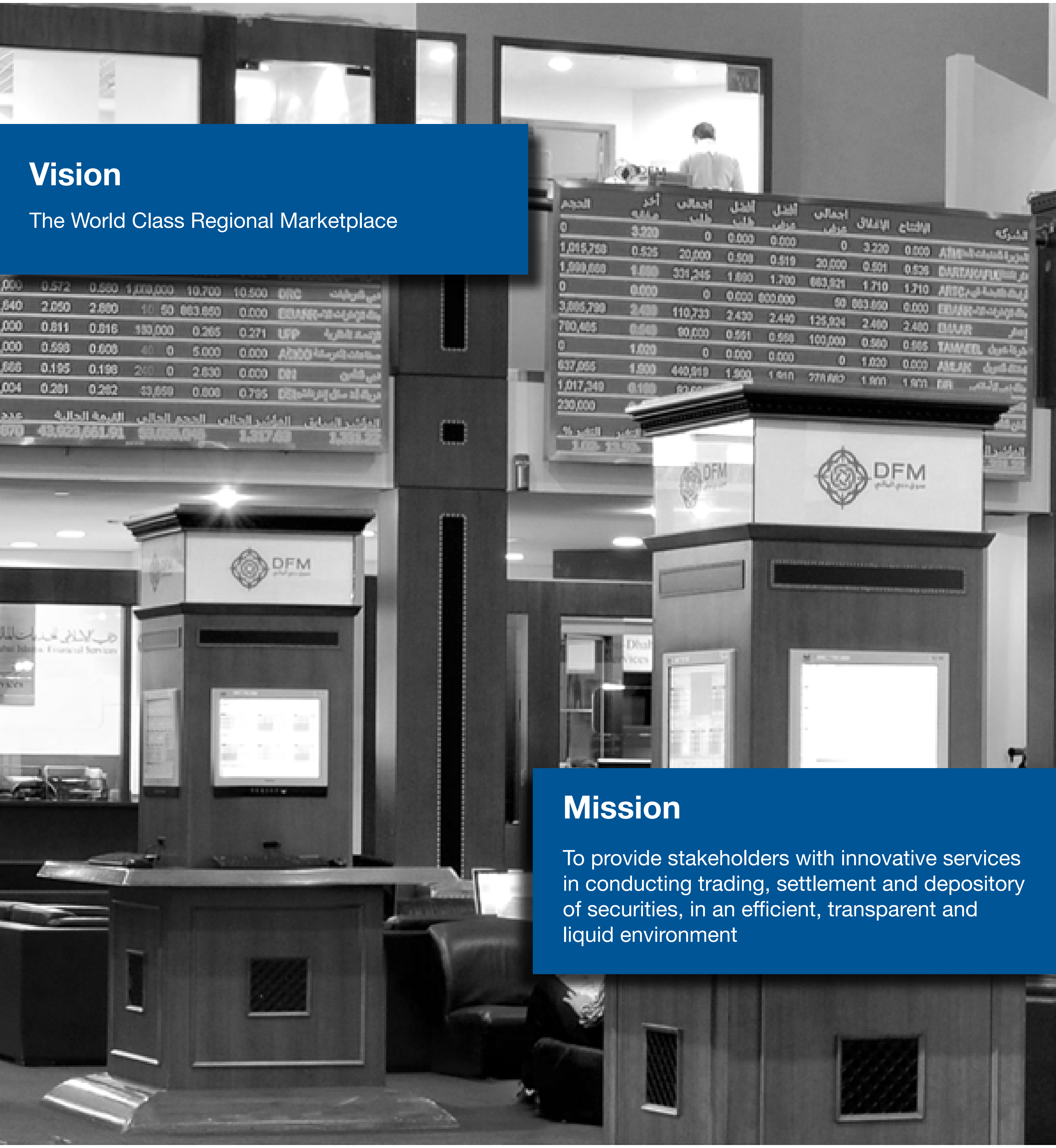
HH. Sheikh Mohammed bin Rashid Al Maktoum
UAE Vice President, Prime Minister and Ruler of Dubai

“We want to be Number One”



Vision

The World Class Regional Marketplace

Mission

To provide stakeholders with innovative services in conducting trading, settlement and depository of securities, in an efficient, transparent and liquid environment

Board of Directors

Abdul Jalil Yousef Darwish
Chairman

Rashid Hamad Al Shamsi
Vice Chairman

Essa Abdul Fattah Kazim
Managing Director & CEO

Mohammed Humaid Al Mari
Board Member

Ali Rashid Al Mazroei
Board Member

Mussabeh Mohammed Al Qaizi
Board Member

Adil Abdullah Al Fahim
Board Member

Table of Contents

Chairman’s Statement

> “We will continue to meet the expectations of the leadership and shareholders, in order to transform DFM and Dubai into a regional financial hub.”

Dear Shareholders,

My colleagues, members of the Board of Directors, the senior management team and I are pleased to present to you DFM’s fifth annual report covering the most significant developments witnessed by your company throughout 2011, as well as the company’s financial statements for the year ending on December 31st, 2011.

Since its establishment, DFM has indisputably contributed to the development and growth of several economic sectors in Dubai. It has provided the ideal channel for liquidity to a large number of companies which have reshaped the Emirate’s map over the past few years, particularly real estate companies, financial services and banks. DFM’s capacity to serve Dubai’s different economic sectors significantly increased over the last couple of years, owed to various developmental initiatives which promoted its organizational structure to the level of international best practices. We believe that such constructive measures will bear fruit in the near future.

In 2011, your company has made great strides in implementing the strategy adopted by the Board of Directors upon its election in 2010, through several initiatives aimed at improving DFM’s performance, efficiency and trading activity. The ultimate objective of DFM’s strategy revolves around increasing the value of your investment. This is achieved through the diversification of income sources, which wouldn’t be possible without the optimization of the company’s services and resources. Both the Board of Directors and senior management have placed a considerable amount of time and effort to translate

Chairman’s Statement
Statement of the Managing Director and CEO
DFM Financial Performance Summary
Macroeconomic Developments and Market Environment
DFM PJSC Strategy
DFM Achievements in 2011
DFM Performance in 2011
Corporate Governance Report for 2011
Financial Statements

Chairman's Statement

our strategic policies into a series of initiatives and measures with the aim of effectively implementing the policies for the benefit of market participants. Our strategy for 2011 was focused on the following key areas:

1. Developing DFM's organizational structure according to international best practices.
2. Monetizing the company's resources and services into new sources of income.
3. Actively communicating with family-run businesses and private companies in order to promote IPOs.
4. Developing new services to meet evolving investor needs.

As a result, the following achievements were realized:

1. DFM's efforts to diversify its sources of income gained momentum in 2011 after expanding market data selling which led to signing agreements with 20 companies. Other sources of income included company listing fees and the expansion of the services we offer for managing dividends distribution on behalf of the listed companies using iVESTOR Card, cheques or bank transfers. DFM also offered online advertising opportunities on its website. Consequently, the company's total revenues from new sources of income amounted to AED 4.7 million in 2011, which is 2.8 percent of total revenue.

   Although the abovementioned contribution has yet to fully reach the desired level, what has been accomplished in 2011 is nonetheless a significant step forward. We believe that over the next few years, new sources of income will play an increasingly larger part in achieving the aims of the diversification and development strategy adopted by the Board of Directors.

2. DFM successfully implemented a corporate performance management system for the first time in 2011. The system aims at realizing the Board's vision and strategic plan for the company during the period between 2011 and 2015. It sets measurable, applicable and revisable strategic and operational objectives, enabling the senior management team to monitor and control the company's performance periodically and methodologically. This clarifies the strategic plan's execution at all levels. A 72% success rate was recorded in 2011 for the application of strategic indicators.

3. In November 2011, a new corporate identity was launched for DFM according to its strategic direction and plans in preparation for a new era of sustainable growth. This major step is aligned with the Board's well-established commitment to enhance the company's leading position, meet competitiveness requirements and implement the development strategy. DFM's contemporary brand identity was the outcome of the company's new vision, mission and values adopted by the Board in September 2011. The new identity is not limited to DFM's trademark, but also incorporates a new slogan, "**Connecting Liquidity**", which firmly reinforces DFM's commitment to providing a favorable work environment in support of the ongoing efforts to improve liquidity and develop market activity.

We are confident that the achievements of Dubai, and consequently of DFM, over the past years are just the beginning, and the best is yet to come, God willing, thanks to the vision of **His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice-President, Prime Minister and Ruler of Dubai**. His Highness' words "**We want to be number one**", clearly express an ambitious vision which accepts only the very best for Dubai. These words also represent our promise to you: Just as DFM has been an effective tool in the development and growth of various economic sectors, we will continue to meet the expectations of the leadership and shareholders, in order to transform DFM and Dubai into a regional financial hub.

Thank you,

Abdul Jalil Yousef Darwish
Chairman
Dubai Financial Market (PJSC)

Chairman's Statement
Statement of the Managing Director and CEO
DFM Financial Performance Summary
Macroeconomic Developments and Market Environment
DFM PJSC Strategy
DFM Achievements in 2011
DFM Performance in 2011
Corporate Governance Report for 2011
Financial Statements

Statement of the Managing Director and CEO

"Our development efforts have progressed at an increasingly fast pace over the last couple of years, with the aim of aligning DFM's regulatory structure with international best practices."

Dear Shareholders,

My colleagues, members of DFM's senior management and I are pleased to present to you the company's 2011 annual report. Within this context, I would like to set out the company's most significant achievements and developments throughout 2011. These achievements contributed mainly to serving DFM's strategy, preparing the action plans necessary for realizing the company's objectives and effectively proceeding with the implementation of many of these plans.

As you know, DFM since its inception, has continuously focused upon developing new initiatives and innovating, thus playing a leading role amongst regional markets. DFM achieved many successful developments and improvement initiatives which were widely welcomed by international financial institutions and various market participants.

It is noteworthy that our development efforts have progressed at an increasingly fast pace over the last couple of years, with the aim of aligning DFM's regulatory structure with international best practices and meeting the growing needs of market participants. DFM undertook 18 different development initiatives which firmly placed it in an ideal position in terms of preparation for a new era of sustainable growth.

The successful adoption of the "Delivery Versus Payment" mechanism in May 2011 is undeniably the most significant of DFM's development efforts in 2011. This step was in addition to a series of development initiatives undertaken by DFM over the last three years, including the launch of the sophisticated trading platform X-Stream and the

Statement of the Managing Director and CEO

SMARTS surveillance system among others. These initiatives are just a small part of the ongoing improvement and development plans to be implemented, in coordination with the Securities and Commodities Authority. The plans include short selling, market maker, trading covered warrants, trading rights issues, stock swap agreements, a direct market access mechanism, and the implementation of XBRL, the data analysis and publishing system.

DFM's management team has maximized their efforts during 2011 to encourage companies to go public and list on DFM. These efforts are expected to bear fruit in the near future with the improvement of the overall situation and the realization of family-run businesses and private companies, that the time has come to benefit from IPOs and listings. For this purpose, DFM has intensified its activities and contact with potential IPO candidates, through direct one-on-one dialogues as well as various events which proved to be very successful, including the seminar targeting Jebel Ali Free Zone (JAFZA) companies and DFM's forum "Going Public - Achieving Sustainable Growth". These events played a major role in clarifying the regulatory frameworks for going public as well as the advantages of taking this strategic step. They were much appreciated and highly praised by the participating family-run businesses and private companies. In light of this, dozens of companies from various economic sectors, most of which are not represented on DFM, such as Retail, Tourism, Health and Education, have expressed an interest in going public and becoming listed on DFM or NASDAQ Dubai. We expect these plans to come to fruition once the market gains momentum and these companies are guaranteed favorable conditions which allow a fair valuation of their assets. As a result, we have high hopes of the IPOs returning to DFM.

DFM has also improved the services it offers to market participants by launching various advanced services including the "Stock Portfolio Inquiry Service", a comprehensive voice portal service considered as the first of its kind in the region. The service was developed to stay abreast of the evolving needs of DFM investors. A free of charge 24 hour service, allowing market participants to instantly track their investments on DFM and NASDAQ Dubai by telephone. In 2011, the company also launched a new range of comprehensive e-Services enabling investors to track instant data from both DFM and NASDAQ Dubai, in addition to the online applications which they can quickly and efficiently complete and submit to DFM. Over 12,000 investors have subscribed to these services in 2011.

During 2011, we continued our efforts towards further integration between DFM and NASDAQ Dubai. After routing NASDAQ Dubai's equities' trades through the trading platform of DFM in 2010 - a major step which gave DFM's many investors access to these equities - the two exchanges successfully outsourced the trading of Dubai Gold Securities to DFM's trading platform in 2011. This move offers a new category of financial instruments and diversifies the investment opportunities we offer to our investors.

In light of the above, it raises the question, why these efforts were not reflected on DFM's performance? In answer to the question, our work is the outcome of a deep-rooted belief that we should pursue our efforts despite the prevailing circumstances without pausing due to the current phase. Such situations should not in any way affect the progress of our ongoing efforts to achieving the company's strategic objectives. As you know, DFM was not isolated during 2011 from international markets which were negatively affected by unfavorable global developments, particularly the aggravating European Sovereign Debt Crisis, the low confidence in global economic recovery and the concerns about another global crisis more serious than the previous one. With the exception of the Dow Jones Index which ended 2011 up 6%, international markets have sharply declined. French shares decreased by 17%, German shares by 15% and Japanese shares by 17.8%. DFM and the exchanges of Bahrain, Kuwait and Oman, recorded similar rates of decline.

Despite persistently high oil prices during the previous year, which improved the GCC countries' capacity to increase their expenditures and investments, this positive factor was insufficient to divert the regional markets from the international trend, due to the growing concerns amongst investors in general, and the prevailing uncertainties with respect to overcoming the global financial crisis.

In regard to your company's financial performance in 2011, the 54% decline in trading has naturally left its mark on the company's revenues and profits. The company recorded a net profit of AED 8.9 million for the year 2011, compared to a net profit of AED 89.9 million in 2010, whilst, the DFM Group (including its subsidiary NASDAQ Dubai) recorded a net loss of AED 6.9 million in 2011 compared to a net profit of AED 78.9 million in 2010. Total revenues reached to AED 176.5 million at the end of 2011, compared to AED 260.5 million in 2010. The total revenue comprised of AED 119.6 million operational revenues and AED 56.9 million of investment revenues and others.

Finally, I would like to take this opportunity on behalf of my colleagues and you, to thank **HH Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai**, for the immense support he has given to DFM. I would also like to express my deepest gratitude to the Shari'a Board, all market participants, and the DFM employees for their efforts and hard work towards achieving the company's objectives. Last but not least, my warmest thanks go to each and every shareholder, whose constant support for the company's various development plans constitute as the main pillar for achieving even greater success in the near future, God willing.

Thank you,

Essa Abdul Fattah Kazim
Managing Director and CEO
Dubai Financial Market (PJSC)

Chairman's Statement
Statement of the Managing Director and CEO
DFM Financial Performance Summary
Macroeconomic Developments and Market Environment
DFM PJSC Strategy
DFM Achievements in 2011
DFM Performance in 2011
Corporate Governance Report for 2011
Financial Statements

DFM Financial Performance Summary

Due to the continued repercussions of the global financial crisis on financial markets in general since 2008, DFM trading value continued to decline by 54% compared to 2010 and by 90% compared to 2008, which affected the company's financial performance in 2011, as shown below:

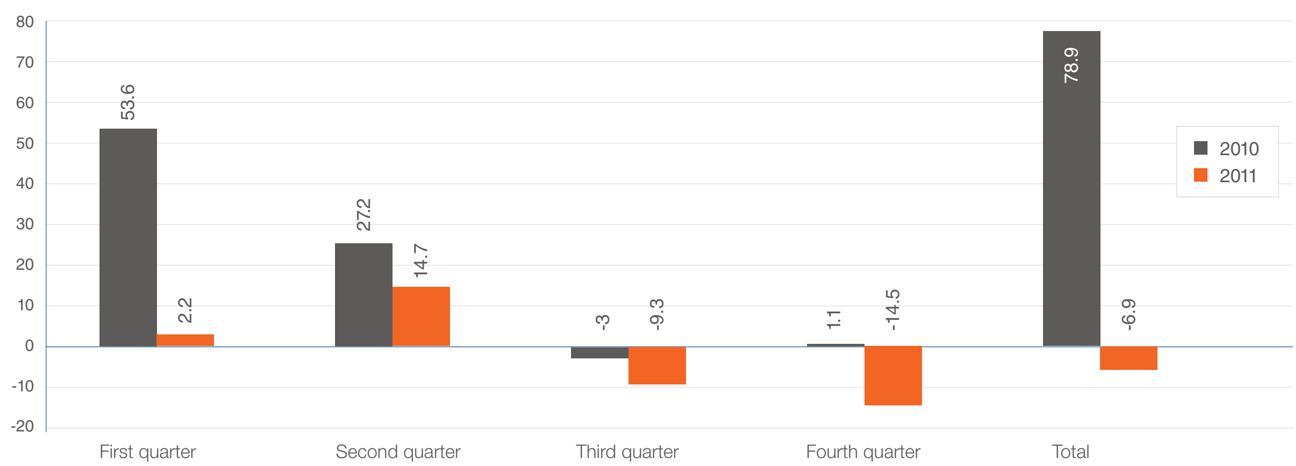
Key financial indicators

	2010	2011	Change (%)
Total revenues (AED million)	260.5	176.5	-32%
Total expenses (AED million)	181.6	183.4	1%
Net profits (loss) (AED million)	78.9	-6.9	-109%
Net profits before depreciation, amortization and interest (AED million)	171	89.5	-48%
Total assets (AED million)	7,914.9	7,698	-3%
Total liabilities (AED million)	360.4	196	-46%
Shareholders' equity (AED million)	7,523.2	7,479	-1%
Share price (AED)	1.51	0.84	-44%
Earning per share (AED)	0.010	-0.001	-110%
Return on average equity	1%	-0.091%	-109%
Return on average assets	0.98%	-0.088%	-109%

1. Net profit (loss)

- DFM Group annual net loss for the fiscal year ending 31/12/2011 amounted to AED 6.9 million compared to AED 78.9 million in 2010, a 109% decline.
- DFM Company profits (excluding affiliate companies) for 2011 amounted to AED 8.9 million compared to AED 89.9 million in 2010, a 90% decline.
- The abovementioned profits reflect the lack of confidence in international financial markets which led to the shrinkage in trading value, as well as to the losses amounting to AED 15.7 million incurred by affiliate companies (NASDAQ Dubai) in 2011.

Historical net profits (losses) - (AED million)

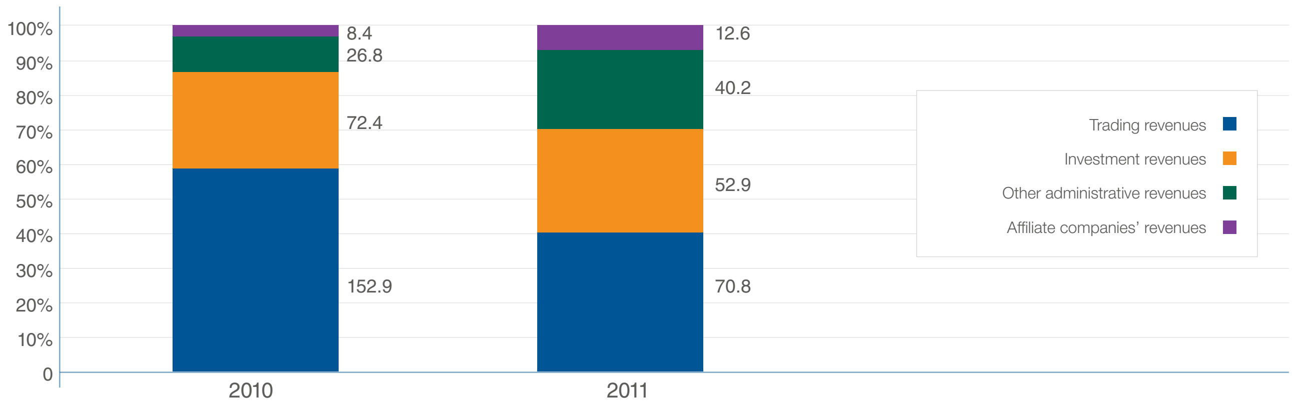


DFM Financial Performance Summary

2. Revenues

- The company's total revenues reached AED 176.5 million in 2011, a decline of 32% from 2010. It should be noted that this decline is mainly due to the decrease in trading revenues as a result of the current economic situation. On the other hand, investment revenue decreased as a result of the significantly lower return rates.
- Trading revenues constituted 40% of the company's total revenues in 2011 while investment revenues accounted for 30%. The contribution of other administrative revenues from CSD, broker services and report fees, in addition to new streams of income from listing and market data selling fees and others, represented 23% of the total revenues, while affiliate companies' revenues contributed 7%.
- The value of new DFM revenues streams (excluding affiliate companies) for 2011, from listing fees, market data fees, online advertising on the market's website, dividend distribution and custody, amounted to 2.8% of the total revenues, and 11% of the total revenues (excluding investment and trading revenues).

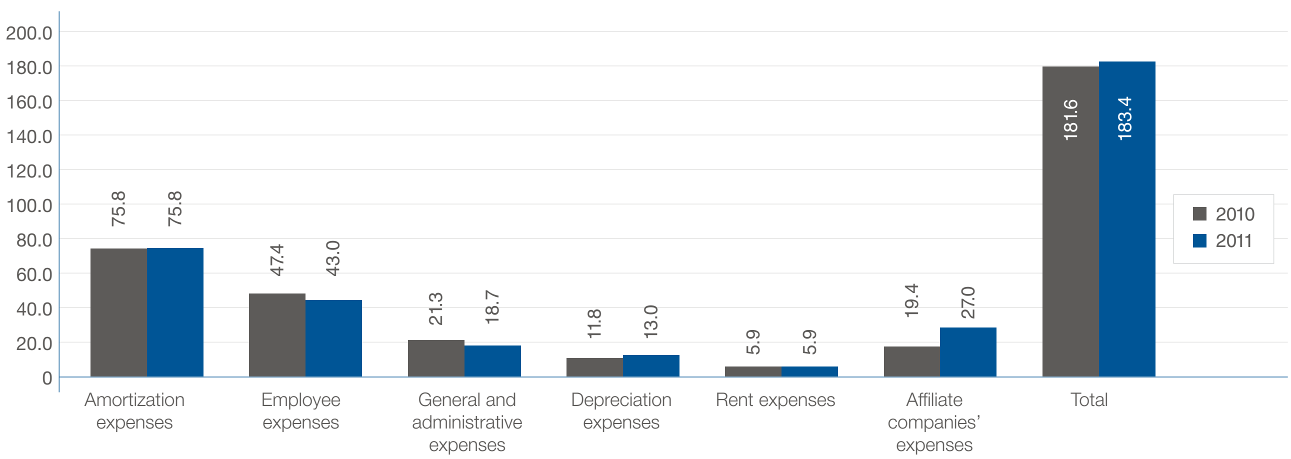
Revenue breakdown (AED million)



3. Expenses

- DFM's total expenses reached AED 183.4 million in 2011, including affiliate companies' expenses that amounted to AED 27 million, compared to AED 181.6 million registered in 2010, an increase of 1%. The amortization expenses of intangible assets amounted to AED 75.8 million or 41% of total expenses, while employee expenses contributed 24%, general and administrative expenses 10%, depreciation expenses of fixed assets 7%, rent expenses 3% and affiliate companies' expenses 15%.
- It is noteworthy that this increase in total expenses in 2011 is due to affiliate companies' expenses that were wholly included in the company's expenses for 2011, whereas the expenses of seven months only were included in the company's expenses for 2010.

Expenses breakdown (AED million)



Macroeconomic Developments and Market Environment

The global economy continues to face unfavorable conditions which raise doubts over the sustainability of economic growth rates. In 2011, economic growth rates weakened with increased variation between different geographic regions in addition to visibly low public confidence and higher risks likely to lead to a further decline in growth rates. At a time when the global economy had not fully recovered from the repercussions of the financial crisis which broke out in 2008, the Euro area faced serious financial problems as a result of the aggravating debt crisis in a number of its countries and the lack of consumer demand in the United States. The problems highlighted had a negative impact on the economic activity of these countries. The global economy was also affected by a number of non-economic related shocks which occurred in 2011, such as the devastating earthquake which hit Japan and its economy, as well as the political perturbations, which hindered productivity in various parts of the world, particularly in several Arab countries.

In light of the abovementioned unfavorable conditions, preliminary estimates released by international institutions indicate that the world economic growth rate declined from 5.1% in 2010, to 4% in 2011. Economic growth rates registered in 2011 were lower than in 2010 for the developed and developing countries alike, however, the decrease in growth rates was stronger amongst developed countries, where they declined from 3.1% to 1.6%. This slowdown was mainly witnessed in Japan and the United States as a result of the earthquake which hit the former and the persistently low consumer confidence and consumption expenditure levels with the latter. Additionally, the developed countries were negatively affected by heightened oil prices and the decline in world trade growth, which fell from 12.8% in 2010, to 7.5% in 2011.

Developing countries and emerging economies witnessed a decline in their economic growth rates from 7.3% in 2010, to 6.4% in 2011. While this slowdown was less than that registered within developed countries due to high oil prices and other raw materials which constitute the main source of income for a large number of these countries, it also reflected the investors' low confidence in the recovery of developed economies, as well as the investment uncertainties in many developing countries, as a result of the political perturbations in several Middle Eastern countries.

Obviously, such unfavorable conditions negatively affected financial markets worldwide, especially as these markets had not completely recovered from the repercussions of the global crisis which hit them in 2008. The impact of these unfavorable conditions was not confined to the continued low confidence in these markets, and thus, decreased liquidity, but went beyond that to push some categories of investors to restructure their investment portfolios in favor of assets which they deemed lower risk. The majority of exchanges within developed and developing countries witnessed "selling" waves which accounted for the significant decline in their general indices, trading activities and market capitalization of the companies listed on these exchanges.

The investment climate of the UAE was affected by factors with contradictory impacts. On the one hand, the high oil prices along with the flexible and supportive investment policies adopted by the government since the beginning of the crisis - represented by the commitment to proceed with pre-planned capital expenditures especially on infrastructure projects - contributed to enhancing confidence in the national economy's growth capacity and created a favorable environment which encourages and attracts investment. On the other hand, the political perturbations in the region, the European Debt Crisis and the frustration resulting from the failure of developed economies to maintain adequate growth rates, all raised doubts about foreign demand, and thus, casted a shadow over the abovementioned positive climate and ultimately caused hesitation amongst investors.

Despite these overwhelming negative factors, available indicators show that the underlying positive factors had a stronger impact on the national economy. Most recent estimates indicate that the UAE registered a 3.3% real GDP growth in 2011, compared to 3.2% in 2010. The rising economic growth, albeit modest, at a time when growth rates worldwide are seeing a significant slowdown, proves that the national economy has the fundamentals which enable it to overcome many of the challenges, as well as adequate levels of flexibility to capitalize on its positive factors, including the country's political stability and remarkable infrastructure to maximize the utilization of various economic resources. It is noteworthy that the slight increase in the economic growth rate was not due to the increase in the oil sector growth rate, but as a result of a decline in the oil sector growth from 5.3% in 2010 to 3.4% in 2011, and a rise in the gowth rate of non-oil sectors, which increased from 2.1% to 3.3%.

Certainly, the economic performance of the Emirate of Dubai was no exception to the country's overall performance. Available estimates indicate a 2.8% real GDP growth for Dubai in 2011, compared to only 1.7% in 2010. While it is still not possible to provide accurate information at this stage given that detailed sectoral data is not yet available, observations reveal that the Services sector was the key driver of growth during 2011. The Trade sector, both in wholesale and retail, as well as the Tourism, Transportation, Storage and Tele-communications sectors were remarkably active throughout the year, a fact that will undeniably translate into high growth rates within these sectors.

UAE stock markets continued to suffer from low liquidity, which negatively affected their performance with respect to both the trading activities and stock prices. On the one hand, these markets were affected by the low confidence in stock markets globally, hence, most of them registered a significant decline of their indices in 2011. On the other hand, banks remained hesitant to grant credit facilities and continued to focus on strengthening their balance sheets by adopting a selective policy for granting credit facilities and targeting

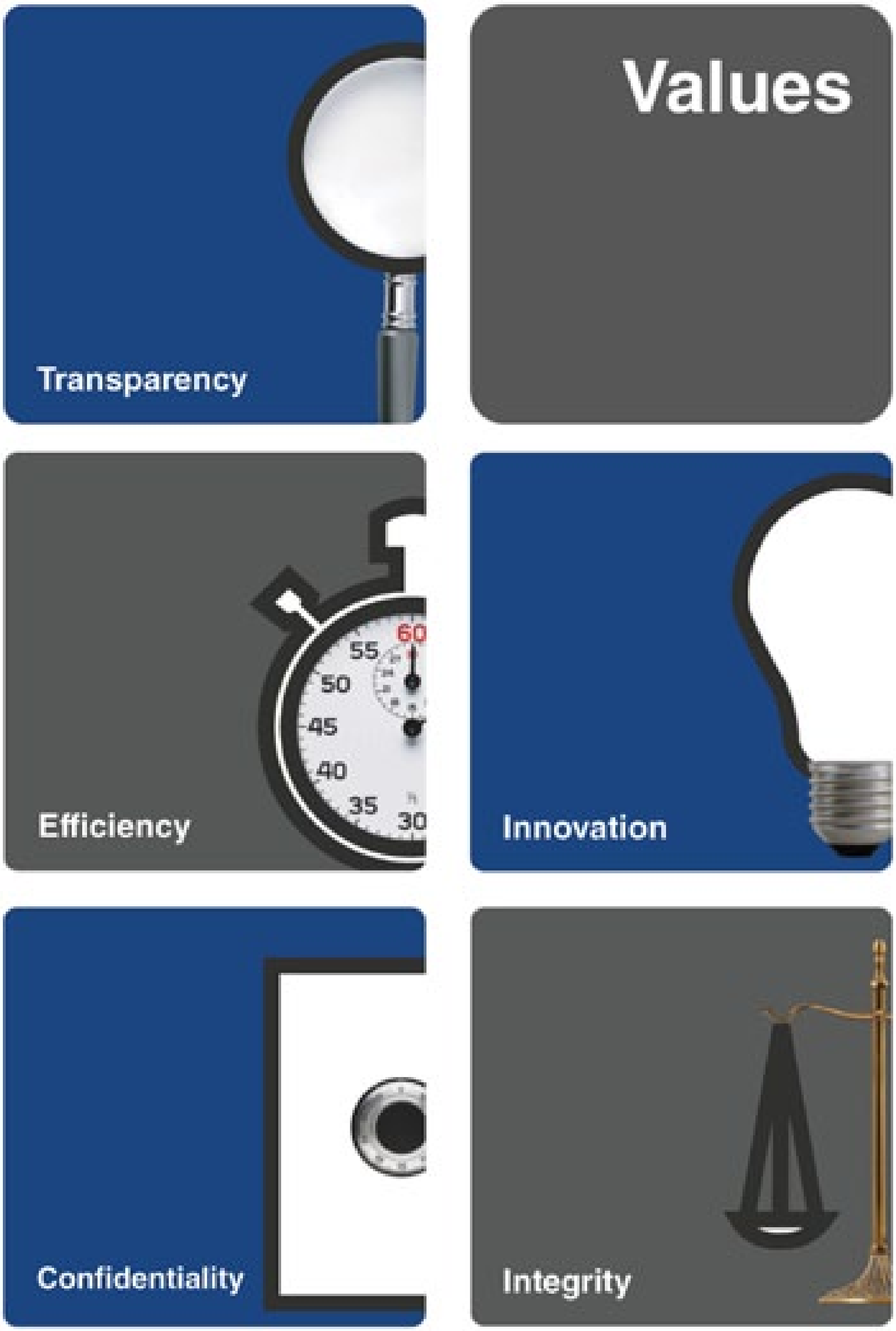
Macroeconomic Developments and Market Environment

solvent customers who may not be in need of such facilities. Consequently, and in line with the general trend of stock markets across the region, the DFM General Index registered a 17% decline in 2011, while the trading value decreased by 54%, reaching AED 32 billion.

Future outlook

While DFM looks forward with calculated optimism taking into consideration the challenges faced by financial markets in general, and regional markets in particular, it is certain that such challenges are but the outcome of temporary, albeit relatively long-lasting, conditions and that restoring confidence in the market is only a matter of time. Therefore, it pursues initiatives which pave the way for activity to return to its normal levels. DFM's vision is based on the fact that the national economy is qualified to pursue its growth and has the fundamentals to overcome the crisis with minimum damage, and its growth in 2012 will be the highest among regional and international rates.

Internally, the company commissioned several new strategic initiatives during 2011 aimed at aligning DFM's structure with international best practices and preparing it for a new phase of strategic activity and growth. Some of the most significant initiatives include the adoption of the "Delivery Versus Payment" mechanism and the preparation for implementing the "short selling" and "security lending and borrowing" systems; the development of new services and financial instruments to provide investors with greater opportunities; collaborating with the Securities and Commodities Authority on the introduction and approval of the rights issues, covered notes and market maker systems; and the monetization of DFM's resources into new sources of income with the aim of diversifying income sources by offering new financial and IT services.


Values
Transparency
Efficiency
Innovation
Confidentiality
Integrity

DFM PJSC Strategy

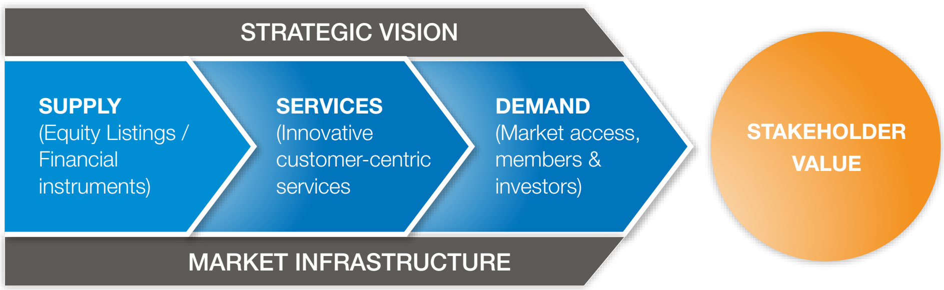
At DFM our vision, mission and core values are helping to define an innovative and progressive corporate culture to meet evolving business challenges and drive strategic growth.

In 2011, the Board of Directors of Dubai Financial Market PJSC adopted the following vision and mission statements inspired by its drive to strengthen its leading capital markets role.

Vision
The World Class Regional Marketplace

Mission
To provide stakeholders with innovative services in conducting trading, settlement and depository of securities, in an efficient, transparent and liquid environment

Strategy
Our aim is to focus steadfastly on the strategy to diversify revenue streams and develop the supply of innovative products and services in order to increase market activity of members and participants, generate stakeholder value, and ultimately drive strategic growth.



To facilitate the strategic vision, a new organizational structure was configured to drive greater focus on the revenue-generating areas of the company, including Market Operations, NASDAQ Dubai, Clearing, Settlement & Depository, Business Development and Financial Services. Subsequently, DFM launched its new corporate identity to reflect its strategic direction and growth going forward, and prepare the Company for a new era of sustainable growth.

In 2011, the Dubai Financial Market PJSC focused on five major initiatives to embed the strategic vision at the core of its business:

1. The monetization of products and services.
2. Developing digitally based investor-centric services.
3. Targeted IPO focus.
4. Infrastructural developments based on international best practices.
5. Reduction of operational cost.

Based on its strategic developments to date, Dubai Financial Market is on track to becoming the "world-class regional marketplace" with a steady market share, and the visibility and strategic initiatives to generate value-added services for stakeholders and long term growth.


سوق دبي المالي يوفر للمستثمرين
بيانات فورية للأسهم المدرجة في «ناسداك»

DFM
سوق دبي المالي

DFM STOCK GAME
مسابقة سوق دبي المالي للأسهم

مهارات
MAHARAT
تعلم • نمو • ريادة
LEARN • GROW • LEAD

LLOYD'S REGISTER QUALITY ASSURANCE
ISO/IEC27001
UKAS
MANAGEMENT SYSTEMS
001


«دبي المالي» يستعد لتطبيق «التسليم مقابل السداد»
قبل نهاية الربع الأول

DFM Achievements in 2011

Strategic priorities implemented in 2011

1. Providing innovative financial and data services

In line with the growth and development strategy adopted by the DFM Board of Directors in 2010 with respect to the diversification of the markets' sources of income, in 2011, DFM launched a new Financial Services Division specialized in providing distinguished and innovative services to market participants. The primary focus was on the management of dividend distributions and related services for joint-stock companies and transforming market data into a source of income for DFM.

Within this context, DFM successfully managed dividend distributions for Emaar Properties, Dubai Islamic Bank, Air Arabia, Al Salam Bank Sudan, Aramex and DP World, in addition to managing the entitlements resulting from the merger of DP World shares. Dividend distributions were performed either through iVESTOR cards, cheques or bank transfers. Launched by DFM in 2010, the iVESTOR card was met with wide success which exceeded the growth expectations during that year, giving a clear indication of the investors' awareness of the advantages offered by DFM e-Services.

In early 2011, DFM, like other stock markets, decided to charge data vendors wishing to use market data and provided several options for linking and redistributing data, which resulted in agreements with over 20 data providers to link DFM market data with their databases and systems. These agreements varied from simply linking to real time and delayed data, to providing in-depth data analysis on all levels according to internationally recognized standards. Over 4000 "professional" users subscribed to data distribution services via the distributors. These services varied between the internationally recognized "Level 1" and "Level 2", and only "professional" users were charged for using them.

2. Developing new e-Services to meet investors' needs

DFM launched various e-Services during 2011 in order to meet the growing needs of market participants and shifted towards an electronic work environment, in addition to offering the most developed services which allows investors to track their investments. The e-Services include:

a. **Stock Portfolio Inquiry Call Service**

DFM launched the "Stock Portfolio Inquiry Call Service", a comprehensive voice portal service, considered a first of its kind amongst regional stock markets. The new service allows investors to instantly track their investments on DFM and NASDAQ Dubai, by telephone.

The service is available round the clock, allowing investors to view, in complete confidentiality, details of their DFM and NASDAQ Dubai account balances at the clearing house or with the broker. Investors can also track bonus shares and rights issues, transfers from and to their accounts, as well as purchases and sales made to their accounts, among others.

b. **Providing real time data on NASDAQ Dubai listed securities**

DFM launched a new range of comprehensive e-Services to provide investors with real time data on NASDAQ Dubai listed securities, which was previously available with a 15-minute delay, in addition to providing DFM real time data.

In May 2011, DFM proceeded to register real time market data users. It launched an intensive communication campaign targeting investors through the media and other communication channels such as emails, SMS and banner ads on the DFM website, among others. The campaign resulted in over 12,000 registered users to the DFM and NASDAQ Dubai listed securities real time data service, as well as to a new range of comprehensive e-Services.

c. **Updating the online application system**

DFM launched an online application system which provides market participants access to all their e-Services through a single login, enabling them to swiftly and efficiently use the abovementioned services.

3. Reviving IPOs and listings on DFM

In line with the early preparation process for IPOs and listing, in 2011, DFM intensified its efforts to actively communicate with companies seeking to implement development plans and go public. DFM organized a high level forum entitled "Going Public - Achieving Sustainable Growth", involving the participation of chairmen, members of boards of directors and senior executives of 30 UAE companies, including family-run businesses as well as private and public companies, in addition to several IPO consulting experts. The market also made contact with a high number of leading companies operating in the UAE, including free zone companies. An

DFM Achievements in 2011

agreement was concluded to build relations with Jebel Ali Free Zone (JAFZA) companies through a Memorandum of Understanding between the latter and NASDAQ Dubai with the aim of identifying eligible candidates for listing and highlighting the advantages of taking such a step. Within this context, a seminar was organized in collaboration with NASDAQ Dubai to explore ways for these companies to utilize stock markets.

Although these efforts did not materialize into new listings in 2011, given the general situation of both regional and international markets, the market's ongoing communication with potential IPO candidates bodes well for the return of IPOs and listings in the coming phase, especially in light of the upcoming UAE Companies Law which will bring forth many positive changes, such as reducing the minimum IPO limit from 55% to 30% and allowing companies to make offerings using the book-building method.

4. Developing market structure and promoting corporate culture

DFM's management team has recently prepared several development plans aimed at enhancing the market's organizational structure. These plans are in line with DFM's efforts to meet the future requirements of the Securities and Commodities Authority (SCA), and to closely collaborate with the Authority on developing the UAE stock markets. The following development plans were implemented in 2011:

a. Implementing the "Delivery Versus Payment" (DVP) mechanism

The "Delivery Versus Payment" mechanism is one of the best practices recommended by the International Organization of Securities Commission (IOSCO) in its recommendation paper, "Securities Settlement System" issued in November 2001. DFM transferred to the "Delivery Versus Payment" system on April 28th, 2011, after meeting all the technical requirements, including implementing the necessary arrangements with brokers and custodian banks. This step places DFM at the forefront of regional stock markets adopting this mechanism. DVP is based on two key characteristics - it lowers risk and is highly efficient. It limits the main risk related to transactions and ensures that the ownership of purchased shares is transferred in parallel with the collection of the shares' value, and vice versa. The new mechanism also encourages interaction between custodian banks and their customers when carrying out settlement transactions of a greater scale. It is noteworthy that the DVP mechanism regulates the transfer of share ownership and transaction value between the sellers and purchasers without altering the T+2 settlement cycle adopted by DFM.

b. Creating a modern corporate identity

In 2011, a new corporate identity was created for DFM according to its strategic direction and plans in preparation for a new era of sustainable growth. The new trademark and corporate identity are aligned with the market's ongoing efforts to enhance its leading position and rise to the ever-growing challenges in this respect. The market's new vision considers DFM a regional financial market with international standards, whose mission is to provide innovative trading, clearing, settlement and depository services for market participants in an efficient, transparent and liquid environment. DFM's vision and mission are summarized by the following five values which govern both its internal and external operations: Transparency, efficiency, confidentiality, innovation and integrity.

The new corporate identity is not limited to DFM's trademark, but also incorporates a new slogan, "**Connecting Liquidity**", which reinforces DFM's commitment to providing a favorable work environment in support of its efforts to improve liquidity at all levels. This includes using state-of-the-art techniques and applying international best practices which help to achieve market growth and develop market activity.

The new corporate identity expresses what Dubai and DFM collectively represent. For this purpose, DFM has ensured that the new trademark is an updated version of its former well-known trademark, by keeping the circle shape and arabesque framing in addition to the blue and grey corporate colors. At the same time, the new trademark was given a more contemporary and distinguished appearance which includes the market's English acronym, "DFM".

c. Development of new systems

DFM constantly seeks to develop and update its systems in order to keep up with the latest developments worldwide. In this context, the market updated the testing environment for its trading programs by restructuring it to include both the securities and derivatives trading testing systems. This maintains a safe and separate work environment for brokers and service providers. DFM also updated its firewall programs which act as the network's first line of defense, and enhanced both the limit and efficiency of the multi-distribution capacity.

With regard to integrating the DFM and NASDAQ Dubai systems, the latter's data center was integrated into DFM's infrastructure,

DFM Achievements in 2011

hence the derivatives trading system, testing environment as well as the reserve derivatives clearing system, were all transferred from NASDAQ Dubai's data center to DFM.

The market's Information Technology (IT) Department achieved the ISO 27001 Information Security certification. This international certification indicates that DFM's information security management mechanisms provide a permanent environment for protecting information, and that the system allows the assessment of its efficiency as well as its modification to keep up with the latest developments. The market's information security management rules were identified and their importance assessed based on the information content. The expected risks were then assessed and adequate technical, administrative, operational and procedural solutions were suggested.

5. Reduction of operating expenditures

In 2011, DFM adopted a corporate performance management system using the international method known as "Balanced Scorecards". The method aims at translating the DFM Board of Director's corporate vision into a comprehensive strategic plan to be implemented from 2011 to 2015, by setting measurable, applicable and revisable strategic and operational objectives.

DFM set the strategic objective to reduce its operating expenditures, using the company's actual operating expenditures in 2010 as a basis to determine the value of the targeted reduction throughout the strategic implementation. This objective was divided into operational objectives at the DFM divisional and departmental levels. As such, every department focused on reducing its operating expenditures by a specified percentage during 2011, ultimately resulting in a total reduction of DFM's expenditures determined by the target percentages. The initiatives and projects aimed at reducing the market's expenditures mainly focused on the following areas:

- Internal restructuring of the market's divisions and departments in order to make optimum use of available human resources, resulting in the reduction of new employment contracts in 2011.
- Interconnecting the trading systems electronically to enable the preparation of financial reports for market participants (investors, brokers, listed companies, custodian banks, suppliers and media companies) in soft copies and reduce unnecessary expenses incurred from preparing such reports in hard copies.
- Revising and developing all maintenance contracts concluded with service providers in order to define the main services needed by DFM. This initiative resulted in a reduction of the maintenance contract renewal costs, which were less than those incurred in 2010.
- Internal reduction of paper use across all divisions and departments in favor of soft copies, by developing and automating internal systems, in collaboration with the IT team.
- Utilizing in-house employee competences at DFM to develop a staff training program, known as "Maharat". The program included internal training workshops which contributed to the reduction of training expenses.
- Developing a large number of the e-Services proposed in 2011 by maximizing internal IT resources. The outcome was a direct reduction in project expenditures for 2011.
- Adopting the zero-base budget (an operational cost for every activity) in all DFM departments, and monitoring the market's performance using a number of operational indicators at the divisional, departmental and staff levels.
- Applying preventative maintenance measures to DFM's electronic systems. This method significantly contributed to minimizing any errors or malfunctions in some of the systems, which reduced the systems' periodical maintenance costs.

Supporting Achievements

1. Internal Control

The Internal Control Department met the ISO 27001:2005 requirements through the Information Security section. Following a preliminary audit in August 2011 and a secondary audit which followed in November of the same year, DFM successfully attained the Lloyd's approval and was awarded the certification. The Internal Control Department ensured that the market's other departments complied with the ISO 9001:2008 quality standards by subjecting them to periodical audits performed by Lloyd's. The Department also applied the auditing plan to the operations of both DFM and NASDAQ Dubai in 2011, and followed up all observations resulting from previous internal and external audits.

Additionally, a confidential reporting policy was launched in December 2011. This policy enables company employees to call a hotline number, send a fax or an e-mail to report any weaknesses identified in internal controls. The audit reports were developed and improved in line with the latest developments on international standards issued by the Institute of Internal Auditors (IIA), as well

DFM Achievements in 2011

as international best practices generally. The Internal Control Department prepared an audit plan for 2012 based on the priorities determined by the risk assessment of all DFM divisions and departments. The Department also proceeded to apply the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) internal control standards in addition to developing and improving all work procedures.

2. Human resources and strategic planning

With regard to the implementation of the strategic plan (2011-2015), DFM adopted a corporate performance management system with the aim of integrating its new strategy according to international best practices. The Corporate Excellence team proceeded to develop the comprehensive corporate performance management system, starting with the individual objectives of every employee in achieving the market's vision. Over 650 individual objectives were interconnected, resulting in more than 102 operational performance indicators linked to 18 strategic indicators across the market, which would ultimately lead to achieving the overall strategy.

In order to ensure the effective implementation of the new system, several projects were carried out and measures taken during 2011, which included the preparation of "Balanced Scorecards" for all DFM divisions and departments, setting the target values of all DFM strategic and operational key performance indicators from 2011 to 2015, as well as controlling and following up market performance at all levels by adopting a specific method for calculating and assessing operational and strategic indicators. Other measures included preparing a detailed annual performance report for 2011 using the adopted method; training all parties concerned with the project implementation and improving their competences by organizing 86 internal workshops and an introductory meeting; commissioning market participant feedback and satisfaction surveys, and launching a comprehensive electronic system to integrate the surveys of DFM and NASDAQ Dubai market participants into a unified electronic database; in addition to formulating questionnaires and surveys according to the market's strategic plan.

3. Corporate social responsibility

a. Annual Stock Game

DFM's Annual Stock Game is an opportunity for the UAE school and university students to improve their capabilities and develop their talents. The game reflects DFM's awareness of the growing need to publicize an investment culture amongst the younger generation and to develop the students' skills and capabilities, as one of the main pillars of developing human resources in the UAE.

In 2011, DFM ran its 9th Annual Stock Game, receiving a phenomenal response from educational institutions and students. A total of 1,573 students participated in the game representing 28 institutions, which included 12 new participating institutions. The game also welcomed a non UAE university for the first time amongst its participants.

Additionally, DFM pursued its efforts to promote the exchange's policies and procedures by launching interactive educational programs which serve all market participants. In this context, 2011 saw the opening of the DFM Educational Trading Room at the Higher Faculties of Technology (Dubai Men's College). The room includes two screens displaying real time stock prices and a price ticker, along with a large wall mount giving the look and feel of DFM's official trading floor.

b. Summer training program for UAE students

Within the framework of its commitment to social and national responsibilities, and its contribution to developing the national workforce, DFM continued its summer training program, which launched in 2004. The program supports DFM's aim to promote the role of youth in the community by developing a successful and responsible generation. The 2011 summer program lasted four weeks (6 hours a day) and involved 20 students from different UAE schools and universities.

The program includes various activities designed to provide the students with the knowledge of labor market requirements such as trading, creative thinking, customer service, presentation skills, mystery shopping for quality assurance and the DFM Summer Stock Game. During the training, the students interacted with financial market professionals and were given the opportunity to apply theoretical understanding and put it into practice. The training program also includes an orientation week to further enhance the students' knowledge of DFM, its mission and objectives, as well as the UAE financial markets and listed companies.

4. The Shari'a and Fatwa Supervisory Board

In 2011, the Shari'a and Fatwa Supervisory Board prepared a draft of the Standard for Owning and Trading Sukuk, which will be presented at a special hearing session in preparation for adopting the final draft of the said standard. The Board also defined the tasks of the Shari'a control unit and provided DFM with lists of Shari'a compliant companies based on the latest financial statements available

DFM Achievements in 2011

at the end of every quarter. It also continued monitoring and assessing DFM activities' compliance with the Shari'a rules, issuing fatwas on received enquiries and reviewing the final accounts for 2010, assessing the Shari'a audit reports for DFM and NASDAQ Dubai and the market investments during 2011.

The Board entrusted the Shari'a control unit with the following tasks:

a. **General tasks:**
- Submitting all DFM and NASDAQ Dubai investments to the Board's executive member when an urgent decision needs to be taken with respect thereto, for the Board's approval prior to concluding the deal and adopting the documents. Cases which do not require any urgent decisions are added to the agenda of the next Board's meeting.
- Submitting to the Board for prior approval, all existing funding and investment contracts to be renewed or extended.
- Preparing the quarterly Shari'a audit report for all the transactions (funding, investments and others with a statement of non-compliant revenues), and submitting it to the Board's secretary at least two weeks prior to the next meeting. The report should include an account of non-compliant profits and commissions on the trading of non-Shari'a compliant companies' shares which should be set aside.

b. **Investment information:**
The Shari'a control unit receives all the contracts pertaining to DFM investments and submits a report on their compliance with the Shari'a rules to the Board during its next meeting. In the case of investments or managed funds through an unlisted company or fund, the Shari'a control unit:
- Classifies these companies based on the company's Articles of Association, the funds' prospectus and their final accounts.
- Assesses the investment or managed funds contracts' compliance with the Shari'a rules, and submits the said assessment to the Board.
- Reviews all the listed companies and classifies them according to DFM's Standard for Owning and Trading Stocks in addition to assessing their investments' compliance with the Shari'a rules based on this classification.
- The Shari'a control unit requests all the information it requires through the market's official channels.

c. **Financial statements:**
The Shari'a control unit obtains clarifications on the items of these accounts and prepares a report on their compliance to the Shari'a rules, particularly in the following areas:
- Preparing a detailed report on the structure of fees collected by DFM and assessing their compliance with the Shari'a rules.
- Distributing the trading fees amongst companies which comply with the Shari'a rules and companies which fail to comply.
- Calculating the ratio of the market's total non-compliant income, and each share's quota thereof.

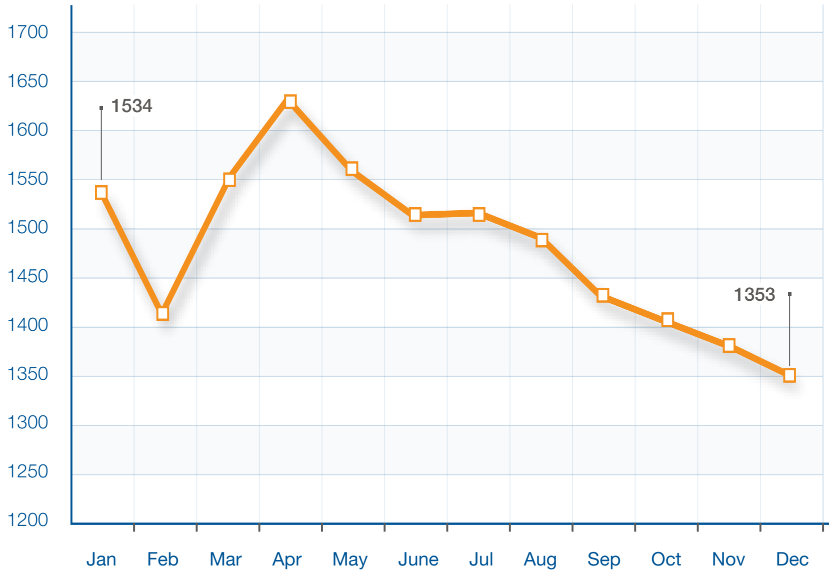
d. **Final accounts:**
The Shari'a control unit obtains clarifications on the items of these accounts and prepares a report on their compliance with the Shari'a rules, particularly in the following areas:
- Preparing a detailed report on the structure of fees collected by DFM and assessing their compliance with the Shari'a rules.
- Calculating the market's financial ratios according to DFM's Standard for Owning and Trading Stocks.
- Classifying NASDAQ Dubai listed companies according to their compliance with the Shari'a rules, based on DFM's Standard for Owning and Trading Stocks.
- Distributing the trading fees amongst companies which comply with the Shari'a rules and companies which do not.
- Calculating the ratio of the market's total non-compliant income, and each share's quota thereof.
- The Shari'a control unit requests all the information it needs from NASDAQ Dubai Management.
- The Shari'a control unit prepares a quarterly report on NASDAQ Dubai's financial instruments as well as listing and trading rules, and assesses their compliance with the Shari'a rules.

e. **Investments and funding structures, documents and terms:**
- Submitting to the Board all funding and investment contracts which DFM and NASDAQ Dubai are parties thereto, in order to obtain the Board's approval prior to concluding the deal.
- For every deal concluded by DFM, submitting the funding structures, terms and documents to the Board for approval to ensure the returns of such investments are not set aside and spent on charity.

DFM Performance in 2011

Over the past years, the financial markets in general, and regional and emerging markets in particular, have been relatively weak and volatile. The markets all shared similar characteristics with respect to declining indices as well as trading volumes, despite clear distinctions from one market to another in their basic fundamentals. DFM was not isolated from the rest of the regional financial markets in general, and the GCC markets in particular. The markets witnessed a sharp decline of their price indices, trading volumes and liquidity, similar to other emerging markets, due to the instability of the international financial markets, which resulted from concerns about the European Debt Crisis which surfaced in 2011, increasing investors' uncertainties and changing their outlook. Within this context, the DFM General Index registered a 17% decline at the end of 2011, in comparison to its level at the end of the previous year. Market capitalization decreased by 9.5%, reaching AED 180.1 billion at the end of 2011.

DFM General Index during 2011



Despite the decline in foreign trading on DFM, which fell by half in 2011, the net foreign investment which flowed into the market remained positive, thus reinforcing DFM's position as a market which continuously attracts foreign investment. The value of shares purchased by non-UAE investors in 2011 amounted to AED 15.3 billion, 47.6% of the total trading value, whilst the value of shares sold by foreigners amounted to AED 15.1 billion. Consequently, AED 164 million of net foreign investment in total flowed into DFM during 2011. Similarly, the value of shares purchased by institutional investors in 2011, outweighed the value of shares sold by this category of investors, with AED 265.5 million of net institutional investment in total flowing into DFM in 2011.

Trading activities in 2011 by nationality

	Total purchases (AED)	Total sales (AED)	Net investment (AED)
ARAB	7,221,225,451	6,835,588,744	385,636,706
GCC	1,932,043,209	1,781,701,430	150,341,779
Others	6,112,902,067	6,484,630,435	(371,728,368)
Total Non UAE	**15,266,170,727**	**15,101,920,609**	**164,250,117**
UAE	16,822,021,444	16,986,271,561	(164,250,117)
Grand Total	**32,088,192,170**	**32,088,192,170**	**0**

Trading activities in 2011 by type of investor

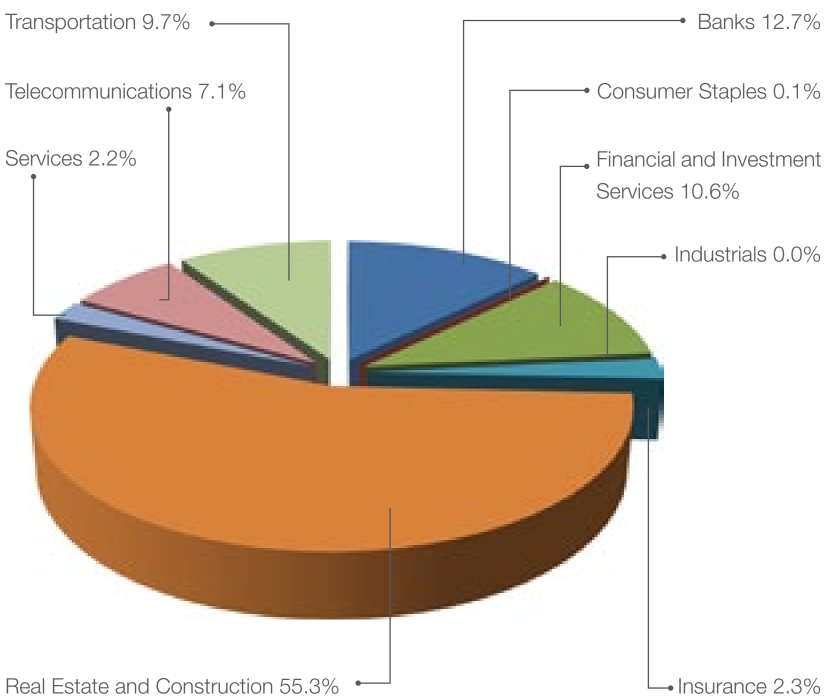
	Total purchases (AED)	Total sales (AED)	Net investment (AED)
Institutions	8,877,487,446	8,612,020,163	265,467,284
Individuals	23,210,704,724	23,476,172,008	(265,467,284)
Grand Total	**32,088,192,170**	**32,088,192,170**	**0**

DFM Performance in 2011

With respect to DFM's trading activities, the value of traded shares in 2011 registered a 54% decrease reaching AED 32.1 billion compared to AED 69.7 billion in 2010. The number of shares traded on DFM declined by 34.5% to 25.2 billion shares in 2011, in comparison with 38.4 billion shares in the previous year. The number of transactions executed on DFM decreased by 44% to 444.8 thousand transactions compared to 794.4 thousand transactions in 2010.

At the sectoral level, the Real Estate and Construction sector accounted for the majority of the traded value on DFM, amounting to AED 17.7 billion, 55.3% of the total traded value. The Banking sector came second with AED 4.1 billion, 12.7% of the total traded value, followed by the Investment and Financial Services sector with AED 3.4 billion, 10.6% of the total traded value.

Distribution of Traded Value by Sector 2011



Corporate Governance Report for 2011

1. Corporate Governance Practices

In compliance with the Ministerial Resolution 518/2009, DFM issued its third corporate governance report for 2011. The report reflects the company's commitment to apply sound governance rules, as well as the collective efforts of the DFM Board of Directors, Executive Management and employees. It is noteworthy that the company was honored by the Securities and Commodities Authority on February 28th 2011, amongst leading companies which have adopted good corporate governance practices.

During 2011, the Board of Directors fulfilled its duties by holding six meetings in due time, based on the Board members receiving the working papers at least a week prior to the meetings. The Board endorsed the company's strategic plan and operational objectives, including the Delivery Versus Payment (DVP) mechanism, the new corporate vision, mission and brand identity, in meeting the MSCI Emerging Markets Index requirements, cash dividend distributions, XBRL, Securities Lending and Borrowing (SLB), in addition to other key projects and performance indicators. The Board also endorsed regulatory policies related to the Financial Authority Matrix, purchasing, contracting and other matters. The Board secretary followed up on the implementation of the Board's resolutions and coordinated between the Board and the Executive Management on the assigned duties, in addition to updating and developing the governance guidelines. The Board committees held meetings, performed the duties stipulated in the said Ministerial Resolution and raised their resolutions to the Board. It is noteworthy that the company disclosed the financial statements earlier in 2011 compared to 2010, based upon the shareholders' request during the General Assembly Meeting held in 2011, and following the resolution of the Audit Committee. The Board also decided to expand the scope of the Internal Control Department to include the audit operations of both DFM and NASDAQ Dubai. Furthermore, 2011 also saw the implementation of the ISO 27001:2005 Information Security Quality Standard, the preliminary adoption of the risk assessment and internal control systems framework approved by the Committee of Sponsoring Organizations of the Treadway Commission's (COSO), and the launch of a confidential reporting hotline service via email, fax and a dedicated team.

The company was honored in December 2011 among the top 50 companies on the S&P Hawkamah ESG Pan Arab Index in recognition of its vital role in environmental protection, corporate social responsibility and governance.

2. Trading in the Company's Shares by the Board Members and their First-degree Relatives in 2011

The members of the Board of Directors comply with the policy related to their trading in the company's shares stipulated in DFM's market control procedures and governance guidelines, by obtaining the necessary approvals from the authorities, as well as complying with the ban period stipulated in Article 14 of the Securities and Commodities Authority's regulations. The Board members also undertake to annually disclose any trading of company shares that they or their first-degree relatives execute.

In January 2012, all Board members acknowledged that neither they nor their first-degree relatives, traded in the company's shares during 2011. In addition to the policy pertaining to the Board members' trading in the company's shares, DFM endorsed a policy for employees trading in the company's shares, as well as the shares of DFM listed companies. All DFM employees should disclose their Investor Number, along with any modifications therein to the Human Resources Department. Any employee wishing to trade in the shares of the company and of DFM listed companies, should complete a dedicated form and submit to the Market Control Department, which gives its approval after verifying that the request is not subject to any legal impediments, and in particular, does not violate the trading ban periods.

By virtue of Article 14 of the Securities and Commodities Authority's regulations pertaining to the trading, transfer of ownership and securities custody, the ban period is set as follows:

- Ten (10) working days prior to disclosing any important information which can affect the share price unless such information results from urgent and unexpected events.
- Fifteen (15) working days prior to the end of the quarterly, semi-annual or annual financial period and until the disclosure of financial statements.

Corporate Governance Report for 2011

3. Formation of the Board of Directors

By virtue of Article 20 of the company's Articles of Association, DFM's Board of Directors consists of 7 members. The following shows the formation of the Board of Directors:

Name	Title	Independent / Non-Independent	Executive / Non-Executive	Date of first election	Membership period from date of first election until 31/12/2011
Abdul Jalil Yousef Darwish	Chairman	Independent	Non-Executive	21/04/2010	A year and a half
Rashid Hamad Al Shamsi	Vice Chairman	Independent	Non-Executive	16/01/2007	Five years
Essa Abdul Fattah Kazim	Managing Director and CEO	Non-Independent	Executive	16/01/2007	Five years
Mussabeh Mohammed Al Qaizi	Member	Independent	Non-Executive	21/04/2010	A year and a half
Ali Rashid Al Mazroei	Member	Independent	Non-Executive	21/04/2010	A year and a half
Adil Abdullah Al Fahim	Member	Independent	Non-Executive	21/04/2010	A year and a half
Mohammed Humaid Al Mari	Member	Independent	Non-Executive	21/04/2010	A year and a half

All the Board members are UAE citizens with the required expertise and skills:

Abdul Jalil Yousef Darwish

Banking expert and businessman, currently occupies the following positions:

- Chairman of the UAE Enterprises Group.
- Member of the Board of Directors and Treasurer of Dubai Chamber of Commerce and Industry.
- Member of the Board of Trustees, American University of Sharjah.
- Member of the Dubai Economic Council.
- Member of the Board of Directors of the National Bank of Umm Al Quwain since its inception in 1982.
- Deputy Chairman of the Emirates Institute for Banking and Financial Studies.
- Deputy Chairman of the Human Resources Development Committee in the Banking and Financial Sector.
- Member of the Board of Trustees, Dubai University.
- Member of the Board of Directors, Al Mal Capital P.S.C.
- Member of the Board of Directors, the General Pension and Social Security Authority (GPSSA).

Previous positions held by Mr. Abdul Jalil Yousef Darwish:

- Chief Executive Officer of HSBC Bank Middle East Ltd., UAE.
- Executive Director and Deputy Chairman of HSBC Bank Middle East Ltd.
- Chairman of HSBC Middle East Finance Company Ltd.
- Member of the Board of Directors of HSBC Financial Services (Middle East) Ltd.

Rashid Hamad Al Shamsi

Mr. Rashid Hamad Al Shamsi was Vice Chairman of Dubai Financial Market since its transformation into a public joint stock company and until the end of the Board's term on 21/4/2010. Mr. Al Shamsi is the founding partner of MEECON, an architectural and engineering project management consultancy, and owner of Al Shamsi Property Management Company in Dubai. He graduated from the University of South Carolina, USA, with a Bachelor's degree in Civil Engineering in 1982 and occupies / has occupied the following positions:

- Member of the Board of Directors of the Emirates General Transport Corporation.
- Member of the Board of Directors of Gulf Navigation (PJSC).
- Member of the Board of Directors of NASDAQ Dubai.

Corporate Governance Report for 2011

- Mr. Al Shamsi was actively engaged in the marketing and distribution of energy-related products for over 22 years.
- General Manager of Emirates General Petroleum Corporation (Emarat) from 2002 to 2008, chairing several Emarat joint ventures and subsidiary companies.
- Former member of the Board of Directors of Dubai Chamber of Commerce and Industry from 1991 to 1997.
- Former member of the Board of Directors of Dubai Mercantile Exchange.
- Former CEO of Sama Dubai, the international real estate development arm of Dubai Holding.

Essa Abdul Fattah Kazim

Mr. Essa Kazim is the Chairman of Borse Dubai and Managing Director & CEO of Dubai Financial Market (DFM).

Mr. Kazim began his career as a Senior Analyst at the Research and Statistics Department of the UAE Central Bank in 1988 and then moved to the Dubai Department of Economic Development as Director of Planning and Development in 1993. He was then appointed as Director General of DFM from 1999 through to 2006. Mr. Kazim holds an honorary Doctorate from Coe College, a Master's degree in Economics from the University of Iowa, a Master's Degree in Total Quality Management from the University of Wollongong and a Bachelor's degree in Mathematics, Economics and Computer Science from Coe College.

Mr. Kazim occupies additional positions which include:

- Member of the Higher Board of Directors of the Dubai International Financial Centre (DIFC) and Board of Directors of the DIFC Authority.
- Member of the Dubai Council for Economic Affairs.
- Board of Directors of NASDAQ Dubai.
- Board of Directors of Noor Islamic Bank.
- Member of the Board of Rochester Institute of Technology.
- Member of the Board of NASDAQ OMX.
- Member of the Board of Governors of Hamdan Bin Mohammed E-University.

Mohammed Humaid Al Mari

Mr. Al Mari is a Financial and Administrative Director with more than 20 years of experience in both public and private sectors. He graduated from Mohammed Bin Rashid's Program for Leadership Development, Government Leaders Category. He also holds an MBA from the American University in Dubai since 2004 and a Bachelor's degree in Accounting from the United Arab Emirates University in Al Ain since 1990. Mr. Al Mari started his professional career as an employee at the Land Department in 1986 and holds / has held the following positions since then:

- Assistant CEO, Finance and Corporate Support at the Mohammed Bin Rashid Housing Establishment since August 2009.
- Partner in Faris & Co. for Auditing Accounts and Administrative Consultancy since 1995.
- Member of the Al Wasl Sports Club Board of Directors since July 2009.
- CFO at the Roads and Transport Authority from June 2006 to August 2009.
- Assistant General Manager of the Dubai Transport Authority from March 2005 to June 2006.
- Member of the Board of Directors of the Dubai Development Board from December 2005 to April 2008.
- CFO and CAO of the Land Department from November 2000 to March 2005.

Mr. Al Mari has the following professional memberships:

- Certified Public Accountant since 1990.
- Member of the UAE Accountants and Auditors Association since 1997.
- Member of the Culture and Science Symposium in Dubai since its inception.
- Honored with the Sheikh Rashid Award for Educational Excellence for completing an MBA degree at the American University in Dubai.
- Holds an Institutional Leadership Certificate from the Leadership and Learning Center in Florida, USA.
- NLP practitioner certified by Richard Bandler through McClendon & Associates Institute.
- Holds a Self-Hypnosis Practitioner Diploma from Proudfoot School of Clinical Hypnosis and Psychotherapy.

Corporate Governance Report for 2011

Adil Abdullah Al Fahim

Mr. Adil Abdullah Al Fahim has extensive hands-on experience of over ten years within the financial, administrative, audit / control, information systems as well as commercial law fields. He graduated with a Bachelor's degree in Accounting from Ain Shams University in Cairo in 1999. He holds / has held the following positions:

- Chief Financial Officer at Dubai Airports Company where he joined in 2006.
- Director of Internal Audit at the Department of Finance, Dubai.
- Member of the Planning, Budget, Development and Automation Committee.
- Deputy Director of Performance Control, Information Systems Audit and Training Department at H.H. Ruler of Dubai's court.
- Member of the Dubai Government Financial Planning Committee.
- General Director of the UAE Accountants and Auditors Association (2000-2002).
- Member of the Board of Directors and President of the Conferences Committee in the UAE Accountants and Auditors Association (2002-2004).
- President of the American Institute of Internal Auditors (IIA) - Emirates branch (2006-2007).
- Senior Vice-President, Internationally Certified Anti-Fraud Association in the USA - Emirates branch.
- Member and Secretary of the UAE Auditors' Registration Committee.
- UAE Representative of the AGCC E-Commerce Committee.

Mr. Al Fahim has the following professional memberships:

- Certified Public Accountant (CPA).
- Certified Fraud Examiner (CFE).
- Certified Financial Consultant - Canada.
- Certified Audit Command Language (ACL) Trainer - Belgium.
- Founding member of the UAE Accountants and Auditors Association.
- Member of the Judges Assistant Category in the Experts list of technical consultants adopted by Dubai courts.
- Information Systems Audit and Control Association (USA).
- Institute of Internal Audit (USA).
- American Society for Quality (USA).
- Association of Financial Professionals in Hospitality and Technology Affairs for the Hotel Sector.
- The Canadian Association of Financial Consultants.

Ali Rashid Al Mazroei

Mr. Ali Al Mazroei has more than 10 years of hands-on financial and administrative experience in the banking and commercial sector. He graduated from Southern New Hampshire University, USA, with a Master's degree in 2002, and from the American University in Dubai with a BA in 1999. Mr. Mazroei holds / has held the following positions:

- CFO of Al Bahri and Al Mazroei Trading Company established in 1968 in Dubai. The Group manages general investments in the sectors of Commerce, Real Estate, Industry, Tourism and Travel etc.
- Member of the Board of Directors of the National Bonds Corporation (P.S.C.) and Chairman of the Investment Committee since May 2011.
- From 2000 to 2007, Mr. Al Mazroei held various functional and administrative positions at the CitiBank Group in Dubai, including Director of the SME Department, as well as the Head of Planning and Analysis Department for Turkey, Middle East and Africa region.

Mussabeh Mohammed Al Qaizi

Mr. Mussabeh Al Qaizi has over 18 years of hands-on experience, the majority of which were in the field of information technology where he supervised and directly managed several multi-tasked teams and individuals. He graduated with a Bachelor's degree in Computer Information Systems from Arkansas University, USA, in 1991.

Mr. Al Qaizi holds / has held the following positions:

- Head of e-Banking Services at Dubai Islamic Bank as well as other leadership positions such as member of the Board of Directors of the Islamic Financial Services (a subsidiary of Dubai Islamic Bank) and Head of the Automatization Committee at

Corporate Governance Report for 2011

the Dubai Islamic Bank, which plays a vital role in coordinating and aligning the bank's comprehensive strategy with the latest IT developments.

- Managed the Dubai Ports Authority IT Department as Support Supervisor and subsequently as Head of the IT Department. Throughout his seven years of working at Dubai Ports World, he gained extensive hands-on experience and knowledge from dealing with the various functional departments thereof.
- Mr. Al Qaizi joined Dubai Islamic Bank in 1999 as Head of the Cards Unit which he developed in two years.
- Head of Information Systems Department at Dubai Islamic Bank between 2001 and 2008. During this period, he was able to build and support the information systems infrastructure and hence gain wide-ranging hands-on experience in project management at various banking levels.
- Since 2008, based within the E-Banking Operations Unit, Mr. Al Qaizi has been developing various channels to connect customers to the bank. In recognition of the great development which he achieved in this field, his project was named Project of the Year for 2009, as well as Best Unique E-Banking System Project at Dubai Islamic Bank.

Remuneration of the Board as well as Board & Committees meeting allowances

By virtue of the provisions of Articles 33 and 67 of the company's Articles of Association, and in compliance with Article 118 of the Companies Law 8/1984 and its amendments, and Article 7 of Ministerial Resolution No. 518, the Board of Directors' remuneration is equal to 10% of the net profit after deduction of costs, expenses, statutory legal reserve as well as distributing dividends equal to 5% of the company's capital. The Board's remuneration is endorsed by the Ordinary General Assembly Meeting. The Board of Directors set a remuneration of AED 300,000 per member during its meeting held on January 8th 2011, after obtaining shareholders' approval during the General Assembly Meeting.

During its meeting held on February 6th 2012, the Nomination & Remuneration Committee recommended the Board and Committee meetings attendance allowance. Furthermore on February 26th 2012, the Board approved the meeting allowance for individual Board members attending in-person each Board meeting in the amount of AED 15,000, a Committee meeting allowance of AED 6,000 for each Committee member attending in-person, and AED 2,000 for meetings via conference call or video conference. During 2011 no Board and Committee meeting attendance allowances were paid, thus these allowances have been allocated to be paid to the Board and Committee members in 2012.

Board of Directors' Meetings during the Fiscal Year

The Board of Directors held six meetings during 2011, as per the following:

Date of meeting	Personal attendance						
	Abdul Jalil Yousef Darwish	Rashid Hamad Al Shamsi	Essa Abdul Fattah Kazim	Mussabeh Mohammed Al Qaizi	Mohammed Humaid Al Mari	Adil Abdullah Al Fahim	Ali Rashid Al Mazroei
08/01/2011	✓	✓	✓	✓	✓	✓	✓
14/03/2011	✓	✓	✓	✓	✓	✓	✓
08/05/2011	✓	✓	✓	✓	✓	✓	✓
28/07/2011	✓	✓	✓	✓	✓	✓	✓
22/09/2011	✓	✓	✓	✓	✓	✓	✘
26/10/2011	✓	✘	✓	✓	✓	✓	✓

Duties and Powers Assigned by the Board of Directors to the Executive Management

In compliance with the Board's decisions taken during its meetings on the 8th of January, 14th of March and 28th of July 2011, the Executive Management was assigned the following duties and powers:

- Endorsing guidelines of administrative procedures, decisions and circulars organizing work.
- Endorsing administrative circulars and work orders at the department level.
- Forming, changing and dissolving the executive committees.
- The power entrusted to the Head of Corporate Services Division and the CEO to purchase by direct order up to AED 250,000 and AED 500,000 respectively.
- The power entrusted to the CEO to contract by tender of up to AED 1 million.

Corporate Governance Report for 2011

- The power entrusted to the CEO to contract by limited or selective tender of up to AED 5 million.
- The power entrusted to the Head of Corporate Services Division and the CEO to sign endorsed contracts of up to AED 5 million and AED 50 million respectively.
- The power entrusted to the CEO and concerned head of division to sign MoUs, limited representations and sub-deposit agreements.
- The power entrusted to the CEO to lease the market area and determine the rental value.
- The power entrusted to the CEO to endorse the results of the annual asset count.
- The power entrusted to the CEO to decide the disposal of depreciated assets.
- The power entrusted to the CEO to determine the service fees and penalties as well as update the list of fees according to the market data.
- The power entrusted to the concerned head of division to sign the penalties / fines.
- The power entrusted to the Head of the Corporate Services Division to annul the first violation with the participation of the concerned head of division, and the power entrusted to the CEO to annul the second violation.
- The power entrusted to the CEO to exempt fees by no more than 50% and up to AED 50,000 maximum.
- The power entrusted to the CEO to invest in short-term deposits of unlimited amounts upon the Investment Committee's recommendations, including breaking the deposit before its maturity.
- In the event that the quorum is not present at the Board's meeting, the power entrusted to the CEO to sign reviewed interim financial statements after these are endorsed by the Audit Committee.
- Signing cheques and bank transfers of up to AED 50 million within the Executive Management.

The Senior Executive Management consists of six key management personnel whose names, job functions, dates of appointment, total salaries and remunerations are listed below:

Name	Job Function	Date of appointment	Total paid annual salary (AED)	*Total paid allowances/ benefits (AED)
Essa Abdul Fattah Kazim	Managing Director and CEO	01/05/1999	1,137,252	504,677
Ahmad Mohammed Al Jaziri	Senior Vice-President - Head of Corporate Services Division	01/06/1999	556,824	246,621
Hassan Abdul Rahman Al Serkal	Executive Vice-President - Head of Operations Division	01/06/1999	646,878	305,749
Jamal Ibrahim Al Khadhar	Senior Vice-President - Head of Human Resources and Strategic Planning Division	01/06/1999	556,824	234,596
Maryam Mohammed Fikri	Executive Vice-President - Head of Clearing, Settlement and Depository Division	01/06/1999	634,878	252,907
Fahima Abdul Razzaq Al Bastaki	Senior Vice-President - Head of Business Development Division	22/05/2004	556,824	278,188

* Includes allowances of furniture, car, education, tickets, general pension and social security.

Corporate Governance Report for 2011

Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in the International Accounting Standard 24: Related Party Disclosures. Related parties comprise of companies under common ownership and / or common management / control, as well as key management personnel.

a. On December 31st, 2011, the following was due from a related party:

	2011 AED 000
Due from a related party	
Parent company	
Borse Dubai Limited - Islamic investment deposits	134,728
Borse Dubai Limited - current account	917
Borse Dubai Limited - Accrued profits	3,094
Due to related parties	
Ultimate controlling party	
Dubai Government	48,500
Parent company	
Borse Dubai Limited - dividends payable	-
Borse Dubai loan - subordinated loan	20,366

As per the initial public offering prospectus, 20% of the share capital amounting to AED 1,600,000,000 was offered for public subscription for the credit of Dubai Government, of which AED 48.5 million remains as due to the Dubai Government.

The subordinated loan has been provided by the parent company, Borse Dubai Ltd. to the Group. The subordinated loan is unsecured, has no fixed repayment date and bears an interest rate of 12 month LIBOR plus 3.25% on the outstanding balance. The subordinated loan is classified as non-current because the parent company has confirmed that it will not seek repayment.

b. The nature of significant related party transactions and amounts involved are as follows:

	2011 AED 000
Profit on investment deposits	7,268
Pledging fees	15,543
Rent and service expenses	10,146
Interest expenses	1,715

c. Compensation of key management personnel as mentioned above.

4. External auditor

Deloitte UAE is a member firm of Deloitte & Touche Middle East and of the international Deloitte & Touche Tohamtsu. Deloitte UAE has over 500 employees based within six offices in the capital Abu Dhabi and each of the Emirates of Dubai, Sharjah, Fujairah, Ras al-Khaimah and at the Dubai International Financial Center (DIFC).

Abu Dhabi office

Deloitte's Abu Dhabi office encompasses 11 partners and associates in addition to 138 auditing, tax, financial and administrative consulting personnel. The office serves numerous large public and private companies operating in the UAE within the Energy, Resources, Financial Services, Real Estate, Contracting, Commerce, Industrial, Government and Public sectors. The Abu Dhabi office provides auditing and consulting services to half of the public joint-stock companies.

Corporate Governance Report for 2011

Dubai office

The Dubai office encompasses 19 partners and associates in addition to over 285 auditing, tax, consulting, corporate finance / professional consulting personnel. The office offers services to some of the largest companies worldwide operating in the UAE (including the free zone) and the Middle East, as well as a large number of listed companies within the Construction, Real Estate, Financial Services and Commercial sectors. The Dubai office also provides risk assessment and financial consulting services throughout the Middle East.

Northern Emirates office (Sharjah, Fujairah and Ras al-Khaimah)

The Northern Emirates office includes one partner, three associates and over 45 employees. The Sharjah, Fujairah and Ras al-Khaimah office offers auditing, tax and consulting services within the Insurance, Financial Services, Contracting, Industrial, Education and Public sectors among others.

Fees and costs of the audits and other services provided by the external auditor

According to the resolutions of the Audit Committee during its meeting held on March 1st, 2011 and following the Board's approval of these resolutions during its meeting held on March 14th, 2011, as well as the shareholders' approval thereof during the Ordinary General Assembly Meeting held on the 24th of April 2011, Deloitte & Touche was re-appointed to audit the company's accounts for 2011 at a cost of AED 228,000. The decision was taken after verifying Deloitte & Touche's independence and examining the offers submitted by other audit firms.

Moreover, Deloitte & Touche was appointed as an external auditor for Borse Dubai (parent company) at a cost of AED 106,700 and for NASDAQ Dubai at a cost of AED 130,000.

Ernst & Young was appointed to provide NASDAQ Dubai with IPO consulting services throughout the year at a cost of USD 80,000.

5. Audit Committee

The Audit Committee was formed in accordance with the Board of Directors' decision during its meetings held on the 1st of May 2010 and the 26th of May 2010. The Audit Committee consists of the following members:

- Mohammed Humaid Al Mari - Chairman
- Ali Rashid Al Mazroei - Member
- Adil Abdullah Al Fahim - Member

All the Committee members are non-executive and independent as well as accounting and financial experts. In compliance with the Ministerial Resolution No. 518, the Audit Committee was assigned the following duties:

a. Implementing the policy related to contracting with an external auditor, monitoring the external auditor's independence and discussing the nature and scope of the auditing process. Reviewing the mission and action plan of the external auditor and ensuring that the Finance Department and executive departments respond to the external auditor's inquiries and meet all the external auditor's requirements.

b. Monitoring the soundness of the company's financial statements and reports (annual, semi-annual and quarterly) and reviewing them as part of its regular work during the year, with particular focus on the following:

- Any modifications in the accounting policies and practices.
- Highlighting the aspects subject to the Board's assessment.
- The significant modifications resulting from the audit.
- The assumption of going concern.
- Complying with the accounting standards decided by the Authority.
- Complying with the listing and disclosure rules as well as other legal requirements related to the preparation of financial reports.

c. Meeting with the external auditor on the 1st of March 2011, to discuss the annual financial statements as well as the report submitted by the external auditor to the Senior Management.

d. Reviewing the company's financial control, internal control and risk management systems as well as the Internal Control Department's efficiency, appointing the needed resources in 2011, and endorsing the internal audit plan for 2011.

Corporate Governance Report for 2011

e. Reviewing and developing the company's financial and accounting policies and procedures.
f. Coordinating with the company's Board of Directors and Executive Management, and discussing the internal control reports as well as other issues determined by the Board of Directors. The Committee has recommended the amendment of the financial powers, hence assigning new authorities to the Executive Management under the Board's control.
g. Setting guidelines which enable the company's employees to confidentially report any possible violations in the financial reports, internal control or other issues, as well as the steps which allow the independent and fair investigation of such violations. The staff appointed for this purpose can be reached by email: whistleblower@dfm.ae, telephone: +971 4 305 5665 or fax: +971 4 305 5584.
h. Monitoring the company's compliance with the standards of professional behavior.

The Audit Committee held five meetings in 2011. The following table highlights the date of each meeting as well as the personal attendance:

Date of meeting	Personal attendance		
	Mohammed Humaid Al Mari	Adil Abdullah Al Fahim	Ali Rashid Al Mazroei
01/03/2011	✓	✓	✓
26/04/2011	✓	✓	✓
23/05/2011	✓	✓	✓
21/07/2011	✓	✓	✓
19/10/2011	✓	✓	✓

6. Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed by virtue of the Board's decision taken during its meetings held on the 1st of May 2010 and the 26th of May 2010, which consists of the following non-executive and independent members:

- Rashid Hamad Al Shamsi - Chairman
- Mussabeh Mohammed Al Qaizi - Member
- Ali Rashid Al Mazroei - Member

By virtue of the Ministerial Resolution No. 518 and as per its duties, the Committee performed the following tasks:

- Verified the independence of the Board's members in January and June 2011 by means of a form which was completed and signed by each independent member.
- Endorsed Human Resources policies with respect to promotions, employee benefits and employee performance evaluation based on individual or general corporate strategy-related objectives.
- Reviewed the Board members' remuneration policy.
- Verified that the remunerations and benefits granted to the Senior Executive Management are reasonable and in line with the company's performance.
- Assessed the annual salary increase and the employee performance evaluation results.
- Determining the company's needs for competencies at the Senior Executive Management and employee level, the basis for choosing them, as well as the employee training policy.

In 2011, the Nomination and Remuneration Committee held one meeting on September 6th which was attended by all its members.

7. Internal Control System

The Internal Control Department assesses the company's internal control environment and periodically submits its assessments to the Board of Directors. As such, the Board acknowledges its responsibility for the company's internal control system including its review and effectiveness.

Corporate Governance Report for 2011

Work mechanism of the Internal Control Department

The Internal Control Department reports to the Board of Directors through the Audit Committee following the latest international standards issued by the IIA as well as international best practices, in the following areas:

- Preparing the department's Balanced Scorecard in relation to the company's strategic plan.
- Setting an audit plan based on the risks faced by every division / department / section in order to prioritize the divisions by the highest risks. The said plan is discussed with the CEO and endorsed by the Audit Committee and Board of Directors.
- At the end of each audit process, preparing an audit report for every department including the objectives, scope, methodology and findings of the audit, as well as a risk assessment and an extensive assessment of the audited department or division according to the assessment matrix. Both DFM and NASDAQ Dubai Audit Committees are provided with a copy of the report and its findings in order to assess the internal control within each area of responsibility.
- At the end of the year, performing a risk assessment according to the control survey approved by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and consisting of the following five key elements: Control Environment, Risk Assessment, Information & Communication, Control Activities and Monitoring.
- Preparing quality assurance reports throughout the year in line with international standards.
- 75% of the endorsed audit plan was implemented including financial audits, Shari'a audits, compliance with rules, regulations and policies, work procedures, as well as information security and risks.
- The Internal Control Department was supported by qualified auditors in 2011 for further efficiency.
- Preparing an internal information security risk assessment report which was updated in October 2011.
- Following up on the implementation of corrective actions according to the reports issued by the internal and external auditors.
- Submitting to DFM and NASDAQ Dubai Audit Committees all the internal control and follow-up reports as well as the executive measures taken by the concerned department to enhance its internal control during 2011. This enables the Audit Committees to assess the internal control of their respective companies and raise the necessary recommendations to the Board of Directors.
- Coordinating with the external auditor, the Financial Audit Department, as well as the quality auditors.
- Offering consulting services with the aim of developing and improving work procedures.
- Monitoring the communication channels used for confidential reporting.
- Prepared Corporate Governance Report for the year 2011.

The Internal Control Department consists of five qualified employees:

Name:
Asma Saeed Lootah

Job Function:
Vice President - Secretary of the Board of Directors and Head of the Internal Control Department

Qualifications:
- Master of Finance from E. Philip Saunders College of Business, Rochester Institute of Technology since May 2011.
- Certified Management Accountant (CMA) since February 2001.
- Certified Lead Quality Auditor in ISO 9001:2000 from IRCA since May 2004.
- Bachelor degree from the Higher Colleges of Technology - Dubai Women's College since 2001.
- Higher Diploma in Accounting from the Higher Colleges of Technology - Dubai Women's College since 2000.
- Member of the IMA and AAA.
- Member of the ICSA Gulf Forum.

The Internal Control Department is supported by a qualified team consisting of the following members:

Mohammed Ahmed Assaleh:
Assistant Manager - Internal Control, holds an ACCA certificate since 2009 as well as a Bachelor's degree in Accounting from Yarmouk University since 2003.

Corporate Governance Report for 2011

Reda Farouq Shehata:
Internal and Shari'a auditor, holds a Bachelor's degree in Accounting since 1998 and a Higher Diploma in Financial Accounting since 2003 from Ain Shams University.

Sayed Hassan Shoaib:
Information Security Auditor holding an ITIL certificate since 2010, a COBIT certificate since 2009, a CISA certificate since 2008 as well as a Master's degree in IT since 2000.

Nash'at Adel Hasiba:
Compliance Officer holding a Bachelor's degree in Accounting from Damascus University since 1976.

The Internal Control Department's handling of any significant issues faced by the company or issues disclosed in the reports and annual accounts.
Depending on the nature of the issues and the level of related risks faced by the company as well as their impact on the financial statements, the Internal Control Department carries out the necessary analyses and discusses them with the Executive Management and external auditor to check whether a disclosure is needed in the financial statements. The department independently submits its findings and report to the Audit Committee which in turn discusses them with the Executive Management and the Internal Control Department, and raises its recommendations to the Board of Directors to take the necessary decision with respect thereto. In 2011, the company did not face any major issues; however, and according to the ISA320 (Materiality) Standard, the Internal Control Department carried out the necessary analysis of the fixed assets depreciation as a result of the modification of the fixed assets program, and on one of the company's investments.

8. Since its inception and until 2011, the company has never committed any violations.

9. DFM Corporate Social Responsibility in 2011

The company recorded the following achievements:

- Opening of the Educational Trading Room at the Higher Faculties of Technology (Dubai Men's College) in September 2011, to introduce students to interactive learning. The room includes two screens displaying real time stock prices, a real time price ticker and a large wall mount replicating DFM's official trading room.
- Organization of DFM's 9th Annual Stock Game between the 5th and 21st of April, 2011, attracting the participation of 3,430 students and 27 educational institutions.
- Organization of the Summer Stock Game between the 2nd and 27th of July, 2011.
- Organization of the summer training program for UAE students between the 3rd and 28th of July, 2011.
- Participation in the "Ata'ahad" Campaign, part of the safe driving campaign launched by the Emirates Today newspaper in October 2011.
- Launched the Employee Health Day in May 2011, in which the employees of DFM and the brokerage firms underwent a medical health check.
- Organization of a religious awareness seminar for DFM employees inviting His Eminence Sheikh Omar Abdul Kafi to give a religious lecture during the Holy Month of Ramadan, in August 2011.
- Ongoing sponsorship of the DFM football team and participation in national championships to encourage employee communication beyond the work environment.
- Participating in the organization of the UAE's 40th National Day through the Business Development Division team in December 2011.
- Charity donation of unused equipment and machines in September 2011.

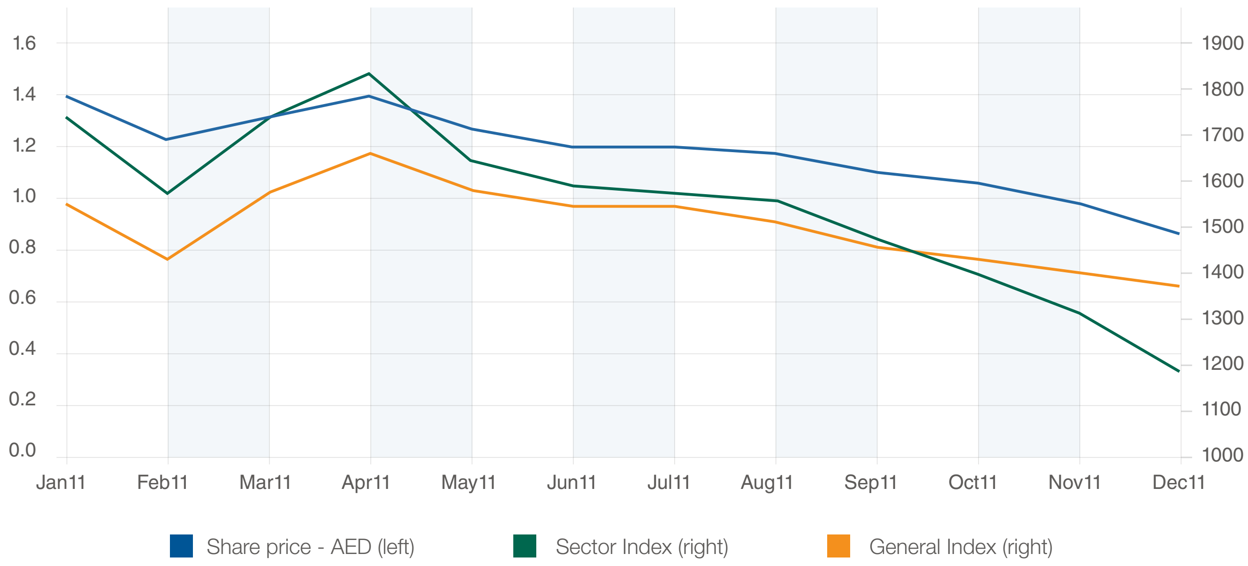
Corporate Governance Report for 2011

10. General information

The company's (maximum and minimum) share price at the end of each month for the fiscal year ending on 31/12/2011.

Month	Maximum price during the month	Minimum price during the month	Closing price at the end of the month	Market Index	Sector Index
January	1.55	1.30	1.38	1534.40	1732.20
February	1.50	1.21	1.21	1410.70	1562.24
March	1.38	1.08	1.31	1556.04	1727.71
April	1.47	1.28	1.37	1634.13	1830.22
May	1.37	1.18	1.24	1559.92	1629.57
June	1.34	1.15	1.17	1516.93	1578.22
July	1.22	1.13	1.16	1517.58	1572.85
August	1.19	1.08	1.15	1492.44	1534.84
September	1.16	1.08	1.08	1431.71	1456.67
October	1.10	0.96	1.03	1408.06	1377.05
November	1.02	0.89	0.957	1378.94	1293.00
December	0.987	0.825	0.84	1353.39	1164.04

Performance of the company's share price, DFM's General Index and Sector Index



Corporate Governance Report for 2011

Shareholder ownership distribution according to the trading activities on 29/12/2011 and settlement on 3/1/2012 (individuals, companies and governments) is classified as follows: GCC, Arab and others.

Description	Nationality	Number of shares as on 3rd January 2012	Ownership %	Share value
Bank	Arab	215,000	0.0027	181,030.00
Bank	GCC	996,228	0.0125	838,823.98
Bank	Other	7,801,298	0.0975	6,568,692.92
Bank	Local	58,107,234	0.7263	48,926,291.03
Company	Arab	11,072,004	0.1384	9,322,627.37
Company	GCC	8,681,895	0.1085	7,310,155.59
Company	Other	153,047,104	1.9131	128,865,661.57
Company	Local	6,784,199,027	84.8025	5,712,295,580.73
Government	Local	13,347,953	0.1668	11,238,976.43
Individual	Arab	152,309,875	1.9039	128,244,914.75
Individual	GCC	16,200,847	0.2025	13,641,113.17
Individual	Other	171,801,418	2.1475	144,656,793.96
Individual	Local	616,980,767	7.7123	519,497,805.81
Individual establishment	GCC	4,302,002	0.0538	3,622,285.68
Individual establishment	Other	3,500	0.000	2,947.00
Individual establishment	Local	933,848	0.0117	786,300.02

Borse Dubai owns 6,370,000,000 DFM shares, which is 79.625% of the company's shares.

No significant events occurred at the company during 2011.

Abdul Jalil Yousef Darwish
Chairman
Dubai Financial Market (PJSC)

Date: 26/02/2012

Financial Statements

Independent Auditors Report

THE SHAREHOLDERS
DUBAI FINANCIAL MARKET (DFM) - PJSC
DUBAI
UNITED ARAB EMIRATES

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Dubai Financial Market (DFM) - PJSC (the “Company”), and it’s subsidiaries (together the “Group”) Dubai, United Arab Emirates, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dubai Financial Market (DFM) - PJSC, Dubai, United Arab Emirates and it’s subsidiaries as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw your attention to the following:

1. Note 11 to the consolidated financial statements “Due from financial institution” regarding the Group’s deposit with a financial institution.
2. The matters described in Note 4 “Critical accounting judgements and key sources of estimation uncertainty”, Note 9 “Goodwill and intangible assets” are of a judgemental nature and the outcome of certain estimates and assumptions described in these Notes could have a material effect on the amounts recorded in the consolidated statement of financial position and the consolidated statement of comprehensive income of the Group.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the UAE Federal Commercial Companies Law No. 8 of 1984, as amended, or of the Company’s Articles of Association and its subsidiaries which might have materially affected the financial position of the Company or the results of its operations for the year.

Deloitte & Touche (M.E.)

Anis F. Sadek
(Reg. No. 521)

Dubai
February 26, 2012

Consolidated Statement of Financial Position

AS OF DECEMBER 31, 2011

	Note	2011 AED '000	2010 AED '000
ASSETS			
Non-current assets			
Investment deposits	5	**810,000**	810,000
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	7	**456,400**	515,407
Due from a financial institution	11	**257,260**	257,260
Property and equipment	8	**21,889**	40,006
Intangible assets	9	**2,571,384**	2,647,238
Goodwill	9	**2,878,874**	2,878,874
Total non-current assets		**6,995,807**	7,148,785
Current assets			
Cash and bank balances	10	**50,980**	247,980
Other financial assets measured at fair value through profit and loss (FVTPL)	6	**-**	9,777
Investment deposits	5	**631,426**	482,150
Prepaid expenses and other receivables	12	**19,164**	23,674
Due from a related party	20	**917**	2,618
Total current assets		**702,487**	766,199
Total Assets		**7,698,294**	7,914,984
EQUITY AND LIABILITIES			
Equity			
Share capital	13 (a)	**8,000,000**	8,000,000
Treasury shares	13 (b)	**(4,364)**	(4,364)
		7,995,636	7,995,636
Net initial public offering surplus	14	**-**	31,608
Investments revaluation reserve - FVTOCI	15	**(981,821)**	(944,741)
Statutory and other reserves	15	**247,016**	247,016
Retained earnings		**218,190**	375,634
Capital reserve	14, 16	**-**	(181,950)
Equity attributable to owners of the company		**7,479,021**	7,523,203
Non-controlling interest		**23,511**	31,370
Total equity		**7,502,532**	7,554,573
Non-current liabilities			
Provision for employees' end of service indemnity	18	**6,717**	6,065
Subordinated loan	20	**20,366**	58,414
Total non-current liabilities		**27,083**	64,479
Current liabilities			
Payables and accrued expenses	19	**100,108**	41,022
Dividends payable	17	**20,071**	206,410
Due to a related party	20	**48,500**	48,500
Total current liabilities		**168,679**	295,932
Total Liabilities		**195,762**	360,411
Total Equity and Liabilities		**7,698,294**	7,914,984

The accompanying notes form an integral part of these financial statements.

Chairman

Managing Director and CEO

Consolidated Income Statement

FOR THE YEAR ENDED DECEMBER 31, 2011

	Notes	2011 AED '000	2010 AED '000
Revenues			
Trading commission fees		**76,795**	158,725
Brokerage fees		**18,082**	20,838
Ownership transfer and mortgage fees		**19,251**	6,867
Other fees		**9,776**	3,218
Operating income		**123,904**	189,648
Net investment revenue	21	**54,555**	73,168
Other income		**4,724**	975
Change in fair value of financial assets measured at fair value through profit and loss (FVTPL)		**(405)**	984
General and administrative expenses	22	**(113,755)**	(113,922)
Property and equipment write-off	8	**(6,173)**	-
Amortization of intangible assets	9	**(75,854)**	(75,854)
Interest expense		**(1,715)**	(1,536)
Net (loss) / profit for the year		**(14,719)**	73,463
Attributable to :			
Owners of the company		**(6,860)**	78,961
Non-controlling interest		**(7,859)**	(5,498)
		(14,719)	73,463
(Loss) / earnings per share – AED	23	**(0.001)**	0.010

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 AED '000	2010 AED '000
Net (loss) / profit for the year	**(14,719)**	73,463
Other comprehensive loss		
Net loss on revaluation of investments measured at FVTOCI	**(37,322)**	(51,252)
Other comprehensive loss for the year	**(37,322)**	(51,252)
Total comprehensive (loss) / income for the year	**(52,041)**	22,211
Total comprehensive (loss) / income attributable to:		
Owners of the Company	**(44,182)**	27,709
Non-controlling interest	**(7,859)**	(5,498)
	(52,041)	22,211

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2011

	Share capital	Treasury shares	Net initial public offering surplus	Investments revaluation reserve FVTOCI	Capital reserve	Statutory and other reserves	Retained earnings	Attributable to owners of the company	Non-controlling interest	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Balance at 31 December 2009	**8,000,000**	**(55,864)**	**31,608**	**(1,163,469)**	**-**	**239,120**	**971,837**	**8,023,232**	**-**	**8,023,232**
Net profit for the year	-	-	-	-	-	-	78,961	78,961	(5,498)	73,463
Other comprehensive loss for the year	-	-	-	(51,252)	-	-	-	(51,252)	-	(51,252)
Total comprehensive income for the year	-	-	-	(51,252)	-	-	78,961	27,709	(5,498)	22,211
Arising on acquisition of a subsidiary (Note 16)	-	-	-	-	(181,950)	-	-	(181,950)	36,868	(145,082)
Transfer to statutory reserve	-	-	-	-	-	7,896	(7,896)	-	-	-
Transfer to retained earnings on disposal of FVTOCI investments	-	-	-	269,980	-	-	(269,980)	-	-	-
Dividends (Note 17)	-	-	-	-	-	-	(397,288)	(397,288)	-	(397,288)
Transfer of treasury shares on acquisition of a subsidiary (Note 13b)	-	51,500	-	-	-	-	-	51,500	-	51,500
Balance at 31 December 2010	**8,000,000**	**(4,364)**	**31,608**	**(944,741)**	**(181,950)**	**247,016**	**375,634**	**7,523,203**	**31,370**	**7,554,573**
Net loss for the year	-	-	-	-	-	-	(6,860)	(6,860)	(7,859)	(14,719)
Other comprehensive loss for the year	-	-	-	(37,322)	-	-	-	(37,322)	-	(37,322)
Total comprehensive loss for the year	-	-	-	(37,322)	-	-	(6,860)	(44,182)	(7,859)	(52,041)
Transfer to retained earnings (Note 14)	-	-	(31,608)	-	181,950	-	(150,342)	-	-	-
Transfer to retained earnings on disposal of FVTOCI investments	-	-	-	242	-	-	(242)	-	-	-
Balance at 31 December 2011	**8,000,000**	**(4,364)**	**-**	**(981,821)**	**-**	**247,016**	**218,190**	**7,479,021**	**23,511**	**7,502,532**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011 AED '000	2010 AED '000
Cash flows from operating activities		
Net (loss)/profit for the year	(14,719)	73,463
Adjustments for:		
Depreciation of property and equipment	16,733	17,212
Provision for employees' end of service indemnity	1,239	1,475
Amortization of intangible assets	75,854	75,854
(Reversal) / provision for doubtful accounts expense	(329)	560
Change in fair value of FVTPL investments	405	(984)
Property and equipment write-off	6,173	-
Interest expense	1,715	1,536
Islamic investment deposits profit	(51,046)	(69,647)
Dividend income	(3,509)	(3,521)
Loss on disposal of property and equipment	11	-
Operating profit before changes in operating assets and liabilities	32,527	95,948
Decrease in prepaid expenses and other receivables	6,518	52,371
Decrease in due from a related party	1,701	1,296
Increase/(decrease) in payables and accrued expenses	59,086	(42,444)
Cash generated from operations	99,832	107,171
Employees' end of service indemnity paid	(587)	(298)
Net cash generated from operating activities	99,245	106,873
Cash flows from investing activities		
Proceeds from redemption of financial assets measured at FVTOCI	21,715	437,134
Proceeds from redemption of investment measured at FVTPL	9,342	-
Acquisition of a subsidiary, net of cash acquired	-	(140, 410)
Purchase of property and equipment	(4,908)	(11,389)
Proceeds from sale of property and equipment	108	-
Net investment deposits	(34,470)	(13,775)
Revenue received from investments deposits	49,367	69,647
Dividend received	3,509	3,521
Net cash generated from investing activities	44,663	344,728
Cash flows from financing activities		
Dividends paid to shareholders	(186,339)	(314,018)
Net cash used in financing activities	(186,339)	(314,018)
Net (decrease) / increase in cash and cash equivalents	(42,431)	137,583
Cash and cash equivalents, beginning of the year	476,827	339,244
Cash and cash equivalents, end of the year (Note 10)	434,396	476,827

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2011

1. Establishment and operations

Dubai Financial Market (DFM) - PJSC (the “Company” or “DFM”) is a public joint stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 issued by the Ministry of Economy on February 6, 2007, and is subject to the provisions of the U.A.E. Federal law No. 8 for the year 1984 and its amendments.

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

The Company’s shares are listed on Dubai Stock Exchange.

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 Centre, Sheikh Zayed Road, P.O. Box 9700, Dubai.

The ultimate parent and controlling party is the Government of Dubai.

The shares owned by Dubai Government are registered in the name of Borse Dubai Limited, (the “Parent Company”).

On 24 May 2010, the Company acquired 67% of NASDAQ Dubai share capital for an amount of AED 204 million as cash consideration and 50 million treasury shares valued at AED 92 million whereby 33% of the residual share capital of NASDAQ Dubai is owned by the Parent Company (Note 16).

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1. New and revised International Financial Reporting Standards (IFRSs) adopted with no material effect on the consolidated financial statements.

The following new and revised IFRSs have been adopted in these consolidated financial statements. The adoption of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 1 relating to Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	1 July 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IAS 24 Related Party Disclosures (revised in 2009)	1 January 2011
Amendments to IFRIC 14 relating to Prepayments of a Minimum Funding Requirement	1 January 2011
Improvements to IFRSs issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	1 January 2011, except IFRS 3 and IAS 27 which are effective from 1 July 2010
Amendment to IAS 32 Financial Instruments: Presentation, relating to Classification of Rights Issues	1 February 2010

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

2.2. New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted

The Group has not yet adopted the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements: relating to grouping items recognised in other comprehensive income.	1 July 2012
Amendments to IAS 12: Income Taxes relating to Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 Employee Benefits (revised 2011)	1 January 2013
IAS 27 Separate Financial Statements (revised in 2011)*	1 January 2013
IAS 28 Investments in Associates and Joint Ventures (revised in 2011)*	1 January 2013
Amendments to IFRS 1 Removal of Fixed Dates for First-Time Adopter	1 July 2011
Amendments to IFRS 1 Severe Hyperinflation	1 July 2011
Amendments to IFRS 7 Financial Instruments: Disclosures, relating to Disclosures on Transfers of Financial Assets	1 July 2011
IFRS 10 Consolidated Financial Statements*	1 January 2013
IFRS 11 Joint Arrangements*	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 Fair Value Measurement	1 January 2013
IFRS 7 Financial Instruments: Disclosures- amendments enhancing disclosures about offsetting of financial assets and financial liabilities	1 January 2013 and interim periods within those periods
IFRS 7 Financial Instruments: Disclosures- amendments requiring disclosures about the initial application of IFRS 9	1 January 2015 (or otherwise when IFRS 9 is first adopted)
IAS 32 Financial Instruments: Presentation- amendments to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2012 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set below.

3.3 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its Subsidiaries (together the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Details of the Subsidiaries are as follows:

Company name	Activity	Country of incorporation	Ownership held
NASDAQ Dubai	Electronic Financial Market	U.A.E.	67%

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

3.4 Business Combination

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Chairman's Statement
Statement of the Managing Director and CEO
DFM Financial Performance Summary
Macroeconomic Developments and Market Environment
DFM PJSC Strategy
DFM Achievements in 2011
DFM Performance in 2011
Corporate Governance Report for 2011
Financial Statements

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

3.5 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised so as to write off their cost over their estimated useful lives, using the straight-line method as follows:

	Years
License to operate as a Stock Exchange	50
Relationship with market participants (Brokers)	10
Historical trading database	5

3.6 Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised subsequently measured at cost less any accumulated impairment losses. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3.7 Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement at the fair value of the consideration received or receivable as follows:

Trading commission fees, ownership transfer and mortgage fees are recognized on the date of transaction in the market.

Brokers' license fees are recognised on the date of granting the license and are recognised on a life time proportion basis.

Dividend
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Return on Islamic investment deposits
Return on Islamic investment deposits are recognised based on the expected minimum rate of return specified in the investment agreement on time proportion basis, and reconciled to actual on maturity date.

3.8 Leasing

Leases are classified as finance leases, where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.9 Foreign currency transactions

For the purpose of these consolidated financial statements UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.10 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.

Subsequent costs are included in the asset's carrying amount or recognized 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.

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
Leasehold improvements	4
Computers and information system	3-5
Furniture and office equipment	3-10
Motor vehicles	4

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 or retirement 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 profit or loss.

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

3.11 Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in consolidated income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.12 Employees' 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 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 for the year.

3.13 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

3.14 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. 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

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

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 profit or loss.

3.15 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):

- 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 on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income and expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income and expenses are recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income and expense are recognised in profit or loss and is included in the "net investment revenue" line item.

Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

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 and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI 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 will not be reclassified to profit or loss on disposal of the investments.

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

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'net investment revenue' (Note 21).

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (see above).

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re measurement recognised in profit or loss. Fair value is determined in the manner described in Note 26.

Interest income on debt instruments as at FVTPL is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue and is included in the net gain or loss described above.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the consolidated income statement.

Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

3.16 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'interest expense' line item.

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 consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to the 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.

Critical judgments in applying Group's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), 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 or other valuation models.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Intangible assets

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

- Impairment of goodwill

Impairment of goodwill is tested annually (as of December 31) and when circumstances indicate the carrying value may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the estimation of the future cash flows expected to arise from the cash-generating unit, a suitable growth rate and a suitable discount rate in order to calculate present value. It is reasonably possible on the basis of existing knowledge that outcomes within the next financial year that are different from estimates made could require material adjustment to the carrying amount of the goodwill.

The key assumptions used to determine the recoverable amount for the cash generating unit are further explained in note 9 to the financial statements.

- 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.

- Allowance for doubtful debts

At each reporting date, the management conducts a detailed review of receivable balances, an allowance for doubtful debts is established based on this review, management experience and prevailing economic conditions.

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

5. Investment Deposits

	2011 AED '000	2010 AED '000
Current:		
Islamic investment deposits maturing in less than 3 months from the date of deposit (Note 10)	**383,416**	228,847
Islamic investment deposits maturing in more than 3 months from the date of deposit but before 31 December 2012	**187,862**	123,532
Investment deposit maturing in more than 3 months from the date of deposit but before 31 December 2012	**60,148**	129,771
	631,426	482,150
Non-current:		
Islamic investment deposits maturing after 31 December 2012	**810,000**	810,000
	1,441,426	1,292,150

As per the deposit agreements, returns on these investments range from 0.6% to 4.2% (2010: 3.00% to 6.50% per annum).

The Group's subsidiary NASDAQ has obtained AED 36.70 million (US$ 10 million) (2010: AED 91.75 million – US$ 25 million) overdraft line for working capital purposes, which remains unutilized. This facility is fully collateralised by a fixed deposit of AED 36.70 million (US$ 10 million) (2010: AED 91.75 million – US$ 25 million).

6. Other financial assets measured at fair value through profit and loss (FVTPL)

	2011 AED '000	2010 AED '000
Al Islamic Capital Protected CROCI	-	9,777

The Al Islamic Capital Protected CROCI investment was a capital guaranteed investment product that provided exposure to international stock markets. The product had 5 years of capital protection till July 2011 and had a fortnightly redemption facility. During July 2011 the Group redeemed this investment.

7. Other financial assets measured at fair value through other comprehensive income (FVTOCI)

	2011 AED '000	2010 AED '000
Investment in equity securities	**150,515**	181,704
Managed funds	**305,885**	333,703
	456,400	515,407

Investments by geographic concentration are as follows:

	2011 AED '000	2010 AED '000
Within UAE	**384,971**	435,181
Outside UAE	**71,429**	80,226
	456,400	515,407

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

8. Property and Equipment

	Computers and information system	Leasehold improvement	Furniture and office equipment	Motor vehicles	Work-in-progress	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Cost						
At 31 December 2009	67,461	11,266	10,598	252	9,354	98,931
Acquisition of a Subsidiary (Note 16)	45,186	-	15,200	-	-	60,386
Additions	966	-	141	-	10,282	11,389
Transfers	10,285	-	-	-	(10,285)	-
At 31 December 2010	123,898	11,266	25,939	252	9,351	170,706
Additions	500	-	1,851	-	2,557	4,908
Transfers	10,071	-	863	-	(10,934)	-
Write-off	-	-	(13,447)	-	-	(13,447)
Disposal	(2,098)	-	(1,655)	-	-	(3,753)
At 31 December 2011	**132,371**	**11,266**	**13,551**	**252**	**974**	**158,414**
Accumulated depreciation						
At 31 December 2009	48,814	10,280	9,653	252	-	68,999
Acquisition of a Subsidiary (Note 16)	37,238	-	7,251	-	-	44,489
Charge for the year	15,246	500	1,466	-	-	17,212
At 31 December 2010	101,298	10,780	18,370	252	-	130,700
Charge for the year	14,436	486	1,811	-	-	16,733
Write-off	-	-	(7,274)	-	-	(7,274)
Disposal	(2,094)	-	(1,540)	-	-	(3,634)
At 31 December 2011	**113,640**	**11,266**	**11,367**	**252**	**-**	**136,525**
Carrying amount						
At 31 December 2011	**18,731**	**-**	**2,184**	**-**	**974**	**21,889**
At 31 December 2010	22,600	486	7,569	-	9,351	40,006

During the year the subsidiary wrote-off assets in the amount of AED 13 million with accumulated depreciation of AED 7 million which resulted a loss of AED 6 million.

Chairman's Statement
Statement of the Managing Director and CEO
DFM Financial Performance Summary
Macroeconomic Developments and Market Environment
DFM PJSC Strategy
DFM Achievements in 2011
DFM Performance in 2011
Corporate Governance Report for 2011
Financial Statements

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

9. Goodwill and intangible assets

9.1 Intangible assets

	License to operate as a Stock Exchange	Relationships with market participants (Brokers)	Historical trading database	Total
	AED '000	AED '000	AED '000	AED '000
Cost				
As at 31 December 2009	2,824,455	58,744	67,455	2,950,654
As at 31 December 2010	2,824,455	58,744	67,455	2,950,654
As at 31 December 2011	**2,824,455**	**58,744**	**67,455**	**2,950,654**
Amortization				
As at 31 December 2009	169,467	17,622	40,473	227,562
Charge for the year	56,489	5,874	13,491	75,854
As at 31 December 2010	225,956	23,496	53,964	303,416
Charge for the year	56,489	5,874	13,491	75,854
As at 31 December 2011	**282,445**	**29,370**	**67,455**	**379,270**
Carrying amount				
At 31 December 2011	**2,542,010**	**29,374**	**-**	**2,571,384**
At 31 December 2010	2,598,499	35,248	13,491	2,647,238

9.2 Impairment testing of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. In management's view, Dubai Financial Market's only cash generating unit is at the Group level, and to arrive at the value in use ("VIU") for the cash generating unit ("CGU") the management used discounted cash flows ("DCF") to calculate the recoverable amount to which goodwill is allocated. The following key assumptions were used in the model:

1. The only cash generating unit is at the Group level to which goodwill has been allocated;
2. Cash flows used in determining VIU were projected for five years based on historical experience; cash flows beyond that five years period have been extrapolated using a steady growth rate of 4.5%per annum which is the projected GDP rate for the U.A.E..
3. Discount rate of 12% was used to discount the cash flows projected which was estimated based on the current risk free rate, current market risk premium, and the beta coefficient related to the Group.

Any material adverse change in these key assumptions would result in an impairment loss. The Board of the Group believes that the key assumptions are appropriate and as at December 31, 2011 there is no impairment of the goodwill.

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

10. Cash and bank balance

	2011 AED '000	2010 AED '000
Cash on hand	**267**	304
Bank balances:		
Current accounts	**30,409**	17,901
Saving accounts	**11,954**	231
Mudarabah accounts	**8,350**	229,544
	50,980	247,980
Add: Islamic investment deposit maturing in less than 3 months from the date of deposit (Note 5)	**383,416**	228,847
Cash and cash equivalents	**434,396**	476,827

The rate of return on the Mudarabah accounts are between 0.50% and 1% (2010: 1.50% to 1.68%) per annum.

Members margin deposits are included in current account as clearing members are required to provide margin in respect of their clearing and settlement obligations to the NASDAQ Dubai. Margins are held in a segregated account in the name of NASDAQ Dubai at a clearing bank. Margins provided by a clearing member are used by the NASDAQ Dubai towards discharging the clearing members' obligations to NASDAQ Dubai (if any) following a declared default by that clearing member.

11. Due from a financial institution

The balance represents an Islamic investment deposit amounting to AED 257 million, held with a financial institution which is under restructuring. This deposit matured during the year ended December 31, 2010 but was neither withdrawn nor reinvested with the said financial institution as at the year ended December 31, 2011. The Group's management is not in a position to assess its investment for any impairment pending consideration of the outcomes of the restructuring.

12. Prepaid expenses and other receivables

	2011 AED '000	2010 AED '000
Accrued profit on Islamic investment deposits	**8,262**	9,941
Accrued trading commission fees	**471**	751
Due from brokers	**2,894**	5,461
Prepaid expenses	**5,371**	5,601
Other receivables	**4,656**	4,739
	21,654	26,493
Less: Allowance for doubtful debts	**(2,490)**	(2,819)
	19,164	23,674

Accrued trading commission fees are collected within two working days from the trading date. Accrued revenue from Islamic investments deposits are collected on the due date of the profit as set in the contractual agreements with the financial institution.

Movement in allowance for doubtful debts:

	2011 AED '000	2010 AED '000
Opening balance	**2,819**	2,259
(Write back) / charge during the year	**(329)**	560
Ending balance	**2,490**	2,819

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

13. Share capital

a. The Company's share capital of AED 8 billion is divided into 8 billion shares of AED 1 per share. The Company has one class of ordinary share which carries no right of fixed income.

b. As part of the acquisition of NASDAQ Dubai (Note 16), the Company transferred 50 million of its treasury shares to NASDAQ OMX.

14. Transfers to retained earnings

The Board of Directors on their meeting held on 14 March 2011 proposed to transfer the capital reserve and the net initial public offering surplus to retained earnings. This proposal was ratified by the shareholders during the Ordinary General Assembly Meeting held on 24 April 2011.

15. Statutory and other reserves

	Statutory reserve AED '000
Balance as of 31 December 2009	239,120
Transfer from net income for the year	7,896
Balance as of 31 December 2010	247,016
Transfer from net income for the year	-
Balance as of 31 December 2011	**247,016**

Statutory reserve

In accordance with U.A.E. Federal Companies Law Number 8 of 1984, as amended, the Group has established a statutory reserve by appropriation of 10% of its net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution, except as stipulated by the Law.

Special reserve

As per the Company's original Articles of Association, 10% of the Group's annual net profit is to be allocated to special reserve until this reserve reaches 50% of the paid up capital.

During 2009, the shareholders resolved to stop allocation to the special reserve and to transfer the accumulated balance to retained earnings.

General reserve

As per the Company's original Articles of Association, 10% of the Group's annual net profit is to be allocated to general reserve until this reserve reaches 20% of the paid up capital. During 2009, the shareholders resolved to stop allocation to the general reserve and to transfer the accumulated balance to retained earnings.

Investments revaluation reserve - FVTOCI

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

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

16. Acquisition of NASDAQ Dubai Limited

On 22 December 2009, DFM announced that it had made an offer to Borse Dubai and The NASDAQ OMX Group Inc. ("NASDAQ OMX") to acquire 100% of NASDAQ Dubai.

The offer, which was approved by Borse Dubai and NASDAQ OMX, was valued at AED 445 million and comprised of AED 353 million in cash and 50 million DFM shares. The transaction was endorsed by DFM's Board of Directors on Monday December 21, 2009 and was subject to certain closing conditions. On 2 March 2010 the parties signed the share sale and purchase agreement, which was conditional upon satisfaction of certain conditions.

On completion of the transaction NASDAQ OMX will become a shareholder of DFM through a minority stake of 1%. NASDAQ OMX will continue to allow NASDAQ Dubai to use its brand and technology. The NASDAQ OMX stake in DFM will not require issuance of new shares as 50 million shares will be transferred from DFM and an additional 30 million shares will be purchased from Borse Dubai.

As per the transaction term sheet, the parties agreed that DFM will acquire 100% of the share capital of NASDAQ Dubai from Borse Dubai and NASDAQ OMX (67% and 33% shareholding respectively). The total consideration for the transaction due from DFM will amount to AED 445 million to be paid as follows:

1. First completion, which was executed on 24 May 2010 by transferring 50 million DFM treasury shares to NASDAQ OMX and paying a cash consideration of AED 56 million to Borse Dubai to transfer 30 million of DFM shares to NASDAQ OMX in order to acquire 5 million shares of NASDAQ Dubai.
2. Second completion, which was executed on 24 May 2010 by paying cash consideration of AED 148 million to Borse Dubai to acquire additional 5 million shares of NASDAQ Dubai.
3. Third completion, related to the transfer of the last 5 million shares of NASDAQ Dubai to DFM for a cash consideration of AED 148 million from Borse Dubai, shall take place on a date no later than 31 December 2010 (or such other date as may agreed by DFM and Borse Dubai), at such place and time as agreed by DFM and Borse Dubai. The Board of Directors of Dubai Financial Market held a meeting on 8 January 2011 and resolved to postpone the execution of the third completion to date that will be mutually agreed with Borse Dubai.

After completing the first and second completion, NASDAQ Dubai is currently 67% owned by DFM and 33% by Borse Dubai.

The consolidated financial statement for the year ended 31 December 2010 includes total assets of AED 168 million (2010: AED 182 million), total liabilities of AED 98 million (2010: AED 88 million) and a net loss of AED 23.6 million (2010: AED 16 million) as a result of the consolidation of NASDAQ Dubai. The book value of assets and liabilities acquired at 24 May 2010 were as follows:

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

	24 May 2010 AED '000
Net assets acquired at book value	
Property and equipment	15,897
Investments in securities	8,792
Fixed deposit	91,750
Cash and cash equivalents	63,782
Other assets	5,872
Current accounts - margin deposits	44,051
Payables and accrued expenses	(17,022)
Due to members	(44,021)
Subordinated loan	(56,878)
Provision for employees' end of service indemnity	(1,609)
	110,614
Less: Non-controlling interest	(36,868)
Net assets acquired	73,746
Purchase consideration	(296,779)
Excess of purchase consideration over net assets acquired	**(223,033)**
Capital reserve:	
Excess of purchase consideration over net assets acquired	(223,033)
Premium arising on transfer of 50 million treasury share to NASDAQ OMX	41,083
	(181,950)
Net cash outflow arising on acquisition	
Cash consideration paid	(204,192)
Cash and cash equivalent acquired	63,782
	(140,410)

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

17. Dividends Payable

During 2011 the Group did not declare any dividends, and during 2010 the Board of Directors proposed in their meeting held on 2 March 2010 a cash dividend of 5% of issued share capital, the proposal was ratified by the shareholders during their Annual General Assembly Meeting held on 21 April 2010.

18. Provision for employees' end of service indemnity

	2011 AED '000	2010 AED '000
Balance at the beginning of the year	**6,065**	3,279
Acquisition of a Subsidiary (Note 16)	**-**	1,609
Charged during the year	**1,239**	1,475
Paid during the year	**(587)**	(298)
Balance at the end of the year	**6,717**	6,065

19. Payables and accrued expenses

	2011 AED '000	2010 AED '000
Brokers' deposits	**8,030**	-
Due to U.A.E. Securities and Commodities Authority	**1,452**	1,496
Unearned revenue	**6,790**	5,368
Accrued expenses and other payables	**15,984**	14,266
Dividends payable on behalf of other companies	**26,636**	-
Members margin deposits	**21,192**	11,205
iVESTOR Cards	**19,424**	8,687
Provision for board and committees meeting allowance "DFM"	**600**	-
	100,108	41,022

Members' margin deposits represent amounts received from the clearing members in respect of their clearing and settlement obligations to the NASDAQ Dubai. Margins are held in a segregated account in the name of the NASDAQ Dubai at a clearing bank (Note 10).

During the year the Group launched a new service to manage the distribution of dividends on behalf of companies listed in the market, the funds received from these companies towards these dividends are included as part of account payables and amounted to AED 26.6 million (2010: nil).

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

20. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. Related parties comprise companies under common ownership and/or common management and control and key management personnel.

At the reporting date, due from a related party was as follows:

	2011 AED '000	2010 AED '000
Due from a related party		
Parent company		
Borse Dubai Limited - Islamic investment deposits	**134,728**	149,882
Borse Dubai Limited - current account	**917**	2,618
Borse Dubai Limited - Accrued profit	**3,094**	4,893

At the reporting date, due to related parties were as follows:

	2011 AED '000	2010 AED '000
Due to related parties		
Ultimate controlling party		
Dubai Government	**48,500**	48,500
Parent company		
Borse Dubai Limited - dividends payable	**-**	164,000
Borse Dubai Limited - subordinated loan	**20,366**	58,414

As per the initial public offering prospectus, 20% of the share capital amounting to AED 1,600,000,000 was offered for public subscription for the credit of Dubai Government of which AED 48.5 million remains as due to the Dubai Government.

The subordinated loan has been provided by the parent company, Borse Dubai Ltd. to the Group. The subordinated loan is unsecured, has no fixed repayment date and bears interest rate of 12 month LIBOR plus 3.25% on the outstanding balance. The subordinated loan is classified as non-current because the parent company has confirmed that it will not seek repayment.

The nature of significant related party transactions and amounts involved were as follows:

	2011 AED '000	2010 AED '000
Profit on investment deposits	**7,268**	9,463
Pledging fee	**15,543**	-
Rent and service expense	**10,146**	9,030
Interest expense	**1,715**	1,536

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

Compensation of key management personnel

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

	2011 AED '000	2010 AED '000
Short-term benefits	7,267	8,632
General pension and social security	577	569
Board remuneration (NASDAQ Dubai)	3,739	1,401
Board and committees meeting allowance "DFM"	600	-

21. Net investment revenue

	2011 AED '000	2010 AED '000
Return on Islamic investment deposits	51,046	69,647
Dividends	3,509	3,521
	54,555	73,168

22. General and administrative expenses

	2011 AED '000	2010 AED '000
Payroll and other benefits	56,649	57,226
Rent	9,202	9,030
Depreciation	16,733	17,212
Professional expenses	1,619	1,889
Maintenance expenses	9,531	13,911
Other	20,021	14,654
	113,755	113,922

23. Earning per share (loss)

	2011 AED '000	2010 AED '000
Net (loss) / profit for the year attributable to the owner of the company (AED '000)	(6,860)	78,961
Authorized 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
Weighted average number of shares ('000)	7,995,763	7,976,037
(Loss) / earning per share - AED	(0.001)	0.010

Basic (loss) / earnings per share are calculated by dividing the net (loss) / profit for the year attributable to the shareholders of the Group by the number of weighted average outstanding as of the reporting date.

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

24. Commitments

	2011 AED '000	2010 AED '000
Commitments for the purchase of property and equipment	**465**	5,177

The commitment to acquire the remaining 33% of NASDAQ Dubai is required to be settled on the completion of the acquisition for AED 148 million. The carrying value of the 33% non-controlling interest of NASDAQ Dubai at 31 December 2011 is AED 23 million.

25. Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders.

26. Financial instruments

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

Financial risk management objectives
The Group 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 currency risk, and price risk and interest rate risk), credit risk and liquidity risk.

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

Interest rate risk management
The Group's exposure to interest rate risk relates to its subordinated loan and bank fixed deposits.

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities (subordinated loan), the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by AED 101,830. (2010: AED 292,070).

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

Price risks

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade in these investments.

Equity price sensitivity analysis

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

If equity prices had been 5% higher/lower:

- Net profit for the year ended 31 December 2011 would have been increase/decrease AED nil (2010: AED 488,850) relating to change of the prices of the financial assets through profit and loss.
- Investment revaluation reserves would increase/decrease by AED 23 million (2010: AED 26 million) as a result of the changes in fair value of the investments.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transact with licensed brokers. The credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

Although the Group's credit exposure is to a group of counterparties having similar characteristics and industry, the credit risk is limited because the counterparties collateralized their debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Bard 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 liquidity profile of financial assets and financial liabilities were as follows:

	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2011	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
FINANCIAL ASSETS						
Cash and bank balances	50,980	-	-	-	-	50,980
Investment deposits	383,416	248,010	-	810,000	-	1,441,426
Other financial assets FVTOCI	-	-	-	456,400	-	456,400
Due from a related party	-	-	917	-	-	917
Due from financial institution	-	-	-	257,260	-	257,260
Other receivables	16,283	-	-	-	-	16,283
Total financial assets	**450,679**	**248,010**	**917**	**1,523,660**	**-**	**2,223,266**
FINANCIAL LIABILITIES						
Payables and accrued expenses	113,389	-	-	-	6,717	120,106
Subordinated loan	-	-	-	20,366	-	20,366
Due to a related party	-	-	48,500	-	-	48,500
Total financial liabilities	**113,389**	**-**	**48,500**	**20,366**	**6,717**	**188,972**

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

31 December 2010	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 ASSETS						
Cash and bank balances	247,980	-	-	-	-	247,980
Investment deposits	228,847	1,850	251,453	810,000	-	1,292,150
Other financial assets FVTOCI	-	-	-	515,407	-	515,407
Due from a related party	-	-	2,618	-	-	2,618
Due from financial institution	-	-	-	257,260	-	257,260
Other financial assets measured at fair value FVTPL	-	-	9,777	-	-	9,777
Other receivables	20,892	-	-	-	-	20,892
Total financial assets	**497,719**	**1,850**	**263,848**	**1,582,667**	**-**	**2,346,084**
FINANCIAL LIABILITIES						
Payables and accrued expenses	235,997	-	-	-	6,065	242,062
Subordinated loan	-	-	-	58,414	-	58,414
Due to a related party	-	-	48,500	-	-	48,500
Total financial liabilities	**235,997**	**-**	**48,500**	**58,414**	**6,065**	**348,976**

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortized cost

The directors consider that the carrying amounts of financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements (contd..)

FOR THE YEAR ENDED DECEMBER 31, 2011

	December 31, 2011			
	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	140,633	-	9,881	150,514
Managed funds	-	246,359	59,527	305,886
Total	**140,633**	**246,359**	**69,408**	**456,400**

	December 31, 2010			
	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	171,190	-	10,514	181,704
Managed funds	-	267,541	66,162	333,703
Total	**171,190**	**267,541**	**76,676**	**515,407**
Financial assets at fair value through profit and loss				
Debt instrument	-	9,777	-	9,777
	-	**9,777**	**-**	**9,777**

There were no transfers between Level 1 and 2 during the year.

Reconciliation of Level 3 fair value measurements of financial assets

	Measured at FVTOCI Unquoted equities	
	2011 AED '000	2010 AED '000
Opening balance	**76,676**	114,028
Disposal during the year	**-**	(19,151)
In other comprehensive loss	**(7,268)**	(18,201)
Closing balance	**69,408**	**76,676**

27. Comparatives

Acquisition of NASDAQ Dubai during 2010

The figures in consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are not comparable as the previous period figures do not include the full year operational results of the subsidiary acquired (Note 16) during the year ended December 31, 2010.

28. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2011 were approved by the Board of Directors and authorized for issue on 26 February 2012.

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