سوق دبي المالي
DFM

ACCELERATING OUR EFFORTS FOR SUSTAINABLE GROWTH

DFM (PJSC) Annual Report 2017

عام زايد
YEAR OF ZAYED

Dubai Financial Market (PJSC)

Annual Report 2017

Dubai Financial Market, P.O.Box: 9700, Dubai UAE. T: +971 4 305 5555; F: +971 4 305 5566;

E: customerservice@dfm.ae | www.dfm.ae

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

"The record of the UAE's economy bears testament to the wise vision of the country's leadership and the sound legislation that guarantees the stability of all investments in various sectors."

In this year's report

We have continued to improve our Annual Report with constructive and valuable information. In this edition, we have opted to review DFM's business model as an integrated holding company. We have also highlighted our organization's sustainability achievements so far in protecting the environment, engaging with society and our role in promoting good corporate governance.

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You can access the electronic document of this report via our online website at **www.dfm.ae/dfm-investor-relations.**


Welcome to D

01. Overview

Who We Are

We are the first established financial market in the UAE in 2000. We offer primary and secondary market services to investors and issuers alike leveraging integrated operations with Nasdaq Dubai (the subsidiary). While operating, we seek to strengthen our stakeholder's relationships and create a shared value.

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.

Values

Transparency:	We prioritise transparency across all our actions and decisions.
Efficiency:	We focus on building efficiency into every aspect of our operations.
Confidentiality:	We accord the utmost confidentiality to our clients and their interests.
Integrity:	We conduct ourselves with unconditional integrity and ethics.
Innovation:	We believe the future depends on the innovation we empower today.

2017 Highlights

65

Listed companies
with four new listings during 2017

841
Thousands

Total market
investors

13.3
AED billion

Dividends distributed on behalf
of listed companies

14%

Market capitalization growth*
(2011-2017)

430.9
AED million

Recurring revenue of DFM PJSC

54.2%

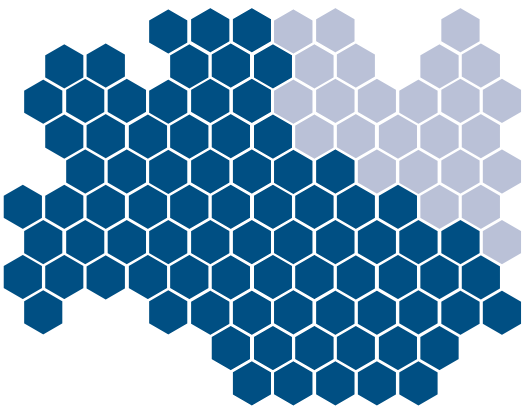
Net profit margin of DFM PJSC

160

Total employees, of which
58% are women

23%

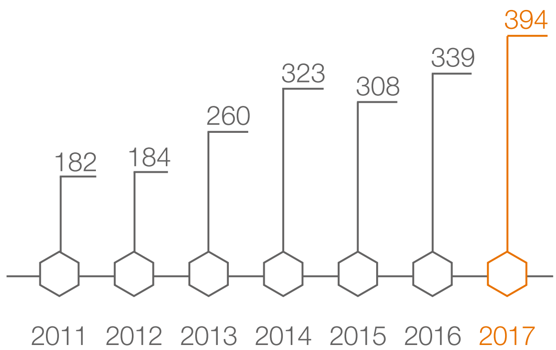
Reduction in environmental footprint
of DFM PJSC compared to last year



71%

DFM market share of
UAE Total Traded Value

DFM Market Capitalization (AED billion)



* Compound Annual Growth Rate.


DO YOU
The DFM Investor
If you do not

02. Strategic Report

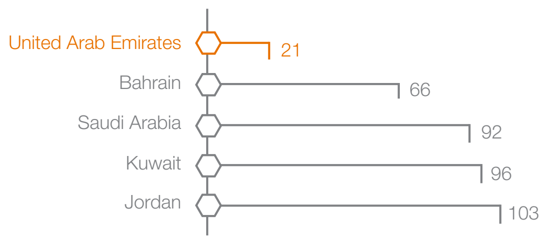
Macroeconomic & Legislative Overview

The UAE, and Dubai in particular, enjoys an investment-friendly environment across both legislative and advanced infrastructure frameworks, which facilitate ease of doing business while at the same time offering a high quality of life for nationals and expatriate residents. This supportive backdrop has been developed over the last 20 years, as a result of continued efforts by the Government to create a national infrastructure and legislative setting on a par with developed countries. Stemming from the forward-looking vision and deep conviction of the UAE's leadership, these efforts have been instrumental in driving economic growth both across the UAE and in the Emirate of Dubai.

Over the past two decades, the laws and regulations governing economic, trade and financial activity in the UAE have undergone a substantial overhaul. This reform was achieved through amending existing laws and introducing new legislation to achieve better alignment with international practices. On the infrastructure side, both the federal and local governments launched strategic megaprojects that aim to facilitate running businesses in the UAE, whilst mitigating the financial and non-financial costs. These Megaprojects have extended beyond traditional infrastructure such as roads, transportation and energy, as the UAE adopted a strategic policy (in place since the early 2000s) for diversifying its production base to reduce dependency on the oil and gas sector. Consequently, the oil and gas sector's contribution to national GDP has fallen from 57.3% in 1975[1] to 16.8% in 2017. To the same end, the UAE has kick-started efforts for creating a knowledge-based economy, adopting the best technology and smart applications, to catalyze the development of a socio-economic environment that promotes creativity and innovation.

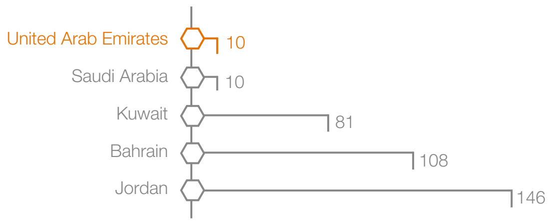
As a result of its proactive strategy for economic growth, in 2017 the UAE was placed first regionally and 21st globally on the World Bank's Ease of Doing Business ranking, which measures ease of doing business and favorability of global regulatory environments.

Ease of Doing Business 2017 Rank



The same 2017 rankings highlighted the strong level of protection offered to minority shareholders, with the UAE placed first regionally and tenth globally for its corporate governance regulations and transparency requirements, which reduce risk for investors.

Protecting Minority Investors 2017 Rank



This favorable environment, along with the UAE Government's continued commitment to execute several capital projects scheduled in its long-term strategic plan, has enhanced the level of flexibility in the UAE economy, helping it to navigate both ongoing and emerging challenges. The relative strength and diversity of the UAE economy has enabled it to weather negative external influences, such as low oil prices and deteriorating global growth rates. The latest reports indicate that economic growth for 2017 will be 1.3% for the UAE, and 3.1% for Dubai – both significantly exceeding projected growth rates for the region. Sector-wise, 2017 saw a revival for the construction industry, and continued high levels of activity in the trade, tourism, real estate and financial services sectors – together contributing to more than 55% of Dubai's GDP.

Sustained low oil prices, along with geo-political risk, continued to challenge the UAE's financial markets, and those of the wider GCC, for the third year running. These challenges were accompanied by doubts regarding the return of stronger economic growth, proportional to the abundance of regional financial and human resources on the one hand and the governments' ambitious strategic plans on the other.

Such challenges could have negative effects on the liquidity directed towards capital markets, due to risk aversion among investors. However, fundamental confidence in the UAE's economy and the stability of its economic policy, as well as its attractive investment environment, have continued to attract new investors and sustained the presence of existing international ones.

As a result, the UAE's financial markets continued to perform at levels close to those of the past two years. The general indices of both the Dubai Financial Market (DFM) and Abu Dhabi Exchange (ADX) fluctuated around 2016 levels, recording a decline in 2017 of 4.6% and 3.3%, respectively[2]. DFM ended 2017 with a total traded value of AED 115 billion, compared to AED 133 billion in 2016, whereas ADX ended 2017 with a total traded value of AED 48 billion, compared to AED 49 billion in 2016. Taking into consideration the severity of challenges that faced the UAE's financial markets during 2017, these results have not negatively affected foreign investors' confidence in the markets. Overall, net investments on DFM by foreign investors (excluding those from GCC and Arab countries), most of which are institutional, amounted to AED 1,257 million.

1 Source: The Federal Competitiveness and Statistics Authority (FCSA) – National Accounts (1975- 2016).

2 Source: The DFM and ADX trading data.

Chairman's Statement

“DFM's 2021 Strategy focuses on enhancing market infrastructure and regulatory framework through the diversification of its products and services and launching new platforms to trade different asset classes in line with the international best practices.”

In the name of Allah, the Most Gracious, the Most Merciful

Dear Shareholders,

The members of the Board of Directors, Senior Management and myself, are pleased to present to you the 11th Annual Report for Dubai Financial Market (PJSC). This document addresses the Company's key developments and achievements, as well as its financial statements for the year ending 31st December 2017.

The year 2017 saw many achievements, especially as DFM started implementing its 2021 Strategy, approved by the Board of Directors in December 2016. In line with the clear vision of our country's wise leadership, and the strategic objectives of both Dubai and the UAE as a whole, our strategy aims at leveraging past successes, and paves the way for even greater achievements and further sustainable growth.

Allow me to briefly highlight the key achievements and developments of 2017:

1: DFM's 2021 Strategy focuses on enhancing the market infrastructure and regulatory framework through the diversification of its products and services. This approach encompasses the launch of new platforms to trade different asset classes, which increase market depth and further enhance trading activity. To achieve this objective, DFM launched several initiatives in 2017 including; a platform for trading Exchange Traded Funds (ETFs), Liquidity Provision and Market Making services, and a Regulated Short Selling (RSS) service. Additionally, 2017 saw the introduction of the General Clearing Membership service, and two new regulations that allow investors to perform repurchase (REPO) and Murabaha transactions. We also signed an agreement with Nasdaq Dubai to introduce future contracts linked to the DFM General Index.

2: DFM remained the market of choice for companies looking to list their shares or carry out an Initial Public Offering (IPO). DFM was proud to welcome the Emaar Development company listing, the largest of its kind on DFM since 2014. Other listings included Orient UNB Takaful, Bahrain-based Khaleeji Commercial Bank while Awtad has been listed on DFM's Second Market for private companies. DFM is currently in an excellent position to attract and accommodate potential future IPOs, due to its integrated infrastructure, superb services, the breadth and diversity of its investor base, as well as DFM's continuous efforts to raise awareness about the benefits of going public and listing.

3: DFM organized two International Investor Roadshows during 2017, in London and New York, as part of its continuous efforts to strengthen the ties between listed companies and international investors. Both events were a great success, attracting 76 international institutional investors, with a total of US$3.3 trillion assets under management. It is crucial that we continue to strengthen relations with such international entities, regularly updating them about the attractive elements of our national economy and the success stories of DFM listed companies. This helps to attract more foreign liquidity as well as boost trading activity. During the past years, foreign investors' presence continued to increase, and it is noteworthy that foreign ownership increased from 11.2% in 2011 to 19.8% in 2017, at a 10% compound annual growth rate.

4: As part of our Smart Borse strategy, DFM inaugurated its smart trading floor during the first quarter of 2017. This followed the trading floor's largest renovation to date, to accommodate innovative services and equipment, and offer investors several digital channels that allow them to pursue their trading activities. The move was inspired by the Vision and Directives of H.H. Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, aimed at transforming Dubai into a smart city.

5: As part of our strategy to provide all stakeholders, including investors and listed companies alike, with quality services and smart, efficient solutions, DFM has continued to manage the distribution of dividends on behalf of listed companies since 2011. This pioneering service witnesses rising demand each year. For the sixth year running, DFM distributed dividends pertaining to 2016, distributing a total of AED 13.3 billion to 429,000 investors. This brought up the number of listed companies utilizing DFM's dividends distribution service to 35 companies in 2017, compared to 26 in 2016.

6: During 2017, DFM appointed consultants and project managers to handle the construction of its new headquarters, which will be across an area of 10,000 square meters in the Business Bay area. We are keen to develop a smart, sustainable and state-of-the-art home for DFM that reflects the prestigious status of Dubai as a global financial center, and the future expectations of DFM and all market participants.

7: DFM continues its efforts to strengthen Dubai's position as the capital of Islamic economy, in its capacity as the world's first Shari'a-compliant exchange since 2007. To reinforce this position, and as part of broader efforts to create an integrated framework that supports the development of Islamic capital markets, we launched the Standard on Hedging against Investment and Finance Risks during the first quarter of 2017. The new standard, along with DFM's Shares and Sukuk Standards, aims to strengthen the standards framework of the Islamic finance sector and enrich Dubai's successes in this sector. DFM is currently preparing for the introduction of a new standard on Shari'a-compliant investment funds.

In terms of DFM Company's financial performance during 2017, global developments related to the oil markets and the global economy in general continued to impact market activity and trading values, which declined by 13.4% to AED 115.1 billion. This, in turn, has affected DFM's trading commissions, which continue to be its main source of revenue. Subsequently, consolidated net profits reached AED 233.5 million in 2017, from AED 253.8 million in 2016. Total consolidated recurring revenues amounted to AED 430.9 million in 2017, compared to AED 449.0 million in 2016[1]. Total revenues comprised of AED 329 million in operational revenues, and AED 101.9 million in investment revenues and others.

In conclusion, I would like to extend our sincere gratitude and deep appreciation to H.H. Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, for his generous support of DFM. I would also like to thank the Fatwa and Shari'a Supervisory Board, all stakeholders and our employees, for their support and hard work towards realizing the Company's objectives. Furthermore, I express my wholehearted gratitude to DFM's shareholders, who place their confidence in us. We pledge to continue earning their trust through doing our best to achieve further successes in the near future.

Best Regards,

H.E. Essa Abdulfattah Kazim
Chairman
Dubai Financial Market (PJSC)

[1] Excludes an extraordinary income from gifted land income and provision expense for Wakala deposit.

Operational Review

Business Model

Our 2017 operations proved fruitful, this was achieved through implementing our strategy with a keen focus on strong service development and adding value for all DFM stakeholders. The following business model depicts our results by the end of 2017.

Issuers Raised Capital (2000-2017)

- IPOs 23
- Rights Issues 21
- Bonds 39
- Convertible Bonds 3
- Sukuks 107

Listed Asset Class as of 31 December 2017

DFM PJSC (established on 2000)

- Stocks 65 (of which Shari'a-compliant 37)
- Mutual Funds 4
- ETF 1

owns 66.67% of

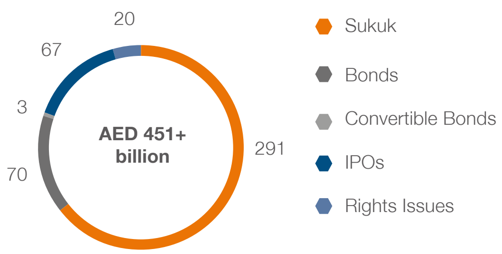
Nasdaq Dubai (established on 2005)

- Stocks 7 (All of which Shari'a-compliant)
- Bonds 23
- Sukuks 63
- Mutual Funds 2
- Futures 16
- REITs 2

- One Trading Platform for Both Markets
- Investor Base of Circa 841+ Thousand Served by 47 Brokers
- Diversified asset classes with a combined total value of above AED 748 Billion

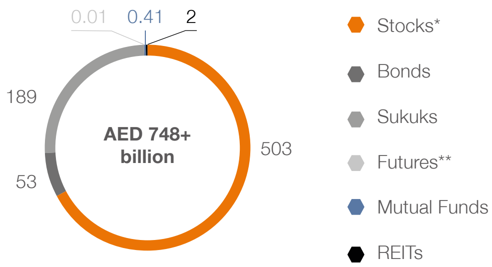
Primary Market

Total Raised Funds (AED billion)



Secondary Market
DFM and Nasdaq Dubai

Diversified Asset Classes (AED billion)



*Market Capitalization including dual listings
**Open Contracts

Who We Are	Our Assets	How We Add Value
An Exchange: We are the UAE's first exchange established in 2000, and in 2007 we became the first globally Shari'a-compliant exchange. **A Public-listed Company:** Following an initial public offering, we became the first publicly listed regional exchange in 2007, with a free float of 20.4% by the end of 2017. We leverage our integrated operations with our subsidiary Nasdaq Dubai to offer a diversified range of asset classes. With a single investor number, we provide seamless trading across the two exchanges. **An Influencer:** Our business model is built around multiple stakeholders. From investors, to brokers, issuers, and regulators, to society as a whole. Creating long-term shared value is at the heart of DFM's strategy.	**Financial Capital:** Our financial statements feature a paid-in capital of AED 8 billion and a debt-free balance sheet. **Intellectual Capital:** This includes our license, DFM and subsidiary trademarks, as well as a substantial market database. **Human Capital:** DFM's Executive Management experience collectively exceeds 120 years. **Strategic Partnerships:** We cultivate strategic partnerships with regulators, brokers, banks, issuers, shareholders, and stakeholders. **World-Class Trading Platform:** Featuring a complex multi-asset trading system that supports multiple markets simultaneously using a state-of-the-art global brand (INET).	**A Primary Market:** We continue to optimize DFM's operations to provide issuers with world-class services. These efforts have seen the listing of AED 451 billion of raised funding across DFM and the subsidiary Nasdaq Dubai since the inception of both markets. **A Secondary Market:** We offer liquidity for governments, institutions and individuals, catering for a wide range of financial needs. Total equity market capitalization has appreciated by over 14% since 2011. **Healthy Dividends:** As a public joint stock company DFM has offered healthy dividends throughout the years, with total dividends equal to AED 3.6 billion by the end of 2017. **Shared Value:** We drive business excellence, governance and investor relations best practices among our listed companies. As a good corporate citizen, we add value through proactive engagement with our stakeholders.

Operational Review

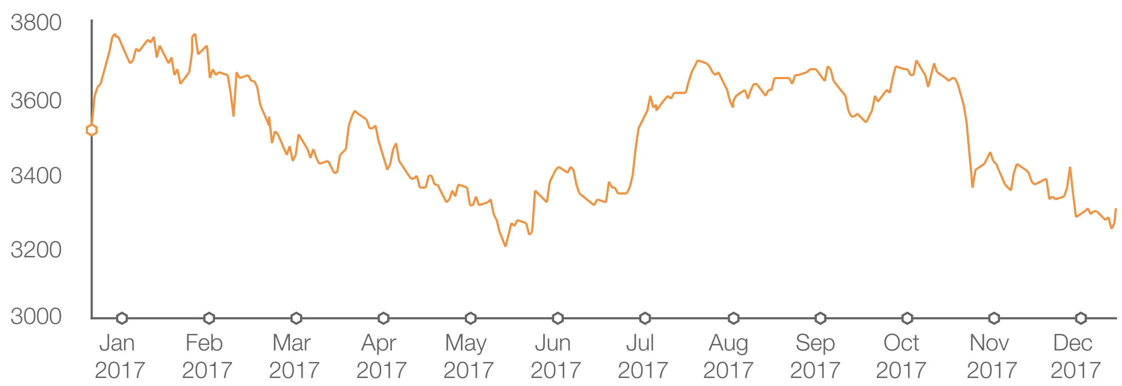
Market Performance

The Dubai Financial Market General Index reached 3,370 points at the end of 2017 compared to 3,531 points at the end of 2016, a decrease by 4.6%. Sectors of the stock market have delivered varying performance levels, with indexes of four out of the nine sectors represented on DFM ending 2017 in the green, with the Services sector increasing the most by 26.3% year–on-year (y-o-y), followed by the Banking sector which increased by 3.1%, then the Insurance sector which increased by 1.9%. In contrast, the Consumer Staples and Discretionary sector decreased the most by 52.9% y-o-y, followed by the Telecommunication sector which decreased by 17.7%, then the Real Estate and Construction sector which decreased by 6.2%.

DFM market capitalization increased at the end of 2017 by 16.7%, amounting to AED 394 billion compared to AED 337.6 billion at the end of 2016. The total traded value of shares reached AED 115.1 billion during 2017, compared to AED 133 billion during 2016, down by 13.4% y-o-y. The number of shares traded decreased by 22.1% y-o-y to reach 82.5 billion shares during 2017, compared to 105.8 billion shares traded during 2016. The number of transactions executed during 2017 was down by 16.9%, to reach 1.1 million compared to the 1.3 million deals carried out during 2016.

As for different sectors' contribution towards trading volumes, the Real Estate and Construction sector ranked first in terms of traded value, to reach AED 45 billion, or 39.4% of the total traded value in the market. The Banking sector ranked second at AED 33.1 billion; a 29% contribution, followed by the Financial and Investment Services

DFM General Index 2017



sector with AED 11.7 billion; a 10.3% contribution, the Services sector with AED 6 billion; a 5.2% contribution, the Transportation sector with AED 4.9 billion; a 4.3% contribution. These were trailed by the Consumer and Discretionary staples sector with AED 4.5 billion; a 4% contribution, the Telecommunications sector with AED 4.49 billion; a 3.9% contribution, and the Insurance sector with 4.43 billion; a 3.9% contribution, and finally the Industrial sector with AED 42.9 million. Meanwhile, the traded value of private joint stock companies was AED 440.5 million, whereas the traded value of direct deals (mega deals executed outside of the trading floor) was AED 414.5 million, and the traded value of ETFs was nearly AED 20 million.

The value of stocks bought by foreign investors during 2017 reached AED 50.2 billion, comprising 43.5% of the total traded value. Whereas, the value of stocks sold by foreign investors during the same period reached AED 51.4 billion, comprising 44.5% of the total traded value. Accordingly, DFM net foreign investment out-flow reached AED 1.2 billion.

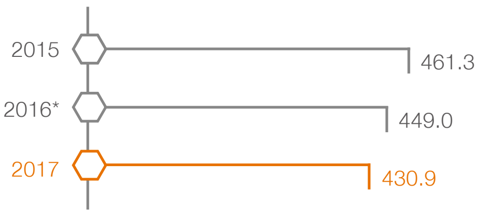
On the other hand, the value of stocks bought by institutional investors during 2017 reached AED 41.3 billion, comprising 35.7% of the total traded value. Whereas, the value of stocks sold by institutional investors during the same period reached AED 40.3 billion, which constitutes 34.9% of the total value traded. Net institutional investment in-flow amounted to AED 967.8 million.

Financial Review

Over the following pages, we review the consolidated financial results for Dubai Financial Market PJSC, including those of its subsidiary Nasdaq Dubai, for the period ending 31st December 2017.

Revenues

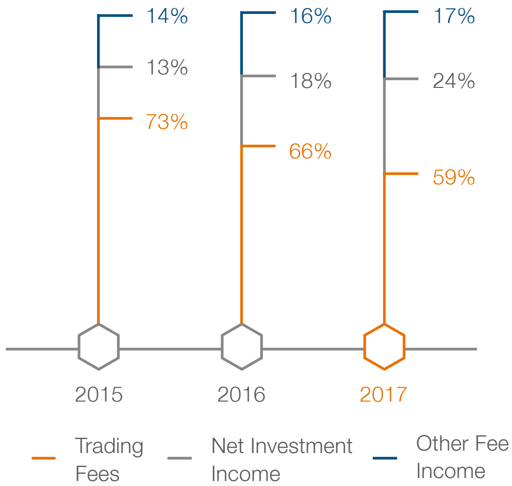
Recurring Revenues (AED million)



*Excludes an extraordinary income from gifted land income and provision expense for Wakala deposit.

- DFM PJSC total consolidated recurring revenues during 2017 amounted to AED 430.9 million, reflecting a 4% decline compared to 2016. This decrease is mainly driven by a 13.4% year-on-year (y-o-y) lower traded value, despite a 13.7% increase in other revenue streams, such as investments, brokers services, and fees related to managing dividend pay-outs on behalf of listed companies.
- DFM recorded a AED 5.3 million net income from non-recurring transactions, a result of revenue recognition of AED 231 million from the market value of land given to the Company as a gift for the purpose of building new headquarters. Additionally, DFM recorded provision expense for a Wakala deposit of AED 226 million, and these transactions were reflected in the net revenues from non-recurring transactions in the income statement.
- Trading revenues constituted 59% of DFM's total revenues in 2017. Investment revenues accounted for 24% of total revenues, and other revenues such as clearing, depository and settlement services, broker services, as well as fees from reports, selling market data, managing dividends on behalf of listed companies and other revenues, which in aggregate accounted for 17% of total revenues.

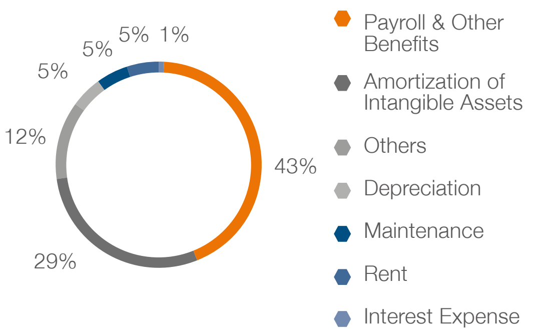
Recurring Revenues Breakdown (%)



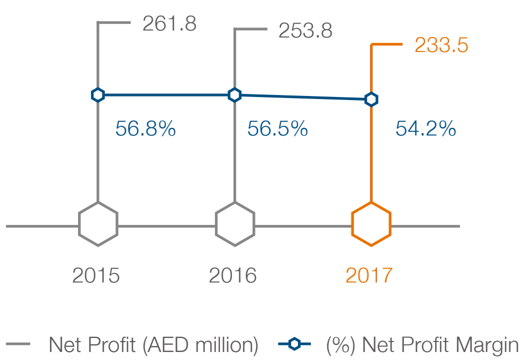
Expenses

In order to achieve profitability, DFM adopts a policy of rationalizing expenses. DFM's total expenses in 2017 amounted to AED 197.4 million, compared to AED 200.4 million during 2016.

Consolidated Expenses Breakdown (2017)



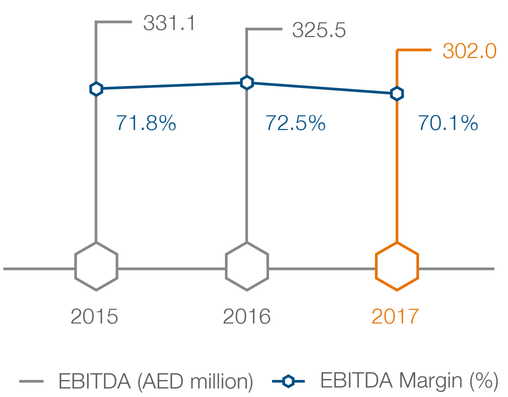
Consolidated Net Profit



Earnings before Interest, Tax, Depreciation and Amortization (EBITDA)

DFM's EBITDA reached a total of AED 302 million at the end of 2017 compared to AED 325.5 million at the end of 2016, a decrease of 7% due mainly to lower revenues. The operating profit margin reached 70.1% at the end of 2017 compared to 72.5% at the end of 2016.

EBITDA



Net profit

Dubai Financial Market achieved a consolidated net profit of AED 233.5 million at the end of 2017, an 8% decrease y-o-y. Despite rationalizing expenses in 2017, the decline in trading revenue affected the company's bottom line. However, DFM recorded a net profit margin of 54.2%, compared to 56.5% at the end of 2016.

Assets

The total assets of DFM stood at AED 9,427.5 million at the end of 2017 compared to AED 8,850.9 million at the end of 2016, an increase of 7%. The increase in investment deposits and Sukuks was the main driver underlying the rise. DFM follows a conservative policy in its investments, subject to the risk framework adopted by its Board of Directors.

DFM's balance sheet is characterized by its financial stability, in terms of being debt free and the ability to pay off liabilities. The ratio of total liabilities to total assets stood at 13% in 2017 compared to 11% in 2016. The rate of return on average assets was 2.55% during 2017 compared to 2.87% during 2016.

Liabilities

DFM liabilities stood at AED 1,266.8 million at the end of 2017 compared to AED 930.8 million at the end of 2016, an increase of 36%. The main reason behind this increase was the rise in the outstanding balances of dividends to be paid on behalf of the listed companies and the balances of the iVESTOR Card. The value of dividends distributed through the iVESTOR Card throughout 2017 increased by 25% y-o-y, reflecting the increased interest of listed companies in DFM's dividend distribution tool.

Our Strategy

The Dubai Financial Market (DFM) leverages its leading position in the region, in line with its vision to become a 'World-Class Regional Marketplace'. Our continuous strategic efforts have provided an essential contribution towards Dubai's position in capital markets, achieved by applying international best practices and consistently meeting the growing needs of local and international investors. Inspired by Dubai's Plan 2021, and based on studies carried out by independent consultants, the DFM's Board of Directors have adopted an updated five year strategy for the years 2017-2021, which aims to boost market growth, increase revenue and add value to shareholders.

Throughout 2017, DFM conducted its business according to five key strategic objectives that provide a roadmap through to 2021. The strategic priorities are outlined as follows:

The following section explains in more detail each of the five main objectives and highlights the most significant achievements and initiatives implemented during 2017:

1

Promoting happiness and satisfaction of existing and future shareholders as well as stakeholders

Over recent years, the satisfaction and happiness of our shareholders as well as our stakeholders has been a key strategic objective for DFM. Today, we promote this objective by offering new services to cater for the various needs of our stakeholders, and through strengthening relationships with our strategic partners. An integral part of our strategy pillar is to ensure the happiness of the stakeholders within the communities in which DFM works, with the aim of achieving sustainable development.

1. Enhancing Procedures

DFM has prioritized the improvement and streamlining of its procedures. To this end, it has introduced state-of-the-art services and technologies that enable seamless listing for issuers. Furthermore, DFM has been in conversation with a number of regulatory authorities in order to simplify listings. These discussions have resulted in listing applications being migrated across from the Securities and Commodities Authority (SCA) to DFM jurisdiction. DFM is now also authorized to license several brokerage functions, in a step that promotes an effective and attractive market environment.

2. Best Contact Center Award

DFM's Client Services Affairs was awarded the 'Best Contact Center' Award for the Dubai Service Excellence Scheme organized by Dubai Department of Economic Development. This accolade was based upon survey results that measured customers' evaluation of the quality and speed of service delivery.

3. Social responsibility

Supporting social events is part of DFM's strategy for sustainable development. This support is manifested through involvement in public events including the UAE National Day, Martyrs Day, and Flag Day, as well as international events such as International Women's Day 2017, UAE Women's Day, and World Health Day.

2

Cementing DFM's position as a Smart Borse

We continue to strengthen our position as a Smart Borse, as first initiated in 2014 with innovative eServices, smartphone applications and the eIPO platform. Currently, we are boosting Smart usage; and developing new smart solutions such as encouraging non-subscribed issuers to distribute dividends through the iVESTOR Card, extending the reach of digital investor services, automating stakeholders' services, and adopting Artificial Intelligence technologies.

1. Expansion of eIPO platform

DFM's electronic IPO platform eIPO, which executes seamless underwriting through direct link to receiving banks, saw the execution of Emaar Development's initial public offering during 2017. The eIPO also allows investors to subscribe through various electronic channels including ATMs, eBanking services and iVESTOR Cards, accelerating the listing process once an IPO is completed.

2. Inaugurating the smart trading floor

DFM has developed a modern trading floor that offers a host of innovative services. Equipped with multiple digital screens, computers and tablets, the new smart trading floor allows investors to monitor a broad range of trading activity. Several new features also allow investors to monitor trading based on their own preferences.

3. Increasing dividends distribution using DFM Smart solutions

For the sixth consecutive year, DFM has successfully distributed cash dividends on behalf of listed companies, using the iVESTOR Card and bank transfers. A total of AED 13.3 billion in cash dividends was distributed among 429,000 investors. In 2017, DFM successfully distributed dividends on behalf of 39 companies, compared to 26 in 2016.

4. Launching two additional smartphone applications

DFM added two new applications to its suite of smartphone applications during 2017: The DFM Smart Services application and DFM Investor Relations application. Usage of DFM apps have seen increasing demand from investors, with the number of users by the end of 2017 approaching 108,000 - an increase of 36% from 2016. DFM will continue to expand in this area, adding more eServices accessible through the apps while launching awareness campaigns that aim to attract the majority of its vast investor base.

3

Developing and sustaining DFM's infrastructure in line with international best practices

We strive to improve our business model and operations in accordance with international best practices. As part of this strategic direction, we focus on developing our Clearing, Settlement and Depository (CSD) systems and continue to adopt best practices that ensure sustainable governance is instilled across our listed companies and within DFM as a company. Amongst the strategic initiatives to this end, DFM aspires to implement the latest technologies in its operations, such as Block Chain, and continues to develop Shari'a-compliant standards that govern the classification of Shari'a financial tools.

1. General Clearing Membership Service

The General Clearing Membership Service offers a host of operating advantages to brokerage firms, enabling them to appoint banking institutions in the capacity of 'General Clearing Member', in order to perform clearing and settlement services on the broker's behalf. Meanwhile, brokerage firms can focus on acting as trading members.

2. Central Counterparty (CCP) Clearing

DFM intends to launch Central Counterparty (CCP) Clearing, which is a specialized clearing entity and a wholly-owned subsidiary that will offer settlement solutions as part of a comprehensive revamping of DFM's post-trade services. The move comes in line with the 2016 regulations issued by SCA regarding clearing counterparty, and the new entity is expected to contribute to greater transparency and management of clearing and settlement related risks.

3. Cooperation agreement to implement stock exchange technologies

Dubai Borse (the parent company of DFM) and Nasdaq signed an agreement aiming to bolster the technological infrastructure of Dubai's stock exchanges - Dubai Financial Market (DFM) and Nasdaq Dubai. Under the agreement, Nasdaq will deliver the Nasdaq Matching Engine - a new INET - powered, multi-asset trading technology engine which enables trading across different asset classes. Developing this infrastructure is expected to be completed by early 2019 and will pave the way for a number of technological enhancements at DFM.

4. ISO 9001:2015 Quality Certificate

DFM received the ISO 9001:2015 Quality Certificate from Lloyds Register Quality Assurance (LRQA). As the first regional exchange to be awarded this certificate, this highlights DFM's commitment to implement the highest levels of service quality, as well as the continuous development of its service provision to all market participants.

5. First Board Secretary Accreditation Workshop for listed companies

DFM organized this workshop as part of a strategic partnership with Hawkamah Institute for Corporate Governance in the Middle East. The workshop includes a series of seminars and training courses that aim to boost corporate governance in listed firms, to further improve the firms' performance and efficiency.

6. Launch of Shari'a Standard on Hedging against Investment and Finance Risks

In 2017, DFM published the final version of its Standard on Hedging against Investment and Finance Risks, as part of its ongoing efforts to enhance the Islamic finance and capital markets framework. This new standard, led by the DFM Fatwa & Shari'a Supervisory Board, tallies well with the previously issued Shari'a standards on Shares and Sukuks to form an integrated Islamic finance standard. It also provides an important reference for Islamic banks and financial institutions, further stimulating the rapidly growing Islamic finance industry in Dubai.

4

Building competencies and ensuring employee happiness

We understand the importance of providing our investors and stakeholders with the latest products and services, delivered by a team of qualified and creative employees. To achieve this goal, we place great emphasis on attracting, maintaining and developing human resources, our most vital asset.

1. Training and nurturing talent

DFM believes that people are the true capital and the driving impetus behind all success. Therefore, it focuses on attracting the best skills and talents, nurturing these capabilities through promoting career development, and instilling an organizational culture of innovation to achieve best results. To this end, 2017 saw the training and development of 145 employees over approximately 5,754 training hours, reflecting a 14% increase compared to 2016.

2. Management by objectives

In order to achieve its strategic objectives, DFM involves its employees in the process of strategy implementation through linking strategic goals to career objectives. This practice ensures participation and contributions by all DFM teams towards the fulfillment of these goals.

3. Promoting a culture of excellence

DFM won the Global Islamic Business Award (GIBA), in the first round of Dubai Economy's initiative, which is aimed at promoting best practices of business excellence among institutions in various sectors, in line with Islamic Shari'a values.

5

Sustaining a stable financial performance and diversifying sources of income

As part of our efforts to broaden sources of income, maximize profits and enhance the added value offered to shareholders, we continually focus on diversifying investments and increasing market depth. We diligently work to achieve this by creating a culture and environment that encourages companies to list, while fostering a swift and seamless listing process. In order to increase traded values, we focus on diversifying our products and services, launching quality and innovative solutions, which cater to our stakeholders' needs, and enhancing operational efficiency for the benefit of CSD functions and brokers.

1. DFM driving force behind four new listings in 2017

As part of DFM's approach to promote the concept of listing, and efforts to encourage family, private and government entities to benefit from capital markets and listing opportunities, DFM organized its fourth IPO Forum with 91 businesses attending. Furthermore, DFM participated in several industry panel discussions that addressed the benefits of IPOs and also signed an MoU with the Sharjah Investment and Development Authority (Shurooq) to develop greater collaboration. Moreover, DFM managed to enhance relations with potential issuers by installing state-of-the-art systems and training staff accordingly.

DFM efforts in this regard resulted in the listing of four new companies in 2017. Representing various sectors, these companies are: Emaar Development Company (Real Estate sector), Orient UNB Takaful (Insurance sector), Khaleeji Commercial Bank (Banking sector) and property investment company Awtad (PrJSC). This brings the number of listed companies in DFM to 65, with 14 dual listings.

2. Launch of index-linked future contracts

In a regionally unprecedented move, DFM and Nasdaq Dubai signed an index-linked future contracts agreement linked to the DFM General Index (DFMGI) that will trade on Nasdaq Dubai's equity futures market.

3. Launch of Market Maker service

As part of its continuous efforts to enhance trading frameworks and methods, DFM launched its liquidity provision service, which aims to boost liquidity levels and achieve a supply/demand balance. In this regard, two companies are so far licensed as market makers and liquidity providers.

4. Completion of Regulated Short-Selling (RSS) preparations

DFM completed all regulatory, technical and procedural requirements related to its (RSS) service, in accordance with international best practices. The RSS service enables investors to short-sell securities listed on DFM, through selling borrowed shares with a commitment to return them to the lender based on a mutually signed agreement. The RSS will be available on a selected list of eligible DFM listed securities that meet certain standards.

5. Launch of Repo and Murabaha services

Towards the end of 2017, DFM launched two new services, enabling investors to perform repurchase (Repo) agreement and Murabaha transactions on listed securities. Unlike direct trading, the new mechanisms help to diversify the product portfolios that promote greater trading activity.

6. Stronger foreign investors presence

As part of its strategy to improve and diversify sources of liquidity, and attract more institutional investors, DFM encourages listed companies to be more open and communicative with existing and potential investors alike, regularly updating them about business developments and growth strategies. To this end, DFM organized two annual International Investor Roadshows in London and New York, during which meetings were conducted between senior executives, representing DFM listed companies, and representatives of global investment funds.


Welcome to Dubai F

03. Introduction to Sustainability

Our Sustainability

Capital markets play an essential role in shaping the future of the global economy, and efforts to drive sustainability are at the heart of this. At DFM, we understand that informed investment decisions based on non-financial information are becoming increasingly important in today's investment landscape.

In line with the UAE Green Agenda 2015-2030, the country's commitment to the Paris Agreement, the global Sustainable Development Goals (SDGs), and Dubai's Vision 2021 to create a smart and sustainable city; we have implemented several initiatives to drive our sustainability strategy. In 2016, we became a Partner Exchange member of the United Nation's Sustainable Stock Exchanges (SSE) initiative, taking part in a global effort to promote sustainability of performance and transparency across capital markets.

DFM's sustainability strategy endeavors to create long-term shared value for its stakeholders. Capital markets incorporate a multi-stakeholder business model. In much the same way, our business model encompasses a broad spectrum of relationships with our stakeholders - including shareholders, brokers, investors (both existing and potential), listed companies, regulators, strategic partners, suppliers, subsidiaries, employees and the society in which we operate. Creating long-term value across each stakeholder group requires a diligent approach and the cultivation of relationships.

Although the following pages are not a fully-fledged sustainability report, we sought to provide readers a deeper insight into DFM's sustainability approach and its progress to date, highlighting the Environmental, Social and Governance (ESG) core topics:

- Protecting the Environment
- Engaging with with our Society
- Promoting Governance
- Going Forward

Protecting the Environment

The Dubai Financial Market is keen to protect the environment and minimize its environmental footprint, both as a market influencer and as a publicly listed company, and has undertaken a number of initiatives to promote these aims.

Whilst not a comprehensive environmental impact report, DFM has sought to share data on its environmental footprint across several simple metrics.

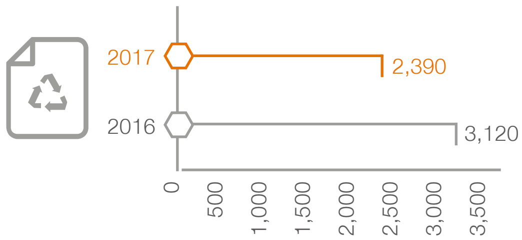
Going digital: Smart Borse and paperless environment

DFM's strategy of becoming a Smart Borse is paying dividends - one noteworthy aspect of which is the positive impact made by reducing its paper consumption, which consequently led to the reduction of the organization's overall environmental footprint during 2017. This is supported by DFM's transformation to a Smart Trading Floor, deploying eServices and eForms that enable investors to view portfolio information and submit requests directly to DFM through our mobile apps and website platforms. These digital initiatives also provide seamless operations to brokers. Furthermore, the eIPO platform provides investors, issuers and receiving banks with a digital advantage during the IPO process, whereas our Customer Relationship Management (CRM) system manages relationships online with the supply chain. To automate dividend distribution, DFM managed to provide an electronic alternative to checks through iVESTOR Card and bank transfers, successfully distributing dividends on behalf of 39 companies, compared with 26 in 2016.

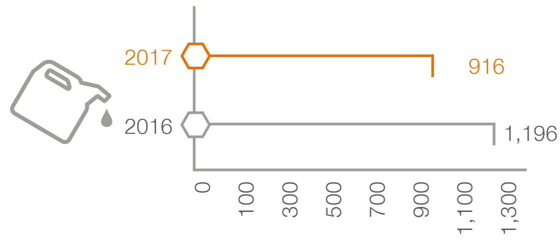
With these initiatives in mind, and in line with the drive towards a paperless and sustainable workplace, DFM has subscribed to the GreenBox service since 2015. Aimed at contributing towards a sustainable ecosystem through paper recycling, the GreenBox service raises awareness about paper waste and its negative impact, changes paper consumption habits, and reduces DFM's carbon footprint.

According to the GreenBox report, the Dubai Financial Market's results show a 23% reduction in environmental footprints in 2017 compared to 2016, as depicted below:

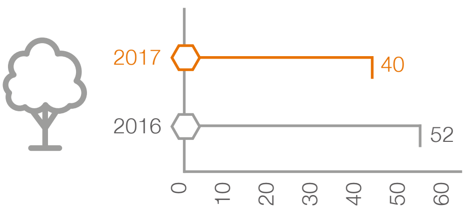
Recycled Paper (in kgs)



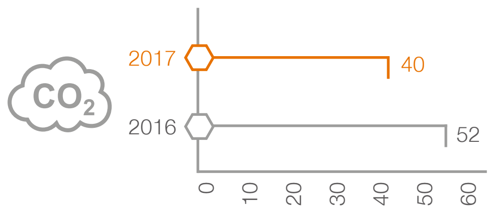
Saved Oil (in gallons)



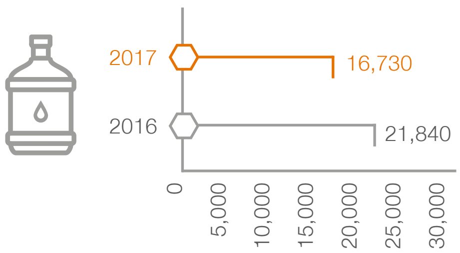
Saved Trees (in numbers)



Carbon Dioxide Offset (tCo2)



Saved Water (in gallons)



Power consumption and data center

DFM has taken a number of steps towards greener IT operations. Operating Vblock technology in our data center has allowed for lower power consumption and higher utilization of space and network resources. DFM has also carried out several other initiatives to lower power consumption, including using power-saving LED lights, and implementing lights-off rules after office hours.

New headquarters; environmentally friendly

The new Dubai Financial Market headquarters will be located in the Business Bay area. Planning for the new headquarters commenced back in 2016 and the project is currently at the design phase. For this new building, DFM seeks to develop a smart, sustainable headquarters with state-of-the-art technology. As we have significantly enhanced our energy efficiency in this location, the building complies with world-class standards in Smart, Health, Safety & Environment building codes employed by local licensing authorities.

Engaging with our Society

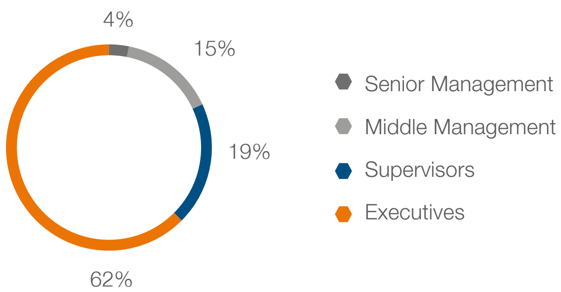
1. Developing our people

Our people are our greatest asset; the Dubai Financial Market is proud to hire 160 employees as of the end of 2017.

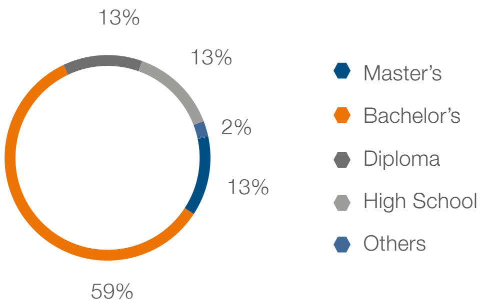
Recruiting talents

Recognizing that DFM's employees are fundamental to its operations and that the strength of the organization is directly linked to its ability to attract and retain the most capable people, DFM focuses on recruiting and retaining top talent. By the end of 2017, those who hold Bachelor's degrees and higher represent 71% of our employees, with a diverse range of age groups.

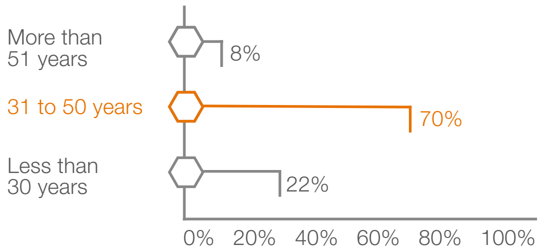
Professional Level



Educational Level



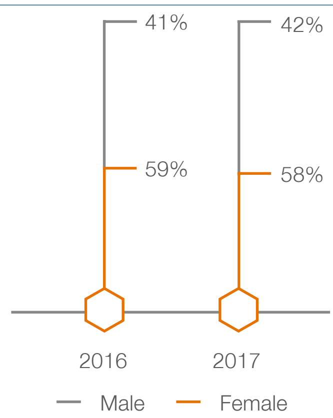
Age Breakdown in 2017



Gender diversity

DFM is a great believer in the pioneering role women play at the workplace. With a 58% female workforce by the end of 2017, we are a proud standard-bearer for gender diversity. In 2017, we commenced the DFM Women Council initiative, which is aimed towards enhancing the professional and managerial proficiency of DFM female employees within the work environment. Furthermore, this initiative enhances communication with different women's groups, both inside and outside of the workplace, in line with DFM's vision.

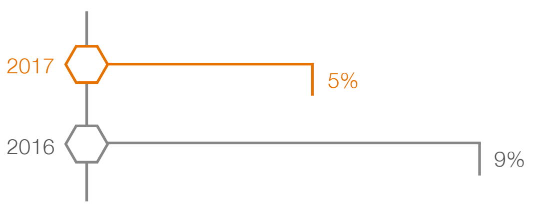
Gender Diversity



Retention program

We offer a wide spectrum of incentives to our employees, from a well-honed career path, to promotions and bonuses, and performance-based pay. In addition to these incentives, we provide a challenging environment in order to stimulate growth. Besides a hierarchy that features a management span of control of 1:5 (Manager: Direct Report), that encourages personal development, growth, and advancement opportunities, DFM incorporates a performance-based incentive system. This structure sees incentives directly linked to employees' performance and in line with the 'management by objectives' scheme. Our successful retention policy led to a lower employee turnover ratio of 5% by the end of 2017.

Employee Turnover Ratio



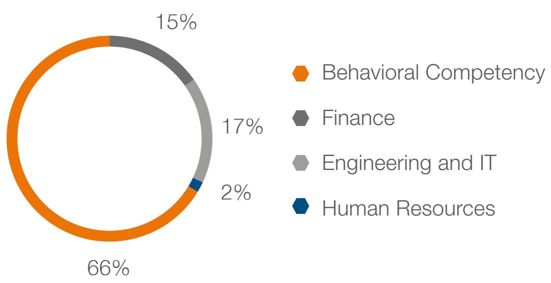
Emiratization Program

As part of its endeavors to support the UAE Government's plans to attract local Emirati talent in the financial sector, DFM pursues initiatives aimed at attracting Emiratis, who now constitute 60% of the work force as of the end of 2017. Within this context, 2017 saw DFM issue its internal DFM Emiratization Program Guide.

Ongoing learning and training supports identifying emerging talents

As one of its strategic goals, DFM has long subscribed to the policy of continuous learning, to encourage employees to further their potential. The organization achieves this by equipping its employees with skills and knowledge that go beyond the required expertise of their current roles. To achieve this, we provide employees with a variety of training, educational scholarships, continuing education schemes, and internal job rotation opportunities. With these holistic initiatives in mind, in 2017, we trained 145 employees (91% of total employees), with a total of 5,754 hours; an increase of 14% compared to 2016. Below is a breakdown of the main categories that training has focused on:

Training Focus



2. Engaging with our community

In line with our corporate social responsibility policy and as part of the sustainability strategy, DFM continued to organize society-oriented activities, with the understanding that creating value for society will inevitably benefit the organization.

The following are some of the key activities that DFM has undertaken during 2017:

Further engagement with our stakeholders; an ongoing priority

We successfully carried out several awareness workshops aimed at educating brokers and issuers about new services or technologies, in addition to our fourth DFM IPO Forum which included a session for non-listed companies on Corporate Governance and ESG best practices. Through stakeholder satisfaction surveys, employee surveys, as well as investor workshops with SCA, we managed to enhance engagement with both external and internal stakeholders throughout 2017.

In line with the Dubai Happiness Index, DFM is driving forward happiness levels amongst its market participants and has initiated happiness surveys through our client affairs service desks, with further initiatives planned during 2018.

Supporting students; shaping their future

With the objective of developing students' skill sets and putting capital markets theory into practice, DFM carried out the 2017 Summer Training Program and the DFM 15th Annual Stock Game, in addition to hosting several internships. These activities provided educational and practical experience to over 2,000 students from several schools and universities across the UAE.

Empowering women

DFM signed a Memorandum of Understanding (MoU) with the Dubai Women's Establishment, empowering women in the business and financial sector through encouraging female participation on the Boards of UAE listed companies under the Women on Board initiative. Moreover, 2017 saw DFM's Chief Operations Officer, Executive Vice President and Division Head of CSD, Mrs. Maryam Fikri recognized by Forbes Middle East as one of their top 100 Most Powerful Arab Businesswomen, further highlighting DFM's role in empowering women.

Donations for good causes

Donations have always been part of the Dubai Financial Market's community engagement activities. During 2017, DFM continued to donate office furniture, computers and air conditioners to the Mohammed bin Rashid Humanitarian and Charity Establishment and Tarahum charity foundation.

Participation at several national and international events; good corporate citizenship

Participating at several national and international celebratory days, Dubai Financial Market sought to be an engaged corporate citizen, celebrating the UAE Flag Day, National Day and Martyrs' Day.

Within the framework of the Smart Borse strategy, and in support of the Dubai Government's vision, DFM participated in the Day without Service Centers initiative. This event, launched by Dubai Government's Department of Finance, encourages greater usage of smart channels when accessing services and completing transactions. Furthermore, DFM participated in the GITEX Technology Week in the Economy Zone at the Dubai Smart Government pavilion. DFM's participation in the exhibition showcased a diverse and integrated range of smart applications, that has strengthened its regional market position in terms of initiatives and innovation.

Promoting Governance

Cultivating trust and confidence through good Corporate Governance (CG) has been an ongoing focus of our strategy. DFM's CG framework is supported by SCA, which clearly defines relevant matters and applicable limits. These parameters include those reserved for the Board's approval, and those which the Board may delegate to the Board Committees and Management. During 2017, our Board approved a new risk management framework, where we defined DFM's risk appetite across the business, and explained the approach to mitigate risk exposure of strategic, operational, compliance and financial risks.

In line with international best practices and accounting standards, and to meet the needs of ethical and belief-based investing, our Board committees include the Fatwa & Shari'a Supervisory Board and Audit Committee, which all demonstrate the transparency of the market. During 2017, as part of its ongoing efforts to enhance the Islamic finance and capital markets framework, the Fatwa & Shari'a Supervisory Board launched the Shari'a Standard on Hedging against Investment and Finance Risks.

Additionally, initiatives from the Audit Committee and subsequent Internal Control procedures allowed us to gain the following ISO accreditations:

- ISO 9001 Quality Management
- ISO 27001 Security Management

Moreover, as a key milestone during 2017, DFM shareholders appointed one female Board member to its seven members Board, an enhancement to our female Board member representation.

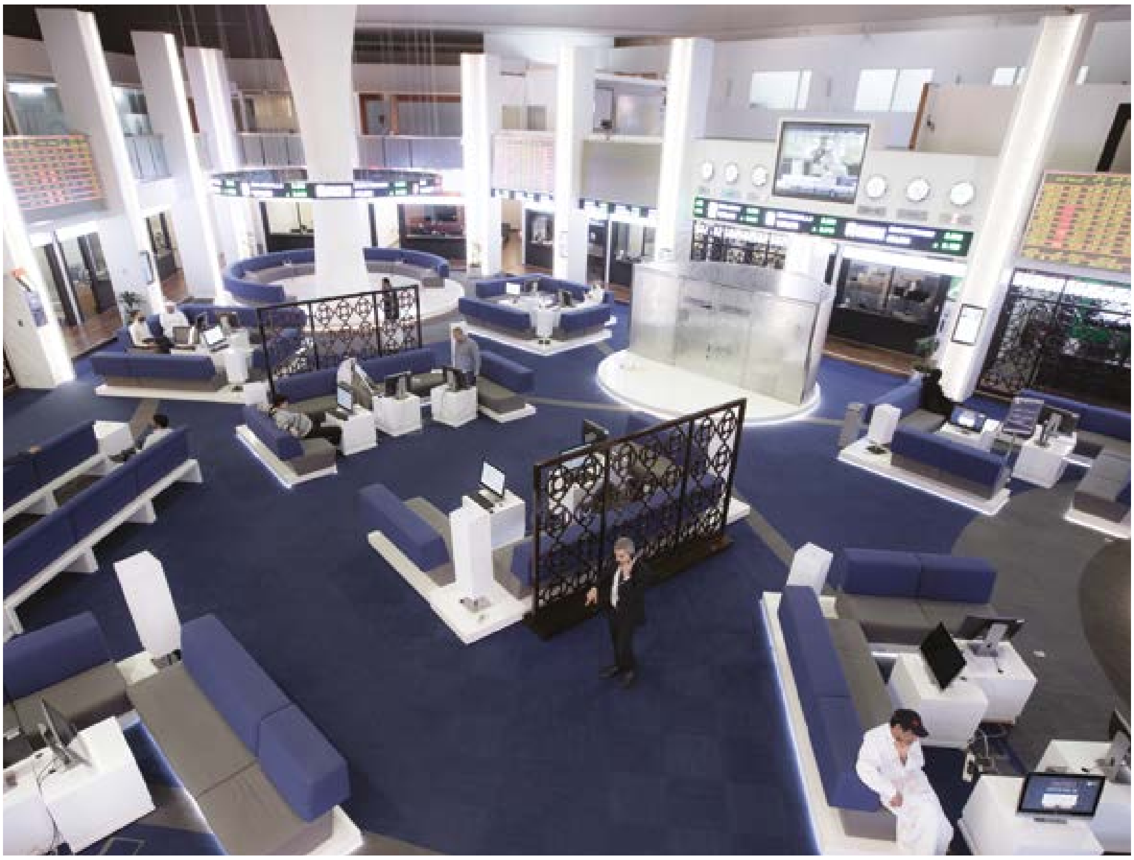
In this annual report, we have dedicated a fully-fledged governance report, showcasing our best practices in governance with additional information on our Shari'a-compliant practices, our internal audit achievements, and our Board of Directors.

To read further on our CG practices and framework please turn to pages 42-64 in this report.

Going Forward

Throughout this section of the Annual Report, we aimed to highlight DFM's engagement with multiple stakeholders to develop a sustainable capital market. Going forward, we will continue to leverage stakeholders' relationships to create long-term shared value as a public listed company.

As an influencer, our sustainability strategy also seeks to develop an enhanced reporting landscape, so that our listed companies embark on a journey of sustainability reporting. As such, DFM will continue to derive value from sustainability reporting in order to support the increasing trend towards ESG investing, and drive awareness of ESG best practices, as well as develop good corporate governance.



04. Governance

Corporate Governance Report

In line with international standards, guidelines and regulations issued by the UAE's Securities and Commodities Authority (SCA) outline the importance of adopting Corporate Governance practices and emphasize transparency and accountability.

The Dubai Financial Market's (DFM) Board of Directors performs all of its duties effectively, to achieve the interests of investors as well as all stakeholders. At the core of the Board's responsibilities are: improvement of both operational performance and profitability levels, the institutionalization of sustainable development, the implementation of good governance principles, and providing strategic direction for the organization. Moreover, the Board of Directors is responsible for performance monitoring as well as identifying and managing risks, in order to achieve desired objectives.

With its unique position within a larger economic system, the Dubai Financial Market plays an essential role in improving corporate governance across listed public joint stock companies, in accordance with issued regulations. In order to achieve this objective, in 2017 DFM issued a resolution that sees listed companies obligated to enroll Board members and Board secretaries in governance programs, and to also ensure that any Board secretaries are DFM certified. The DFM also organized a workshop for members of its own Board of Directors, which saw governance rules and best practices outlined during the Board's first meeting of the year on 16th April 2017.

Below is a list of the DFM Board of Directors' implementation of key governance articles, in accordance with SCA's Resolution No. 7 for 2016 concerning governance:

1. Corporate Governance Practices

In accordance with the responsibility of the Board of Directors towards shareholders, and its duty to protect and promote the value of shareholders' equity, the management of Dubai Financial Market continues to apply the rules and principles of governance effectively and transparently. DFM has achieved this objective through the following:

- The Board of Directors commitment to hold six meetings during 2017.
- The Board of Directors commitment to the annual disclosure of their independence during 2017, as well as the disclosure of any change that affects their independence, including their membership of other boards. Board members have signed their pledge to disclosure and independence during the first board meeting following the 2017 General Assembly.
- The Board of Directors commitment to the disclosure of their trading, and the trading of

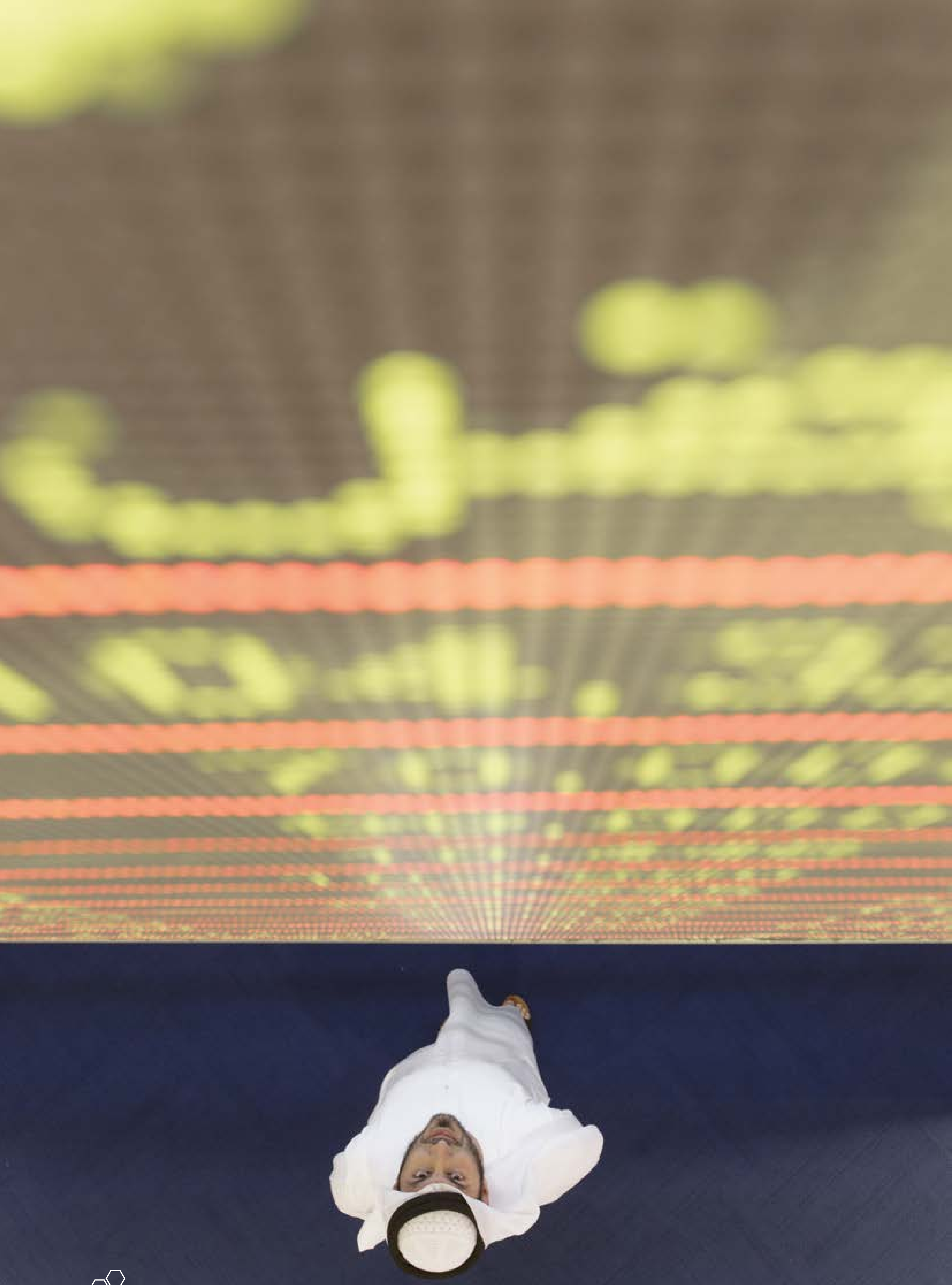
their first-degree relatives of DFM shares, as well as any trading of other shares listed in the market.

- The Audit Committee held six meetings, the Nomination and Remuneration Committee held three meetings and the Investment Committee held one meeting. Each committee performed their duties and submitted their written reports regarding the results, recommendations and follow-ups on the implementation thereof, to the Board of Directors.
- The DFM Management's commitment to the disclosure of quarterly and annual financial statements, within the legal timeline.
- Approval of amendments made to several procedures, standards and rules including the rules for margin-trading, online trading, brokerage firms' trading in their own names and for their own accounts, direct trading, and financial derivatives.

2. Trading in DFM Securities by members of the Board and their first-degree relatives during 2017

Members of the Board of Directors comply with the provisions of Article 17 of the Cabinet Resolution No. 12 of 2000, concerning the listing regulations of securities and commodities. Additionally, Article 36 of SCA's Board of Directors Resolution No. 3 of 2000 is followed, concerning the regulations of disclosure and transparency. Also taken into account is Article 14 of SCA's Board of Directors Resolution No. 2 of 2001, concerning the regulation of trading, clearing, settlement, transfer of ownership and custody of securities, as well as trading control procedures issued by DFM. This resolution is achieved by obtaining the required approvals from the relevant regulatory authorities, and through abiding by the period of ban on dealings as stipulated in Article 14.

Furthermore, members of the Board of Directors commit to the annual disclosure of any DFM share trading, both for themselves and their first-degree relatives.



The below table demonstrates the shares owned by members of the Board of Directors and by their first-degree relatives:

Name	Title and Kinship	Owned shares as on 31st Dec 2017	Total Selling	Total Buying
H.E. Essa Abdulfattah Kazim	Chairman	5,015,000	-	-
First-degree relatives	Spouse	29,281	-	-
Mr. Rashid Hamad Al Shamsi	Vice Chairman	-	-	-
Mr. Ali Rashid Al Mazroei	Director	-	-	-
Mr. Adil Abdullah Al Fahim	Director	-	-	-
Mr. Mohammed Humaid Al Mari	Director	-	-	-
Mr. Mussabeh Mohammed Al Qiazi	Director	-	-	-
Mrs. Moaza Saeed Al Marri	Director	-	-	-

3. Formation of the Board of Directors

Pursuant to the resolution issued by the General Assembly in its meeting on 13th March 2017, the Board of Directors consists of seven members as follows:

Name	Title	Independent/ Non-Independent	Executive/ Non-Executive	Date of First Election	Membership period from date of first election until 31st December 2017
H.E. Essa Abdulfattah Kazim*	Chairman	Non-Independent	Executive	16th January 2007	11 years
Mr. Rashid Hamad Al Shamsi	Vice Chairman	Independent	Non-Executive	16th January 2007	11 years
Mr. Ali Rashid Al Mazroei	Director	Independent	Non-Executive	21st April 2010	7 years, 8 months
Mr. Adil Abdullah Al Fahim	Director	Independent	Non-Executive	21st April 2010	7 years, 8 months
Mr. Mohammed Humaid Al Mari	Director	Independent	Non-Executive	21st April 2010	7 years, 8 months
Mr. Mussabeh Mohammed Al Qiazi	Director	Independent	Non-Executive	22nd December 2013	4 years
Mrs. Moaza Saeed Al Marri	Director	Independent	Non-Executive	13th March 2017	9 months

*Subsequent to the decree issued by His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai on 23rd October 2013, H.E. Essa Kazim was appointed as Chairman of DFM.

As for female representation, the current Board of Directors includes one female director among its seven members: Mrs. Moaza Saeed Al Marri, reflecting the Board of Directors' keenness to appoint distinguished females. This move from the DFM is in line with its support of women empowerment and the UAE's efforts in this regard.

Board Members

The DFM Board of Directors comprises of a group of distinguished individuals who are qualified leaders in the Company, all of whom are UAE citizens. The following are the names, qualifications and experience of the Board members:

H.E. Essa Abdulfattah Kazim
Chairman

H.E. Essa Kazim is the Governor of Dubai International Financial Centre (DIFC), Chairman of Borse Dubai, Chairman of Dubai Financial Market (DFM), Deputy Chairman of Supreme Legislation Committee in Dubai and a member in Dubai Supreme Fiscal Committee.

H.E. Kazim began his career as a Senior Analyst in 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 the DFM from 1999 to 2006.

H.E. Kazim holds an honorary Doctorate from Coe College, a Masters degree in Economics from the University of Iowa, a Masters Degree in Total Quality Management from the University of Wollongong and a Bachelor degree from Coe College. H.E. Kazim currently sits on a number of official advisory committees and boards; he is Member of the Higher Board of Directors of the Dubai International Financial Centre (DIFC), Chairman of DIFC Authority Board of Directors, Chairman of DIFC Investments Board of Directors, Board Member of Nasdaq Dubai, Board Member of Nasdaq, Inc. Board Member of Free Zones Council, Board Member of Noor Bank, Member of the Board of Etisalat, and Member of the Board and Secretary General of Dubai Islamic Economy Development Center.

H.E. Kazim also serves as a board member for a number of educational institutions, both in the region and around the world.

Mr. Rashid Hamad Al Shamsi
Vice Chairman

Mr. Rashid Hamad Al Shamsi has been Vice Chairman of Dubai Financial Market since 2007. He is also a Founding Partner of MEECON, the architecture and engineering consultancy, and owner of Al Shamsi Property Management Company in Dubai. He holds a Bachelor's degree in Civil Engineering from the University of South Carolina, USA, (1982).

Mr. Al Shamsi holds or has held the following positions:

- Board Member of the Emirates General Transport Company.
- Board Member of Gulf Navigation Company (PJSC).
- Board Member of Nasdaq Dubai.
- 22 years of experience in the marketing and distribution of energy-related products.
- General Manager of the Emirates General Petroleum Corporation (Emarat) from 2002 to 2008, during which period he chaired several Boards of Emarat's joint ventures and subsidiaries.
- Board Member of the Dubai Chamber of Commerce and Industry, between 1991 and 1997.
- Member of Dubai Mercantile Exchange.
- CEO of Sama Dubai, the real estate development arm of Dubai Holding.

Mr. Mohammed Humaid Al Mari
Board Member

Mr. Al Mari is a financial and administrative expert, with around 25 years' experience in both the public and private sectors. A graduate of the Mohammed Bin Rashid Program for Leadership Development, he also holds a Master's degree in Business Administration from the American University in Dubai (2004), and a Bachelor's degree in Accounting from the United Arab Emirates University in Al Ain (1990).

Since beginning his career as an employee of the Land Department in 1986, Mr. Al Mari holds or has held the following positions:

- Assistant CEO of Financial Affairs and Corporate Support at the Mohammed Bin Rashid Housing Establishment, since August 2009.
- Partner in Faris & Co., an auditing and management consultancy.
- Former Board Member of Takaful Al Emarat (PJSC).
- CFO of the Roads and Transport Authority (2006-2009).
- Assistant General Manager of the Dubai Transport Authority from (2005-2006).
- Board Member of Dubai Government's Development Board (2005-2008).
- CFO and CAO of Dubai Land, until 2005.

Mr. Al Mari holds the following professional memberships and qualifications:

- 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 establishment.
- Holder of the Sheikh Rashid Award for Academic Excellence for completing his MBA degree from the American University in Dubai.
- Holder of the Institutional Leadership Certificate from the Centre of Institutional Leadership and Learning in Florida, USA.
- Neuro-Linguistic Programming (NLP) Practitioner, certified by Richard Bandler through the McClendon & Associates Institute.
- Holder of Self-Hypnosis Practitioner Diploma from Proudfoot School of Clinical Hypnosis and Psychotherapy.

Mrs. Moaza Saeed Al Marri
Board Member

Moaza Al Marri, is the Director of Marketing and Corporate Communication at the Roads and Transport Authority, also sits as a Board Member at the Dubai Sports Council serving as the Secretary General of Mohammed bin Rashid Al Maktoum Creative Sports Award and the Head of the Women's Sports Committee.

Moaza holds a Masters of Business Administration in General Business from the American University in Dubai. Through her 18 years career Moaza had garnered diverse experiences from the private, semi government and government sectors giving her an agile and adaptive approach to multiple sectors requirements.

Moaza started her career in 1999 at the giant multinational Nestle Middle East, overseeing the Internal Communications for the Middle East and Levant market. After which she moved on to the banking industry joining Emirates NBD in 2009 and took up the positions of Senior Business Marketing and Communication Manager. In January 2014, she moved on to the Government sector joining the Roads and Transport Authority in Dubai as a Marketing and Corporate Communications Director.

Moaza has won many accolades during her career. At Emirates NBD, she was responsible for successfully implementing 200 sponsorships and events annually on a group level, receiving the Sports Industry Award for the best sponsorship of the Year - Bronze 2013 for the Omega Dubai Desert Classic Activation.

While at RTA Moaza has been entrusted in chairing several key organizing committees undertaking mega events in Dubai such as the launch of Dubai Tram (2014), Dubai Water Canal (2016), and Etihad Museum (2016). She has also contributed towards RTA winning the International Public Relations Association (IPRA) award from South Africa in 2015, RTA being recognized as the best entity for encouraging reading in the 'Year of Reading' 2016 and on a personal level she won The Middle East Women Leaders Excellence Award in 2015 for Communications and Media excellence.

Mr. Mussabeh Mohammed Al Qaizi
Board Member

With over 20 years of experience, mainly in the Information Technology sector, Mr. Mussabeh Al Qaizi has held a number of positions in which he implemented, supervised or directly managed several multi-task teams and individuals. He holds a Bachelor's degree in Computer Information Systems from Arkansas University, USA, in 1991.

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

- Head of e-Banking and IT Services at Dubai Islamic Bank, as well as other leading positions, including member of the Automation Committee of Dubai Islamic Bank, responsible for coordinating and aligning the bank's overall strategy with the latest IT developments.
- In 1999, Mr. Al Qaizi joined Dubai Islamic Bank as Head of Cards Unit, which he developed in two years.
- Head of Information Systems Department, Dubai Islamic Bank, between 2001 and 2008, where he helped develop and support the bank's information systems infrastructure, and gained significant experience in project management across various banking fields.
- Since 2008, he has worked at the e-Banking Operations Unit, where he focuses on developing communication channels. In recognition of his substantial efforts in this area his projects have earned several awards in the field of e-banking system development.

Mr. Ali Rashid Al Mazroei
Board Member

In his capacity as Group CEO of Al Bahri and Al Mazroei Group, Mr. Ali Rashid Al Mazroei is responsible for overseeing the financial and administrative affairs of the Group's activities in the fields of trade, real estate, industry and tourism. The Group, which was established in Dubai in 1968 as a general investment group of companies, has grown to become a key player in the UAE economy. Mr. Al Mazroei held several positions at Citibank Group in Dubai between 2000 and 2007, including Head of Commercial Accounts Department, Head of Planning and Analysis Department for the Middle East, Africa and Turkey, and Vice President of the Financial Control Unit.

Currently, Mr. Al Mazroei is a Board Member of Dubai Financial Market, Board member of the National Bonds Company, Board Member of Emirates Investment and Development Corporation (PSC) and Board Member of Taaleem Holding (PSC). Mr. Al Mazroei holds a Bachelor's degree in Business Administration from the American University in Dubai, and a Master's degree in Business Administration from Southern New Hampshire University, USA.

Mr. Adil Abdullah Al Fahim
Board Member

Mr. Adil Abdullah Al Fahim has held several senior positions in the Dubai Government, and holds a number of academic and professional qualifications. He holds a Bachelor's degree in Commerce and is a Certified Public Accountant (CPA), a Certified Financial Consultant (CFC), a Certified Trainer of Audit Command Language (ACL), and Certified Fraud Examiner (CFE). Mr. Al Fahim has extensive experience in several areas including economy, financial affairs, management, auditing/internal auditing, information systems and the law. He won the MENA Financial Thought Leader of the Year award in 2012 and is a recipient of the IIA Lifetime Achievement Award (2013). He has written a number of articles and studies addressing vital economic issues that impact the global economy.

Mr. Al Fahim holds or has held the following positions:

- Member of Dubai Government's Supreme Committee for Budget Development and Automation.
- Member of Dubai Government's Committee for Financial Planning.
- Board Member of Dubai Financial Market.
- SVP Corporate Services, Dubai Airports Company.
- Director of Internal Audit at the Finance Department of H.H. Ruler of Dubai Court.
- Deputy Director of Performance Control, Information Systems Audit and Training at H.H. Ruler of Dubai Court.
- Director General of the UAE Accountants and Auditors Association (2000-2002).
- Board Member and President of the Conferences Committee of the UAE Accountants and Auditors Association (2002-2004).
- President of the American Institute of Internal Auditors – UAE branch (2006-2007).
- Senior Vice President of the US Association of Certified Fraud Examiners – UAE branch.
- Member and Secretary General of the Committee of Auditors' Registration in the UAE.
- UAE Representative at the GCC E-Commerce Committee.
- Financial expert and arbitrator in Dubai Courts' List of Certified Experts.

Mr. Al Fahim holds a number of professional qualifications and memberships, including:

- Certified Public Accountant - USA (CPA)
- Certified Fraud Examiner - USA (CFE)
- Certified Financial Consultant – Canada (CFC)
- Certified Trainer of Audit Command Language - Belgium (ACL)
- Founding Member of UAE Accountants and Auditors Association
- Certified "Law Assistant" in Dubai Courts' Experts List of Technical Consultants
- Member of the Information Systems Audit and Control Association – USA
- Institute of Internal Auditors – USA
- American Society for Quality – USA
- Hospitality Financial and Technology Professionals Association
- Canadian Association of Financial Consultants

Remuneration of board members and allowances for attending the meetings of board committees

In accordance with Article 64 of the DFM Articles of Association, and in compliance with Article 169 of the Companies Act No. 2 of 2015 and Article 21 of SCA's Resolution No. 7 of 2016 on regulations for institutional controls and governance of public joint stock companies: The remuneration of Board Members and allowances for attending the meetings of Board committees were as follows:

a. Remuneration for the chairman and members of the Board of Directors constitute a percentage of the Company's net profit, provided that this percentage does not exceed 10% of annual net profits. The Company may also pay expenses, compensation, bonus or a monthly salary, as determined and seen appropriate by the Board of directors to any of its members, if this member sits on any committees, makes special efforts or performs additional tasks in service to the Company, as an addition to the regular responsibilities as a board member.

b. Any fines imposed on the Company by SCA or a relevant authority due to violations committed by the Board of Directors to the Companies Act or the Company's Articles of Association shall be deducted from the remuneration of the Chairman and members of the board. The General Assembly may re-examine the decision to deduct all or part of the fines, if it is proved that the fines were not the result of violations or default committed by the Board of Directors.

c. Allowances for attending the meetings of Board committees are as follows:

Board Member	Audit Committee	Nomination and Remuneration Committee	Investment Committee	Total
H.E. Essa Abdulfattah Kazim	-	-	15,000	15,000
Mr. Rashid Hamad Al Shamsi	-	36,000	15,000	51,000
Mr. Ali Rashid Al Mazroei	57,000	21,000	-	78,000
Mr. Adil Abdullah Al Fahim	66,000	36,000	-	102,000
Mr. Mohammed Humaid Al Mari	62,000	-	-	62,000
Mr. Mussabeh Mohammed Al Qaizi	-	-	15,000	15,000
Mrs. Moaza Saeed Al Marri	-	-	-	-

A remuneration of AED 300,000 was disbursed to each member of the Board for 2016. This was approved during the General Assembly, which convened on 13th March 2017. The same amount will be disbursed to each Board Member for 2017 after obtaining the approval of shareholders during the General Assembly.

In accordance with the provisions of Article (21) of the Chairman of the Board of Directors of the Securities and Commodities Authority No. (7) for the year 2016, a sum of AED 300,000 is paid remuneration to the Chairman of the Board for carrying out additional tasks and responsibilities as a Chairman of Dubai Financial Market Board of Directors.

Meetings of the Board of Directors during 2017

Board Member	Date of Meeting					
	6th February 2017	16th April 2017	8th May 2017	24th July 2017	30th October 2017	17th December 2017
H.E. Essa Abdulfattah Kazim	✓	✓	✓	✓	✓	✓
Mr. Rashid Hamad Al Shamsi	✓	✓	✓	✓	✓	✓
Mr. Ali Rashid Al Mazroei*	-	✓	✓	-	✓	✓
Mr. Adil Abdullah Al Fahim*	✓	✓	-	✓	✓	✓
Mr. Mohammed Humaid Al Mari*	✓	✓	✓	-	✓	✓
Mr. Mussabeh Mohammed Al Qaizi	✓	✓	✓	✓	✓	✓
Mrs. Moaza Saeed Al Marri	✓	✓	✓	✓	✓	✓

*The Member was absent from the meeting with a valid reason

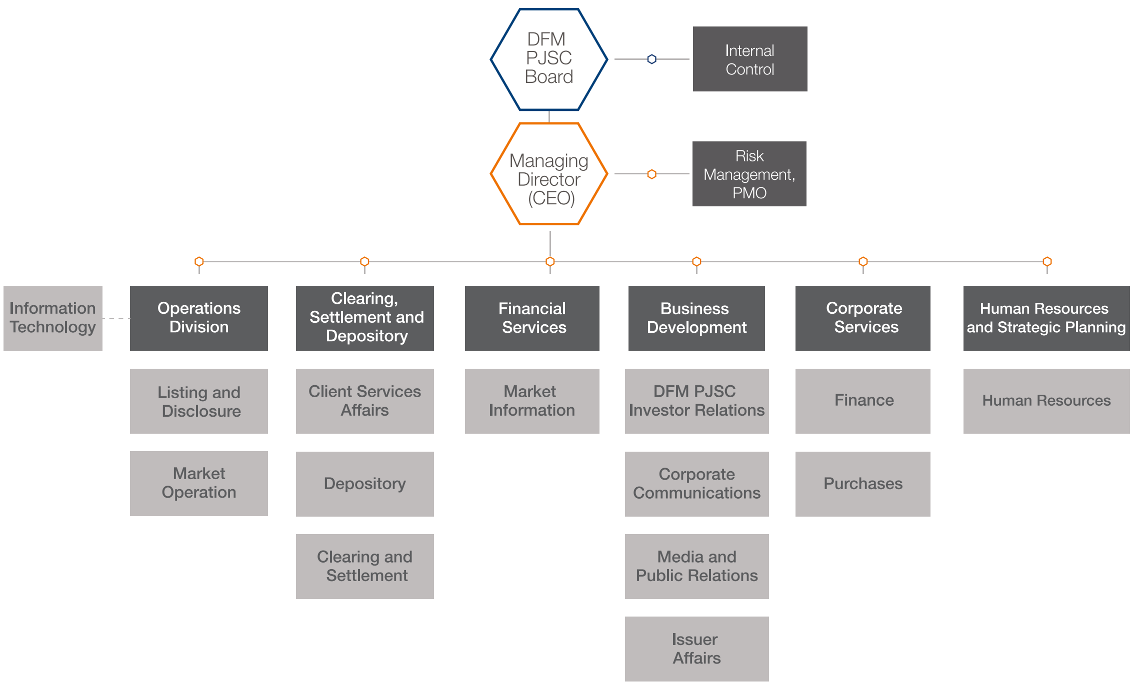
Duties and functions assigned by the Board of Directors to the DFM Executive Management

The DFM Executive Management was assigned the following duties and functions, in accordance with the authorities approved by the Board of Directors on 1st May 2016:

- Prepare feasibility studies relevant to the Company's projects.
- Develop internal policies and bylaws to regulate the Company's work.
- Approve procedures, resolutions and administrative circulars that regulate the Company's work.
- Form, amend and dissolve executive committees.
- Assign the direct order purchasing authority for amounts up to AED 50,000 with the Head of Procurement and Contracting, up to AED 250,000 with the Head of Corporate Services, and up to AED 500,000 with the CEO.
- Assign the authority of contracting through tendering of up to AED one million with the CEO.
- Assign the authority of contracting through limited or public bidding of up to AED five million with the CEO.
- Signing approved contracts up to AED five million is an authority granted to the Head of Corporate Services, and up to AED 50 million is granted to the CEO.
- Grant authority to the CEO and the concerned department head to sign Memorandums of Understanding, Limited Representation and Sub-Deposit agreements.
- Grant authority to the CEO to rent market space and determine the rent value.
- Grant authority to the CEO to approve the result of the annual fixed assets stocktaking.
- Grant authority to the CEO to resolve the disposal of fully depreciated assets.
- Grant authority to the CEO to determine service fees and fines, and update fee lists in accordance with market data.
- Grant authority to the concerned department head to impose fines/penalties.
- Grant authority to the Head of Corporate Services, in conjunction with the concerned department head, to cancel the first violation. The authority to cancel the second violation is granted to the CEO.
- Grant the authority to write off receivables up to AED 20,000 during the fiscal year to the Head of Corporate Services.
- Grant authority to the CEO to exempt investors, upon submission of a request, from fees of certain services based on fixed percentages and depending on the transaction value.

- Grant authority to the Head of Clearing, Settlement and Deposit Division, and at his/her discretion, to exempt top and official authorities from transaction fees.
- Grant authority to the CEO to invest in short term deposits of unlimited values, in accordance with recommendations by the Investment Committee. This includes liquidating the deposit before its maturity date in accordance with the approved investment policy.
- Grant authority to the CEO to invest in long-term deposits of up to AED 50 million, in accordance with recommendations of the Internal Investment Committee and the approved investment policy.
- Grant authority to the CEO to sign the reviewed interim financial statements in the event of an insufficient Board quorum, following approval by the Audit Committee.
- Grant authority to the Executive Management to sign checks and bank transfers of up to AED 50 million.
- Grant authority to the CEO to renew bank facilities of unspecified values.
- Grant authority to the CEO to approve the transfer of allocated budget items.

Organizational Chart:



DFM Senior Executive Management consists of six Senior Executives. The following table lists the names of DFM Senior Executives, their titles, dates of their appointment and the total amounts they received as salaries, allowances and bonuses:

Name	Title	Date of Appointment	Total Salaries and Allowances for 2017	Total paid Bonuses for 2017 (AED)	Total Other Cash/ non-Cash Benefits for 2017	Total (AED)
Hassan Abdulrahman Al Serkal	Executive Vice President - COO, Head of Operations Division	1st June 1999	1,202,862	245,176	239,972	1,688,010
Maryam Mohamed Fikri	Executive Vice President - COO, Head of Clearing, Settlement and Depository Division	1st June 1999	1,202,862	245,176	200,037	1,648,075
Ahmad Mohammed Aljaziri	Executive Vice President - Head of Corporate Services Division	1st June 1999	1,076,902	219,197	172,305	1,468,404
Jamal Ibrahim AlKhadhar	Executive Vice President - Head of HR & Strategic Planning Division	1st June 1999	1,076,902	219,197	283,744	1,579,843
Fahima Al Bastaki	Executive Vice President - Head of Business Development Division	22nd May 2004	1,005,441	204,815	267,086	1,477,342
Ali Al Hashimi	Executive Vice President - Head of Financial Services Division	22nd August 2009	1,085,916	220,150	148,444	1,454,510

Related party transactions[1]

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

Transactions during the year	2017 (AED'000)	2016 (AED'000)
Fellow subsidiaries and associates		
Investment income	49,262	45,893
Interest expense	1,160	1,113
Mortgage fees	678	-
Dividend income	8,441	6,753
Rent – Dubai World Trade Centre	9,713	9,569

Compensation of key management personnel		
The remuneration of directors and other members of key management during the year were as follows:		
Salaries and short-term benefits	8,870	8,416
General pension and social security	917	886
Board of Directors		
- Remuneration to the Nasdaq Dubai Board	1,082	929
- Meeting allowance for the Group	1,032	1,078
DFM Board remuneration	1,800	1,800
Balances	**2017 (AED'000)**	**2016 (AED'000)**
Other related parties		
Managed funds (Note 6 within the financial statements)	245,287	233,857
Other financial assets at FVTOCI (Note 6 within the financial statements)	319,775	309,164
Investment at amortised cost	44,952	-
Cash and bank balances	119,370	108,257
Investment deposits (Note 8 within the financial statements)	1,215,768	1,279,909
Investment deposits include AED 100 million (31 December 2016: AED 100 million) placed as collateral with related parties.		
Parent		
Expenses paid on behalf of the Group	16,173	8,421
Subordinated loan	26,616	25,456
Dividends payable	318,500	318,500

[1]The information under the title related party transactions is part of DFM's financial statements as at the end of 2017 and is included in Note (16).

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

The Group has not provided any loans to its directors during the year ended 31 December 2017 and 2016.

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

4. The External Auditor

PricewaterhouseCoopers is one of the largest professional services companies. It consists of several companies (many companies and branches) operating in 157 countries, with more than 236,000 employees committed to providing audit, tax and consultancy services. The company has been established in the Middle East for more than 40 years and has offices in the United Arab Emirates, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestine, Qatar, Saudi Arabia and Yemen, with more than 4,500 employees in the Middle East. The company has been operating in the UAE for more than 30 years through its offices in Abu Dhabi, Dubai and Sharjah, which together comprise more than 720 partners and executive directors.

Fees and costs of auditing or services provided by the external auditor

Based on the shareholders' approval during the Ordinary General Assembly held on 9th March 2015 regarding the development of an internal policy on rotating the external auditor every three years, and following the approval of the Ordinary General Assembly held on 13th March 2017, PricewaterhouseCoopers were re-appointed as external auditors for the year 2017 for a fee of AED 183,500.

The appointment of PricewaterhouseCoopers (PwC) has continued since 2012 and the company has not performed any services other than auditing DFM's financial statements for 2017. No external auditor has been hired for any other audit function or otherwise.

PricewaterhouseCoopers was also appointed as the external auditor of the parent company Borse Dubai Limited for a fee of AED 130,000 and of Nasdaq Dubai for a fee of AED 125,000 for 2017.

5. The Audit Committee

Subsequent to the Board of Directors' Resolution in its meeting held on 16th April 2017, the Audit Committee was reformed as follows:

- Mr. Mohammed Humaid Al Mari – Committee Chairman
- Mr. Ali Rashid Al Mazroei – Member
- Mr. Adil Abdullah Al Fahim – Member

All members of the Audit Committee are non-executive and independent. The members are accounting and financial experts.

During 2017, the Audit Committee performed the following duties:

- Implemented the policy related to contracting an external auditor, monitored their independence, discussed the nature and scope of auditing, reviewed the statements of the external auditor, ensured timely response from the finance department and other executive departments to all enquiries and requirements presented by the external auditor.

- Monitored the integrity and soundness of the Company's financial statements and reports (annual, semi-annual and quarterly), and reviewed them as part of the committee's regular duties. The committee focused on the following aspects:
  - Highlighting items subject to the Board of Directors assessment.
  - Key adjustments resulting from the audit process.
  - Assumption of going concern.
  - Complying with accounting standards as decided by the SCA.
  - Complying with the rules of listing and disclosure, as well as other legal requirements related to the preparation of financial reports.
- Held quarterly meetings with the external auditor to discuss quarterly and annual financial statements together with the external auditor report, prior to submission to senior management.
- Reviewed the Company's financial control and internal control and risk management systems, and assessed the effectiveness of the Internal Control Department. Assigned required resources and approval of the amended internal audit plan, based on the risk approach related to each division/department of both DFM and Nasdaq Dubai, and followed up with the implementation of the plan on a quarterly basis.
- Reviewed and enhanced financial and accounting policies and procedures, as well as operational risk policy and procedures.
- Coordinated with the Board of Directors and the Executive Management, and discussed the Internal Control report and the Financial Control department report, and followed up on all corrective actions on a quarterly basis.
- Monitor the tools and guidelines enabling the Company's employees to report, with confidentiality, any potential violations in financial reports, internal control or otherwise, in addition to reviewing the ensuing steps which will allow independent and fair investigation of such violations. The designated staff for such purposes can be reached by email (whistleblower@dfm.ae), phone number (+971 4 305 5665).
- Monitored the Company's compliance with the Code of Professional Conduct.

The Audit Committee held six meetings during 2017. The table below details individual attendance of Committee members:

	Date of Meeting					
Attendance	11th January 2017	25th January 2017	2nd May 2017	23rd July 2017	24th October 2017	7th November 2017
Mr. Mohammed Humaid Al Mari	✓	✓	✓	✓	✓	✓
Mr. Ali Rashid Al Mazroei*	✓	✓	✓	-	✓	✓
Mr. Adil Abdullah Al Fahim*	✓	-	✓	✓	✓	✓

* Member was absent with a valid reason

6. Nomination and Remuneration Committee

Following the Board of Directors' resolution in its meeting held on 16th April 2017, the Nomination and Remuneration Committee, comprising of non-executive and independent members, was formed, as follows:

- Mr. Rashid Hamad Al Shamsi – Committee Chairman
- Mr. Adil Abdullah Al Fahim – Member
- Mrs. Moaza Saeed Al Marri - Member

The Committee performed its assigned duties and responsibilities as follows:

- Verified the independence of members of the DFM Board of Directors continuously, in accordance with applied laws and regulations.
- Submitted proposals concerning certain amendments on Human Resources policies on 12th December 2017.

The Nomination and Remuneration Committee held three meetings, the table below details individual attendance of Committee members:

Attendance	Date of Meeting		
	1st February 2017	8th March 2017	12th December 2017
Mr. Rashid Hamad Al Shamsi	✓	✓	✓
Mr. Adil Abdullah Al Fahim	✓	✓	✓
Mrs. Moaza Saeed Al Marri*	-	-	-
Mr. Ali Rashid Al Mazroei*	✓	✓	-

*Mr. Ali Rashid Al Mazroei continued to be a member of the Nomination and Remuneration Committee until 16th April 2017. After the reformation of the Committee on 16th April 2017, Mrs. Moaza Saeed Al Marri was appointed, given that she didn't attend the third meeting of the Committee held on 12th December 2017.

7. Insider Trading

According to Article (12) of SCA's Resolution No. 7 of 2016 on regulations for institutional controls and governance of public joint stock companies, which stipulates the formation of a committee responsible for managing, monitoring and supervising insider's transactions and their ownerships, keeping records and submitting periodic reports, a permanent Insider Committee was formed.

The Committee will carry out its tasks by coordinating with relevant departments to determine permanent and temporary insiders, from the Board of Directors, DFM employees and others. It is also responsible for ensuring that all insider trading has previously been disclosed, and is performed following approval by the Trading Control Department, taking into consideration the trading ban in accordance with Article 14 of the regulations of trading, clearing, settlement, transfer of ownership and custody of securities. Violations of this procedure are raised to the Senior Management for disciplinary action and implementation of penalties in accordance with the regulations of work violations.

The composition of the Committee was approved on 31st December 2017 but it has not met and has not fulfilled its functions to date.

The Insider Committee includes the following members:

Member	Asma Lootah	Internal Control Department representative
Member	Isameldin Mahgoub	Legal Affairs Department representative
Member	Hanan Al Habashi	Trading Control Department representative
Member	Tayeba Kabital	Human Resources Department representative
Member	Fatima Bin Qaddad	CSD Department representative

8. Internal Control System

a. Board of Directors' acknowledgment of its responsibility for the Internal Control System

The Board of Directors acknowledges that it is responsible for the Company's Internal Control System, including reviewing and ensuring its effectiveness through the Internal Control Department, which acts in compliance with Standard No. 2060 of the International Standards for the Professional Practice of Internal Auditing, issued by US-based Institute of Internal Auditors (IIA). The Internal Control Department submits regular reports to the Board of Directors and the Executive Management, pertaining to the objectives, authorities and responsibilities of internal auditing activities, along with the achievements in concurrence with the department's plan. The reports also include assessment of the effectiveness and efficiency of Internal Control Systems.

b. Working mechanism for the Internal Control Department

The Internal Control Department (ICD) reports administratively to the Senior Management, and functionally to the Board of Directors through the Audit Committee, in such a manner that ensures its independence. In order to fulfil its duties, the ICD applies the latest international standards issued by the IIA as well as international best practices, in the following aspects:

- Developing the department's balanced scorecard in line with the Company's strategic plan.
- Developing an audit plan based on the risks related to each section/department/division in order to prioritize implementation of the plan in higher risk departments. This plan is discussed and reviewed with the CEO and approved by the Audit Committee and the Board of Directors.
- Preparing a report on every audited department relating to the objectives, scope, methodology and results of the audit at the end of each round. The report also reviews and evaluates observations in terms of risk levels. Furthermore, it includes a comprehensive assessment of the audited section/department according to the assessment matrix.
- ICD submitted to DFM and Nasdaq Dubai a number of recommendations, which were agreed upon with other divisions audited in 2017. These recommendations helped enhance the level of internal control and minimize risks, in line with internal control objectives aimed at adding value to the Company and its shareholders through improving the effectiveness of governance, control and risk management.
- Submitting to the Audit Committee and Board of Directors of both DFM and Nasdaq Dubai, all internal audit and follow-up reports and corrective actions taken by the concerned department to enhance internal control measures. These reports enable the Audit Committee and the Board to assess the internal control and make the necessary recommendations and resolutions in this regard.
- During 2017, the ICD implemented 86% of the approved audit plan, covering financial audits, Shari'a audits, compliance with rules, regulations and policies, work procedures, information security, risks and other tasks.
- ICD followed up on the implementation of corrective measures based on reports of the internal and external auditors, using the TeamMate Audit Management system.
- Coordinating with the external auditor, the Financial Audit Department, Quality Auditors and SCA inspectors.
- Offering consultation services with the aim of enhancing and developing work procedures without compromising the independence of

auditors, and in accordance with the work charter of ICD.

- Updating the internal auditing charter to comply with the latest modules issued by US-based Institute of Internal Auditors (IIA). The updated charter will be approved by the Audit Committee.
- The ICD updated its Whistle-Blowing policy, and gained approval by the Audit Committee. It organized an educational training for all DFM employees related to the policy and its implementation.
- Monitoring the communication channels dedicated for Whistle-Blowing.
- ICD played a key role in updating the current ISO certification, and obtained the ISO 2015 certification in January 2017.

The Internal Control Department comprises six qualified employees, as follows:

Asma Lootah

Head of the Internal Control and Compliance Department

Date of appointment: As Head of the Internal Control Department in 2010 and as a Compliance Officer in 2016.

Qualifications:

- Master's degree in Finance from E.Philip Saunder College of Business, Rochester Institute of Technology – May 2011.
- Certified Management Accountant (CMA) – February 2008.
- Certified Quality Auditor in ISO 9001:2000 from IRCA – May 2004.
- Bachelor's degree in Business Administration from the Higher Colleges of Technology – Dubai Women's College – 2001.
- Higher Diploma in Accounting from the Higher Colleges of Technology – Dubai Women's College 2000.
- President of the RIT Dubai Alumni since March 2014.
- Member of the Advisory Board of the Business Administration College at Rochester Institute of Technology Dubai.
- Member of the Association of Internal Auditors (AAA).

Reda Farouk Shehata:

Manager – Internal and Shari'a Section.

Holder of the following certificates: CIB (2013), CFC, CRMA (2012), Higher Diploma in Financial Accounting from Ain Shams University (2003) and a Bachelor's degree in Accounting from Ain Shams University (1998).

Jacob Sebastian:

Manager – Information Systems Audit Section/ ICD.

Holder of the following certificates: Cobit 5.0 Certified Assessors (2014), CISA (2012), Certified Lead Auditor ISO 27001 (2011), CISSP (2011), CISM (2010) MA in Finance from Bharathidasan University (2014), BS in Computer Engineering from Cochin University (2001).

Mohammad Ahmed EL Assaleh:

Deputy Manager – Internal Control and Compliance Section.

Holder of the following certificates: ACCA (2009), CRMA (2012), Bachelor's degree in Accounting from Yarmuk University (2003).

Ahmed Ragab Moaty:

Deputy Manager – Internal Control and Compliance Section.

Holder of the following certificates: CIA (2017), ACCA (2011), B.A. of Arts from Menoufeya University (2000).

Farah Hani Al Ananni:

Senior Auditor – Internal Control and Compliance Section.

Holder of the following certificates: CPA (2010), Bachelor's degree in Accounting from the University of Jordan (2007).

The ICD handles all major issues arising in the Company, or those disclosed in annual reports and accounts.

The Company was not subject to any significant risks in 2017. However, and in accordance with the ICD guidelines, the ICD handles any issues that the Company may face through the following process:

- ICD identifies and classifies the nature of the problem in terms of the risk level, through determining the scale of the problem and the extent of its negative impact.
- ICD communicates with the concerned departments through division heads and the CEO to discuss actions to contain and resolve the problem. ICD then makes the necessary recommendations.
- ICD reports the problem and the proposed relevant recommendations to the Audit Committee, which in turn, after discussing and evaluating the situation, submits it to the Board of Directors in order to make the appropriate decisions on the matter.
- ICD follows-up on the implementation of its recommendation by ensuring that the Board of Directors resolutions in this regard are implemented.
- ICD communicates with the external auditor, if necessary.

9. The Company has Committed No Violations During 2017 or During the Previous Years

10. DFM Contribution to the Development of Local Communities and to Environmental Protection During 2017

As part of its endeavors to protect the environment and minimize its environmental footprint, and in line with its Smart Borse strategy, DFM has worked diligently towards a digital paperless environment. According to the GreenBox report, an agreement with whom was signed in 2015, Dubai Financial Market reduced its environmental footprint by 23% in 2017 compared with 2016.

In line with its corporate social responsibility policy, DFM continued to organize society-oriented activities; where it carried out several training programs to over 2,000 students from several schools and universities all across the UAE.

DFM also signed a Memorandum of Understanding (MoU) with the Dubai Women's Establishment, empowering women in the business and financial sector through encouraging female participation at the boards of UAE listed companies under the Women on Board initiative. Moreover, the Dubai Financial Market has a longstanding program of donations towards community engagement activities.

During the year 2017, DFM continued to make donations, including office furniture, computers and air conditioners, for the Mohammed Bin Rashid Foundation for Charity and Humanitarian Works and the Tarhum Charitable Foundation. DFM did not provide any financial contributions during the year.

11. DFM Legal Framework and Share Trading Information

The following are key milestones in the development of DFM legal framework:

- **26th March 2000:** The Dubai Financial Market was established as a public institution and an independent legal entity, by virtue of Decree 14/2000 issued by the Government of Dubai. The DFM launched its activities on 26th March 2000. DFM is governed and regulated by the UAE Securities and Commodities Authority (SCA), which has the authority to impose laws, regulations and standards, with which DFM must comply.
- **27th December 2005:** The Executive Council of Dubai decided to transform the DFM into a Public Joint Stock Company (PJSC).
- **6th February 2007:** The Dubai Financial Market PJSC was established as a public shareholding company in Dubai, by virtue of the Cabinet Resolution No. 62 of 2007, issued by the Ministry of Economy. The Company had a capital of AED eight billion divided into eight billion shares, with a nominal value of AED one per share. A total 20% of the capital, equal to 1.6 billion shares, were offered through an Initial Public Offering (IPO). The IPO was met with great demand, with subscriptions amounting to AED 201 billion.
- **7th March 2007:** The Dubai Financial Market PJSC was listed with the trading symbol of DFM.
- **22nd December 2009:** DFM acquired Nasdaq Dubai.

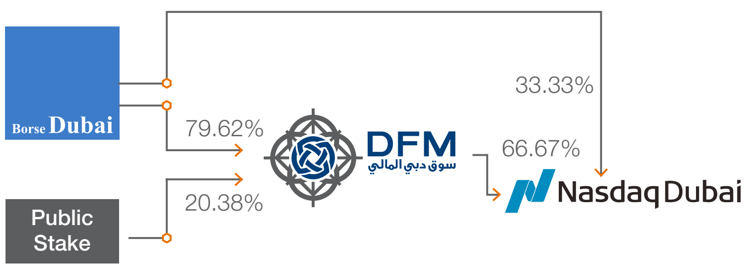
About Borse Dubai (Parent Company)

Borse Dubai is the holding company for Dubai Financial Market (DFM) and Nasdaq Dubai.
Borse Dubai was created on 6th August 2007, to consolidate the Government of Dubai's two stock exchanges as well as current investments in key international exchanges, expanding Dubai's position as a global capital market hub.

About Nasdaq Dubai (Subsidiary)

Formerly the Dubai International Financial Exchange (DIFX), Nasdaq Dubai is a leader in innovation, with a vast range of products that allows companies to raise their capital through shares, sukuk and bonds. It also welcomes listing exchange-traded funds (ETFs), derivatives, exchange-traded commodities and real estate investment trusts (REITs). Nasdaq Dubai was established in September 2005 in Dubai International Financial Center (DIFC), and is regulated by the Dubai Financial Services Authority (DFSA).

Below is a diagram of DFM PJSC ownership structure, as on 31st December 2017:



The presence of two regulatory bodies, namely SCA which governs DFM, and DFSA which governs Nasdaq Dubai, offers investors two options of legal structures that govern the trading of securities. This advantage provides more diversity, in terms of legal structure, services and products offered by the two trading platforms.

Overview of DFM share trading information:

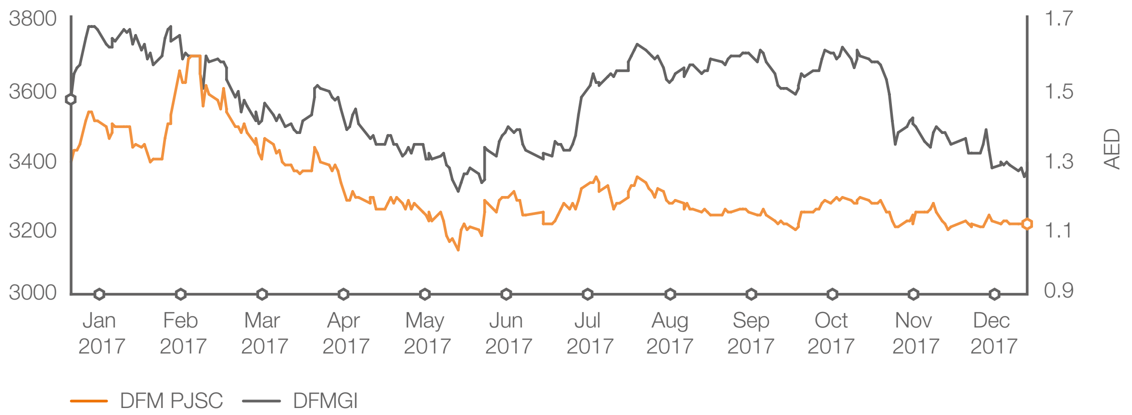
a. The Company's share price (Closing price compared to highest and lowest) at the end of each month of fiscal year 2017

Month	Highest price during the month (AED)	Lowest price during the month (AED)	Closing price at the end of the Month (AED)	DFM General Index (Index figure)	F-Investment Index (Index figure)
January	1.41	1.25	1.29	3643	3882
February	1.64	1.26	1.46	3630	4056
March	1.47	1.22	1.25	3480	3843
April	1.33	1.14	1.15	3415	3541
May	1.20	1.03	1.09	3339	3395
June	1.21	1.05	1.11	3392	3323
July	1.26	1.10	1.19	3633	3748
August	1.24	1.12	1.13	3638	3649
September	1.17	1.10	1.11	3564	3607
October	1.20	1.08	1.16	3636	3986
November	1.17	1.09	1.10	3420	3762
December	1.13	1.08	1.12	3370	3738

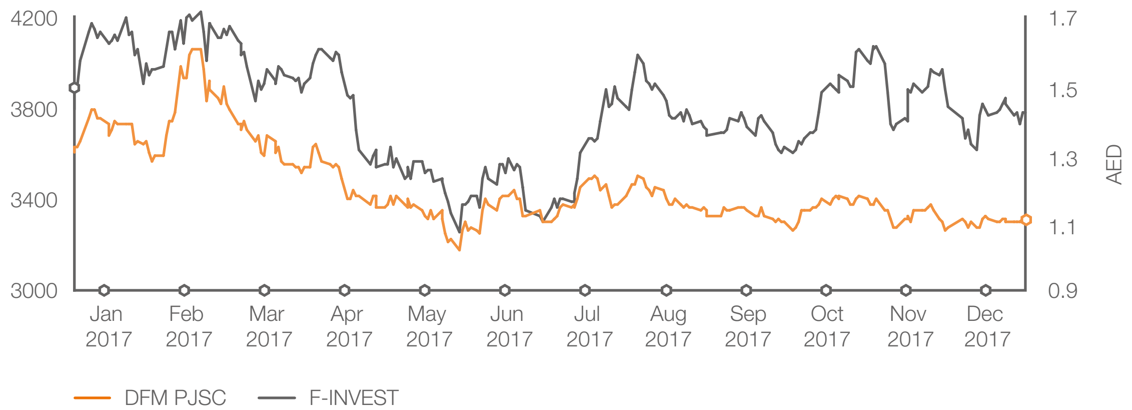
DFM PJSC Stock Price Movement

b. DFM PJSC share performance compared to DFM General Index and Sector Index during 2017

DFM PJSC Share Price Performance Compared to Market Index



DFM PJSC Share Price Performance Compared to Financial Sector Index



c. Distribution of shareholder equity according to percentage of ownership on 28th December 2017 and settlement thereof on 3rd January 2018 (individuals, companies, governments) classified as follows:

Shareholder Classification	Percentage of Ownership*			
	Individuals	Companies	Government	Total
Local	8.31%	84.23%	0.01%	92.55%
Arab**	2.61%	0.73%	-	3.35%
Foreign	1.52%	2.58%	-	4.10%
Total	12.45%	87.54%	0.01%	100.00%

* Sum of percentages might not add up due to rounding.

** Arab classification combines GCC and Arab shareholder classifications.

d. Shareholders who hold 5% or more of DFM's capital as on 28th December 2017 and settlement thereof on 3rd January 2018:

Name	No. of Owned Shares	Percentage of Owned Shares of DFM Capital
Borse Dubai	6,370,000,000	79.625%

e. Distribution of shareholder's equity according to share ownership size on 28th December 2017 and settlement thereof on 3rd January 2018 as follows:

Share Ownership	No. of Shareholders	No. of Owned Shares	Ownership Percentage of Capital*
Less than 50,000	24,699	134,755,610	1.7%
50,000 to less than 500,000	1,954	282,158,248	3.5%
500,000 to less than 5,000,000	384	515,214,472	6.4%
More than 5,000,000	56	7,067,871,670	88.4%
Total	27,093	8,000,000,000	100.00%

* Sum of percentages might not add up due to rounding.

f. Investor Relations

DFM placed great importance on investor relations since 2008. In addition to establishing a dedicated division for Investor Relations, DFM also created a dedicated webpage for this purpose, where it publishes information related to its strategy, share price analysis, Board of Directors information, news and events, analyst coverage, financial reports, governance reports, unclaimed dividends, Zakat shares, and Investor Relations Officer contact details. In a move to enhance communication with investors, DFM also launched a smartphone application for investor relations.

For further information, please contact Investor Relations Officer:

Haneen Nashashibi
Tel.: **+971 4 305 5650**
E-mail: **IR@dfm.ae**
Or visit the DFM Website at
www.dfm.ae/dfm-investor-relations/

g. Special resolutions submitted during the General Assembly, and taken actions in that regard.

The General Assembly Meeting, held on 13th March 2017, ratified the special resolution regarding approval for executing deals with related parties (companies under ownership/control of government) of not more than 30% of the company's capital without referring to the AGM in future.

h. Material/significant events during 2017

The Company did not face any event that could be described as material/significant during 2017.

i. Emiratization percentage

Emiratization percentage stood at 60% of DFM's employees by the end of 2017.

j. Innovative projects and initiatives during 2017

DFM launched several innovative projects and initiatives during 2017, focusing mostly on its transformation into a Smart Borse and improving business processes. A smart trading hall was launched to include a range of innovative digital services. The Company also encouraged the distribution of cash dividends through smart market solutions and the iVESTOR Card. Furthermore, DFM also launched two new mobile applications for smartphones. DFM worked hard to develop clearing, settlement and depository systems, as well as applying best practices that ensure the sustainability of governance. In a first-of-its-kind move at the regional level, Dubai Financial Market and Nasdaq Dubai signed a futures contract linked to the Dubai Financial Market's general index on the Nasdaq Dubai futures market.

H.E. Essa Abdulfattah Kazim
Chairman
March 2018


DFM
Top Losers
Disclosure

Fatwa and Shari'a Supervisory Board Report

During 2017, the Fatwa and Shari'a Supervisory Board performed the following tasks:

Market Standards

- The Fatwa and Shari'a Supervisory Board issued the DFM Standard on Hedging against Investment and Finance Risks in its final version, which incorporated all feedback and suggestions provided by Shari'a scholars, as well as legal, economic and banking experts. The Board also translated the Standard and supervised its printing/publishing.
- The Fatwa and Shari'a Supervisory Board started preliminary studies related to the launch of the DFM Standard on Investment Funds, which is being reviewed and discussed by Board Members for final approvals. As a measure to enrich the Standard and ensure its comprehensiveness, Shari'a, legal, economic and finance experts will be invited to provide their feedback and comment on the Standard before it is published in its final version.

Shari'a-compliant Products

The Fatwa and Shari'a Supervisory Board held several meetings with DFM departments, to discuss the launch of a Shari'a-compliant REPO product. Work is still underway towards an agreement on the structure and relevant contracts of the product.

Shari'a Auditing

The Fatwa and Shari'a Supervisory Board reviewed the reports prepared by the Shari'a Auditing Section on a quarterly basis. The Board also gave its recommendations on these reports before their final approval.

Fatwas

The Fatwa and Shari'a Supervisory Board commented on all Shari'a-related inquiries that were raised during the year, whether by DFM management or from external parties.

Classification of Listed Companies

The Fatwa and Shari'a Supervisory Board reviewed and adopted the classifications of companies listed on both the Dubai Financial Market and Nasdaq Dubai, according to their Shari'a compliance. The classification is prepared by the Shari'a Auditing Section in accordance with the DFM Standard on Acquiring and Trading in Shares.

Calculation of 2016 Zakat

The Fatwa and Shari'a Supervisory Board has reviewed and adopted the calculation of Zakat for DFM PJSC, payable for the year 2016, which was prepared by the Shari'a Auditing Section, in light of the DFM Zakat balance sheet. Subsequently, the Board has invited DFM shareholders to pay the Zakat during the General Assembly held in 2017.

Calculation of non-Shari'a-compliant income for 2016

The Fatwa and Shari'a Supervisory Board reviewed and adopted the total balance of non-Shari'a-compliant income for the year 2016, and the proportion that should be excluded by each share.


عرض
161,085
0.575
100,000
1.140
0.518
266,26
1.130
993,13
1.800
1.840
0.927
0.000
WAVETEC

05. Financial Statements

Independent Auditor's Report

Independent auditor's report to the shareholders of Dubai Financial Market (DFM) P.J.S.C.

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dubai Financial Market (DFM) P.J.S.C. (the 'Company') and its subsidiaries (together the 'Group') as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matter

- Impairment of goodwill and other intangible assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter	How our audit addressed the Key Audit Matter
Impairment of goodwill and other intangible assets We considered goodwill and other intangible assets of AED 2.9 billion and AED 2.2 billion respectively to be a key audit matter because of their significance and the judgement involved in testing such items for impairment. Together they account for 54% of the total assets of the Group and any impairment charge could have a material impact on the reported financial performance of the Group. In accordance with International Accounting Standards (IAS) 36, goodwill is required to be tested annually for impairment. If impairment indicators are identified, its carrying amount is reduced to its estimated recoverable amount which is defined under IAS 36 as the higher of an asset's or cash generating unit's fair value less cost of disposal and its value in use. For other intangible assets, at the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired or if there is a change in the estimated useful life. The Company has carried out its own impairment assessment and, for assessing the impairment of goodwill, management considers the Company as one cash generating unit as defined under IAS 36. Refer to Note 4 to the financial statements for details.	Goodwill and other intangible assets were tested by management for impairment at 31 December 2017, by comparing the net assets of DFM at that date to the fair value of DFM, based on its quoted market price at 31 December 2017. We re-performed management's impairment assessment and also examined the assessment made by management in considering DFM as a single cash generating unit. The fair value of DFM, based on its market capitalisation as at 31 December 2017, was AED 800 million in excess of its net assets as at that date.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement and Company's Annual Report which is expected to be made available to us after the date of signing our auditor's report.

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

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

When we read the Chairman's statement and Company's Annual Report, if we conclude that there are material misstatements therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

1) we have obtained all the information we considered necessary for the purposes of our audit;

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

3) the Group has maintained proper books of account;

4) as disclosed in note 22.5 to the consolidated financial statements, the Group has not purchased any shares during the financial year ended 31 December 2017

5) note 16 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

6) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2017; and

7) the Group has not made any monetary social contributions during the year ended 31 December 2017.

PricewaterhouseCoopers
31 January 2018

Mohamed Elborno
Registered Auditor Number: 946
Dubai, United Arab Emirates

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 AED'000	2016 AED'000
ASSETS			
Non-current assets			
Goodwill	4	2,878,874	2,878,874
Other intangible assets	4	2,203,076	2,259,565
Property and equipment	5	275,245	262,545
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	6	856,546	836,648
Investment at amortised cost	7	94,756	-
Investment deposits	8	292,213	294,997
Total non-current assets		**6,600,710**	**6,532,629**
Current assets			
Prepaid expenses and other receivables	9	63,021	42,273
Investment deposits	8	2,290,148	1,905,148
Cash and cash equivalents	10	473,609	370,843
Total current assets		**2,826,778**	**2,318,264**
Total assets		**9,427,488**	**8,850,893**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	8,000,000	8,000,000
Treasury shares		(4,364)	(4,364)
		7,995,636	**7,995,636**
Investments revaluation reserve – FVTOCI	12	(702,860)	(738,272)
Statutory reserve	12	429,664	406,377
Retained earnings		419,182	237,902
Equity attributable to owners of the company		**8,141,622**	**7,901,643**
Non-controlling interest		19,091	18,499
Net equity		**8,160,713**	**7,920,142**
Non-current liabilities			
Subordinated loan	16	26,616	25,456
Provision for employees' end of service indemnity	13	18,913	16,066
Total non-current liabilities		**45,529**	**41,522**
Current liabilities			
Payables and accrued expenses	14	852,695	522,546
Dividends payable	15	352,378	358,262
Due to related parties	16	16,173	8,421
Total current liabilities		**1,221,246**	**889,229**
Total liabilities		**1,266,775**	**930,751**
Total equity and liabilities		**9,427,488**	**8,850,893**

These consolidated financial statements were approved on 31 January 2018 by the Board of Directors and signed on its behalf by:

Chairman

The notes on pages 12 to 44 form an integral part of these consolidated financial statements

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Income			
Trading commission fees		255,254	294,648
Brokerage fees		21,046	20,612
Clearing, settlement and depositary fees		36,935	39,742
Listing and market data fees		9,814	9,056
Other fees		5,963	5,354
Operating income		**329,012**	**369,412**
Investment income	17	101,423	79,538
Other income		481	-
Fair value gain on gifted land	24	-	231,306
Total income		**430,916**	**680,256**
Expenses			
General and administrative expenses	18	(139,797)	(136,962)
Amortisation of intangible assets	4	(56,489)	(62,367)
Interest expense	16	(1,160)	(1,113)
Operating expenses		**(197,446)**	**(200,442)**
Provision for impairment against investment deposit	8	-	(226,000)
Net profit for the year		**233,470**	**253,814**
Attributable to:			
Owners of the company		232,878	253,491
Non-controlling interest		592	323
		233,470	**253,814**
Basic/Diluted Earnings per share – AED	19	0.029	0.032

The notes on pages 12 to 44 form an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 AED'000	2016 AED'000
Net profit for the year	**233,470**	**253,814**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI)	35,412	19,945
Total comprehensive income for the year	**268,882**	**273,759**
Attributable to:		
Owners of the Company	268,290	273,436
Non-controlling interest	592	323
Total comprehensive income for the year	**268,882**	**273,759**

The notes on pages 12 to 44 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital AED'000	Treasury shares AED'000	Investments revaluation reserve FVTOCI AED'000	Statutory reserve AED'000	Retained earnings AED'000	Attributable to owners of the company AED'000	Non-controlling interest AED'000	Total AED'000
As at 1 January 2016	8,000,000	(4,364)	(780,437)	381,027	431,787	8,028,013	18,176	8,046,189
Net profit for the year	-	-	-	-	253,491	253,491	323	253,814
Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI)	-	-	19,945	-	-	19,945	-	19,945
Total comprehensive income for the year	-	-	19,945	-	253,491	273,436	323	273,759
Appropriation of non-sharia compliant income (Note 21)	-	-	-	-	(15,648)	(15,648)	-	(15,648)
Dividends declared, net of appropriation of non-sharia compliant income (Note 11)	-	-	-	-	(384,140)	(384,140)	-	(384,140)
Transfer to statutory reserve (Note 12)	-	-	-	25,350	(25,350)	-	-	-
Realised loss on disposal of investment	-	-	22,220	-	(22,220)	-	-	-
Zakat	-	-	-	-	(18)	(18)	-	(18)
As at 31 December 2016	**8,000,000**	**(4,364)**	**(738,272)**	**406,377**	**237,902**	**7,901,643**	**18,499**	**7,920,142**
As at 1 January 2017	8,000,000	(4,364)	(738,272)	406,377	237,902	7,901,643	18,499	7,920,142
Net profit for the year	-	-	-	-	232,878	232,878	592	233,470
Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI)	-	-	35,412	-	-	35,412	-	35,412
Total comprehensive income for the year	-	-	35,412	-	232,878	268,290	592	268,882
Appropriation of non-sharia compliant income (Note 21)	-	-	-	-	(28,281)	(28,281)	-	(28,281)
Transfer to statutory reserve (Note 12)	-	-	-	23,287	(23,287)	-	-	-
Zakat	-	-	-	-	(30)	(30)	-	(30)
As at 31 December 2017	**8,000,000**	**(4,364)**	**(702,860)**	**429,664**	**419,182**	**8,141,622**	**19,091**	**8,160,713**

The notes on pages 12 to 44 form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 AED'000	2016 AED'000
Cash flows from operating activities			
Net profit for the year		233,470	253,814
Adjustments for:			
Depreciation of property and equipment	5	10,886	8,156
Provision for employees' end of service indemnity	13	2,973	2,530
Fair value gain on gifted land	24	-	(231,306)
Provision for impairment against investment deposit	8	-	226,000
Amortisation of intangible assets	4	56,489	62,367
Interest expense	16	1,160	1,113
Income on investment deposits	17	(88,854)	(68,460)
Dividend income	17	(12,569)	(11,078)
Operating cash flow before changes in operating assets and liabilities		**203,555**	**243,136**
(Increase)/ decrease in prepaid expenses and other receivables		(11,710)	16,401
Increase / (decrease) in due to a related party	16	7,752	(144)
Increase in payables and accrued expenses		301,838	114,129
Cash generated from operations		501,435	373,522
Employees' end of service indemnity paid	13	(126)	(343)
Net cash generated from operating activities		**501,309**	**373,179**
Cash flows from investing activities			
Proceeds from sale and redemption of investments		18,298	4,768
Purchase of investments		(94,756)	(119,235)
Purchase of property and equipment	5	(23,586)	(17,992)
Net investment deposits (excluding cash and cash equivalents & non cash transactions)	8	(385,000)	(121,212)
Investment deposit income received		79,816	53,919
Dividend received	17	12,569	11,078
Net cash used in investing activities		**(392,659)**	**(188,674)**
Cash flows from financing activities			
Dividends paid to shareholders	11	(5,884)	(59,016)
Distribution of non-Sharia compliant income to shareholders	11,21	-	(15,648)
Net cash used in financing activities		**(5,884)**	**(74,664)**
Net increase in cash and cash equivalents		**102,766**	**109,841**
Cash and cash equivalents at the beginning of the year		370,843	261,002
Cash and cash equivalents at the end of the year	10	**473,609**	**370,843**

The notes on pages 12 to 44 form an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. Establishment and operations

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

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

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

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

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

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

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

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

Nasdaq Dubai Limited has the following subsidiary:

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

* The remaining 33% is held by Borse Dubai Limited (see note 20).

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of other financial assets measured at fair value through other comprehensive income (FVTOCI) following early adoption of classification and measurement version of IFRS 9 in 2009.

The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2017

(a) New and amended standards adopted by the Group

<u>Standards, amendments and interpretations that are effective for the Group's accounting period beginning on 1 January 2017</u>

The following applicable amendments to existing standards have been published and were effective for the Group's accounting periods beginning on 1 January 2017.

Amendments to IAS 7, 'Statement of cash flows on disclosure initiative' (Effective date 1 January 2017)

These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities including those from cash flows and other non-cash changes. The new requirement typically entails a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

There is no material impact of the above amendments on the consolidated financial statements of the Group.

There are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning on 1 January 2017 that have had a material impact on the Group's consolidated financial statements.

(b) New and amended standards not early adopted by the Group

<u>Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2017 and not early adopted</u>

IFRS 15, 'Revenue from contracts with customers' (Effective date 1 January 2018)

This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

These amendments comprise clarifications on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

There is no material impact of the above amendments on the consolidated financial statements of the Group.

IFRS 16, 'Leases'
(Effective date 1 January 2019)
This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

There is no material impact of the above amendments on the consolidated financial statements of the Group.

IFRS 9 'Financial Instruments'
(Effective date 1 January 2018)
The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. Earlier application is permitted. If an entity elects to early apply it must apply all of the requirements at the same time with the following exception: Entities with a date of initial application before 1 February 2015 continue to have the option to apply the standard in phases. The Group has early adopted the November 2009 classification and measurement version of IFRS 9. Since this adoption was before 1 February 2015, the Group is not required to early adopt the phases pertaining to impairment and hedging issued in July 2014 and there is no material impact of these phases on the Group's financial statements. Accordingly, the Group continues to apply the impairment provisions of IAS 39.

There are no other IFRSs of IFIRC interpretations that are not yet effective that would be expected to have a material impact on the consolidated financial statements of the Group.

2.3 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Acquisition-related costs are expensed as incurred.

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

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

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

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Intangible assets

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

License to operate as a Stock Exchange	50 years
Relationship with market participants (Brokers)	10 years

The amortisation period and method are reviewed and adjusted, as appropriate, at each consolidated statement of financial position date.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.5 Goodwill

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

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

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

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

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

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

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

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

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

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

2.7 Due from financial institutions and investment deposits

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

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

2.9 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 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 (except for debt instruments that are designated as at fair value through profit or loss on initial recognition to eliminate an accounting mismatch):

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

Debt instruments that do not meet the amortised cost criteria are measured at fair value through profit or loss (FVTPL). In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at fair value through the income statement. 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.

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.

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

On initial recognition, equity instruments are recorded at fair value through profit or loss (FVTPL), however, 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 or 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 is not reclassified to consolidated income statement on disposal of the investments.

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

Dividends on these investments in equity instruments are recognised in the consolidated income statement when the Group's right to receive the dividends is established. Dividends earned are recognised in the consolidated income statement and are included in the 'investment income' (Note 17).

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 fair value of the consideration received and receivable is recognised in the consolidated income statement.
On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments valuation reserve is reclassified to retained earnings.

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 the estimated future cash flows of the asset have been affected as a result of one or more events that occurred after the initial recognition of the financial assets.

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.

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.

2.10 Financial liabilities

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

Derecognition of financial liabilities

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

2.11 Cash and cash equivalents

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

2.12 Trade receivables

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

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

2.13 Employees' end of service indemnity and benefits

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

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

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

The provision made by DFM for end of service benefits due to expatriate employees is in compliance with the UAE law for their periods of service up to the consolidated statement of financial position date. In accordance with the provisions of IAS 19, to assess the present value of its obligations as at 31 December 2017 and 2016, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Law, the expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 3.5% (2016: 3.51%). Under this method an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. The assumed average annual salary growth is 5% (2016: 3%).

The provision made by Nasdaq Dubai Limited for the end of service benefits due to expatriate employees is in accordance with DIFC Law. Management uses the projected unit credit method to measure the employees' end of service benefits payable under the DIFC Employment Law.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material)

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 the receivable can be measured reliably.

2.15 Offsetting financial instruments

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

2.16 Revenue recognition

Trading commission fees are recognised when the underlying trade or transfer has been consummated.

Clearing, settlement & depositary fees are recognised when transfer & pledge of shares and other CSD services have been consummated and services provided.

Brokers' fees are recognised on a straight line basis over the membership period.

Listing and market data fees are recognised on a straight line basis over the listing period and the period over which market data services are provided.

Dividend income is recognised when the right to receive payment is established.

Return on Islamic investment deposits are recognised on a time proportion basis and is based on the expected minimum rate of return specified in the investment agreement.

2.17 Foreign currency transactions

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

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in AED, which is the Group's presentation currency.

(b) Transactions and balances

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

3. Critical accounting estimates and judgments

In the application of the Group's accounting policies, which are described in Note 2 to these consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Valuation of unquoted equity investments

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

Estimated useful lives of intangible assets

Management has estimated the useful economic 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. Management assesses the estimated useful lives on a periodic basis.

Impairment for goodwill and other intangible assets

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

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

Depreciation of property and equipment

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

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.

Provision for end of service benefits

At each reporting date a provision is made for the estimated liability in respect of employees' entitlements to leave passage and leave pay as a result of services rendered by the employees up to the reporting date.

4. Goodwill and intangible assets

	Goodwill AED'000	License to operate as a stock exchange AED'000	Relationships with market participants (Brokers) AED'000	Total AED'000
Cost				
At 1 January 2016 and 2017	2,878,874	2,824,455	58,744	5,762,073
At 31 December 2016 and 2017	**2,878,874**	**2,824,455**	**58,744**	**5,762,073**
Amortisation				
At 1 January 2017	-	564,890	58,744	623,634
Charge for the year	-	56,489	-	56,489
At 31 December 2017	**-**	**621,379**	**58,744**	**680,123**
At 1 January 2016	-	508,401	52,866	561,267
Charge for the year	-	56,489	5,878	62,367
At 31 December 2016	-	564,890	58,744	623,634
Carrying amount				
At 31 December 2017	**2,878,874**	**2,203,076**	**-**	**5,081,950**
At 31 December 2016	2,878,874	2,259,565	-	5,138,439

There was no evidence of impairment of the goodwill at 31 December 2017 on the basis that the fair value of the business, based on the Company's quoted market price at 31 December 2017, was in excess of its net assets at that date. DFM as an entity is considered a single cash generating unit for impairment testing purposes.

5. Property and equipment

	Computers and information systems AED'000	Leasehold improvement AED'000	Furniture and office equipment AED'000	Motor vehicles AED'000	Capital work-in-progress AED'000	Land AED'000	Total AED'000
Cost							
At 31 December 2015	120,977	11,403	14,599	316	6,275	-	153,570
Additions	7,606	936	2,199	-	7,251	231,306	249,298
Disposals	(11,041)	-	(745)	-	-	-	(11,786)
Transfers	4,021	2,257	611	-	(6,889)	-	-
At 31 December 2016	121,563	14,596	16,664	316	6,637	231,306	391,082
Additions	4,216	2,645	1,533	72	15,120	-	23,586
Disposals	(6,221)	-	(407)	(251)	-	-	(6,879)
Transfers	693	5,295	1,410	-	(7,398)	-	-
At 31 December 2017	**120,251**	**22,536**	**19,200**	**137**	**14,359**	**231,306**	**407,789**
Accumulated depreciation							
At 31 December 2015	110,412	11,279	10,176	267	-	-	132,134
Charge for the year	5,665	349	2,126	16	-	-	8,156
Disposals	(11,041)	-	(712)	-	-	-	(11,753)
At 31 December 2016	105,036	11,628	11,590	283	-	-	128,537
Charge for the year	6,864	1,464	2,524	34	-	-	10,886
Disposals	(6,221)	-	(407)	(251)	-	-	(6,879)
At 31 December 2017	**105,679**	**13,092**	**13,707**	**66**	**-**	**-**	**132,544**
Carrying Amount							
At 31 December 2017	**14,572**	**9,444**	**5,493**	**71**	**14,359**	**231,306**	**275,245**
At 31 December 2016	16,527	2,968	5,074	33	6,637	231,306	262,545

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

	2017 AED'000	2016 AED'000
Investment in equity securities	377,035	364,967
Managed funds – Note (a)	275,851	267,001
Investment in sukuk– Note (b)	203,660	204,680
	856,546	**836,648**

Investments by geographic concentration are as follows:

AED'000	2017 AED'000	2016 AED'000
- Within U.A.E.	817,136	796,608
- Outside U.A.E.	39,410	40,040
	856,546	**836,648**

(a) Managed funds include funds of AED 245.29 million (2016: AED 233.86 million) (Note 16) managed by a shareholder of the parent.

(b) The investment in sukuk are perpetual instruments, callable at the option of the issuers and are measured at fair value through other comprehensive income. The sukuk carries profit rates ranging from 6.04% to 6.75% per annum. (2016: 6.04% to 6.75% per annum), which are payable at the discretion of the issuers.

7. Investment at amortised cost

	2017 AED'000	2016 AED'000
Investment in Sukuk	94,756	-
	94,756	**-**

Investment in sukuk in the U.A.E matures in 5-10 years and carry a fixed profit rates of 5% - 5.112% per annum.

8. Investment deposits

	2017 AED'000	2016 AED'000
Current:		
Investment deposits maturing in less than 3 months	486, 730	510,148
Investment deposits maturing up to 1 year but more than 3 months	1,803,418	1,395,000
	2,290,148	**1,905,148**
Non-current:		
Investment deposits maturing above 1 year	292,213	294,997
	2,582,361	**2,200,145**

(a) Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging from 2% to 3% (2016: 2% to 3%) per annum.

(b) Investment deposits of AED 136.73 million (2016: AED 136.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.

(c) A specific provision of AED 226 million for impairment had been established during the year ended 31 December 2016 against an outstanding Wakala deposit of AED 271 million. There were no additional provisions taken during the year ended 31 December 2017.

(d) Dividends received from and payable on behalf of companies listed on DFM and investor card balances amounting to AED 550 million (2016: AED 295 million) have been invested in short term deposits by the Company.

9. Prepaid expenses and other receivables

	2017 AED'000	2016 AED'000
Accrued income on investment deposits	33,338	24,300
Central counterparty balances*	11,649	1,845
Prepaid expenses	9,043	7,147
Accrued trading commission fees	4,242	4,193
Other receivables	3,011	2,616
Due from brokers	2,055	2,520
	63,338	**42,621**
Less: allowance for doubtful debts	(317)	(348)
	63,021	**42,273**

Net movement in allowance for doubtful debts:

	2017 AED'000	2016 AED'000
Opening balance	348	147
(Reversal) / provision for the year	(31)	201
Closing balance	**317**	**348**

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

10. Cash and cash equivalents

	2017 AED'000	2016 AED'000
Cash on hand	207	208
Bank balances:		
Current accounts	41,357	54,684
Savings accounts	1	-
Mudarabah accounts	141,005	75,137
	182,570	**130,029**
Add : Investment deposits with original maturities not exceeding three months	291,039	240,814
Cash and cash equivalents	**473,609**	**370,843**

The rate of return on the savings and mudarabah accounts is 0.17% to 0.44% per annum (2016: 0.25% to 0.36% per annum). Dividends amounting to AED 1 million (2016: AED 18 million) distributed by the Company on behalf of other companies remain unpresented to the Company's banks as at 31 December 2017.

11. Share capital

	2017 AED'000	2016 AED'000
Authorised, issued and paid up share capital:		
8,000,000,000 shares (2016: 8,000,000,000 shares) of AED 1 each (2016: AED 1 each)	8,000,000	8,000,000

The Company did not declare any dividends for 2016 but has appropriated non-sharia compliant income of AED 28 million for 2016. Dividends declared for 2015 were AED 399.8 million representing 5% per share, including non-sharia compliant income of AED 15.6 million.

12. Reserves

Statutory reserve

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

	Statutory reserve AED'000
Balance as of 31 December 2015	381,027
Transfer from net income for the year	25,350
Balance as of 31 December 2016	406,377
Transfer from net income for the year	23,287
Balance as of 31 December 2017	**429,664**

Investments revaluation reserve - FVTOCI

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

13. Provision for employees' end of service indemnity

	2017 AED'000	2016 AED'000
Balance at the beginning of the year	16,066	13,879
Charged during the year	2,973	2,530
Paid during the year	(126)	(343)
Balance at the end of the year	**18,913**	**16,066**

In accordance with the provisions of IAS 19, to assess the present value of its obligations as at 31 December 2017 and 2016, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Law, the expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 3.5% (2016: 3.51%).

14. Payables and accrued expenses

	2017 AED'000	2016 AED'000
Dividends payable on behalf of companies listed on the DFM	498,650	252,169
Ivestor cards	231,612	184,466
Members' margin deposits	38,841	24,348
Non sharia compliant income	28,281	-
Brokers' retention	16,485	16,638
Accrued expenses and other payables	14,352	17,525
Central counterparty balances (Note 9)	11,649	1,845
Due to U.A.E. Securities and Commodities Authority	8,635	15,711
Unearned revenue	3,285	8,969
Zakat	905	875
	852,695	**522,546**

15. Dividends payable

The Company did not declare any dividends for 2016 but has appropriated non-sharia compliant income of AED 28 million for 2016. Dividends declared for 2015 were AED 399.8 million representing 5% per share, including non-sharia compliant income of AED 15.6 million. The payable balance include AED 318.5 million payable to the parent (Note16)

16. Related party transactions and balances

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

Transactions during the year

	2017 AED'000	2016 AED'000
Fellow subsidiaries and associates		
Investment income	49,262	45,893
Interest expense	1,160	1,113
Mortgage fees	678	-
Dividend income	8,441	6,753
Rent – Dubai World Trade Centre	9,713	9,569

Compensation of key management personnel		
The remuneration of directors and other members of key management during the year were as follows:		
Salaries and short-term benefits	8,870	8,416
General pension and social security	917	886
Board of Directors		
Remuneration to the Nasdaq Board	1,082	929
Meeting allowance for the Group	1,032	1,078
DFM board remuneration	1,800	1,800
Balances		
Other related parties		
Managed funds (Note 6)	245,287	233,857
Other financial assets at FVTOCI (Note 6)	319,775	309,164
Investment at amortised cost	44,952	-
Cash and bank balances	119,370	108,257
Investment deposits (Note 8)	1,215,768	1,279,909
Investment deposits include AED 100 million (31 December 2016: AED 100 million) placed as collateral with related parties.		
Parent		
Expenses paid on behalf of the Group	16,173	8,421
Subordinated loan	26,616	25,456
Dividends payable	318,500	318,500

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

The Group has not provided any loans to its directors during the year ended 31 December 2017 and 2016.

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

17. Investment income

	2017 AED'000	2016 AED'000
Return on investment deposits	88,854	68,460
Dividends	12,569	11,078
	101,423	**79,538**

18. General and administrative expenses

	2017 AED'000	2016 AED'000
Payroll and other benefits	85,474	80,843
Depreciation (Note5)	10,886	8,156
Maintenance expenses	9,590	13,483
Rent	9,440	9,427
Telecommunication expenses	9,032	8,392
Professional expenses	2,944	3,861
Ivestor expenses	2,765	3,111
Other	9,666	9,689
	139,797	**136,962**

19. Earnings per share

	2017	2016
Net profit for the year attributable to the owners of the Company (AED'000)	**232,878**	**253,491**
Authorised, issued and paid up share capital ('000)	8,000,000	8,000,000
Less: Treasury shares ('000)	(4,237)	(4,237)
Number of shares issued ('000)	7,995,763	7,995,763
Earnings per share - AED	**0.029**	**0.032**

20. Commitments

	2017 AED'000	2016 AED'000
Commitments for the purchase of property and equipment	31,107	1,219

The Company also has a commitment of AED 148 million (2016: AED 148 million) to acquire the remaining 33% (2016: 33%) of Nasdaq Dubai Limited which is required to be settled on the completion of the acquisition on a date to be mutually agreed with Borse Dubai Limited.

21. Non Sharia compliant income

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

Year	AED'000
2014	29,646
2015	15,648
2016	**28,281**

Non-Sharia compliant income of AED 28.28 million relating to 2016 (2016: AED 15.6 million relating to 2015 has been appropriated in 2016) has been appropriated after approval by the Company's Sharia and Fatwa Supervisory Board.

22. Financial risk management objectives

22.1 Financial risk factors

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

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

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

22.2 Market risk

(a) Foreign exchange risk

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

(b) Price risk

The Group is exposed to equity price risks arising from equity investments. The Group does not actively trade in these investments.

Equity price sensitivity analysis

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

If equity prices had been 5% higher/lower:

- Investment revaluation reserve would increase/ decrease by AED 43 million (2016:AED 42 million) as a result of the changes in fair value of the investments.

(c) Profit rate risk

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

A shift of +/- 50bps in the yield curve would result in increase/ decrease in investment income and equity by AED 15.9 million (2016: AED 13.2 million)

22.3 Credit risk

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

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

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

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

	2017 AED'000	2016 AED'000
Financial assets		
Investment deposits	2,677,117	2,200,145
Other receivables (Note 9)	53,978	35,126
Cash and bank balances (Note 10)	473,402	370,635
Total financial assets	**3,204,497**	**2,605,906**

The Group has made a full provision of AED 0.32 million (2016: AED 0.35 million) against its doubtful receivables as at 31 December 2017. The remaining receivables were neither past due nor impaired at the consolidated statement of financial position date.

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

	2017 AED'000	2016 AED'000
Bank Rating		
P1	725,165	606,992
P2	1,938,385	1,618,791
Unrated	100,000	50,000
Total	**2,763,550**	**2,275,783**

22.4 Liquidity risk

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

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

The liquidity profile of financial liabilities were as follows:

	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
31 December 2016						
Financial liabilities						
Payables and accrued expenses	871,839	-	-	-	-	871,839
Subordinated loan	-	-	-	26,616	-	26,616
Due to a related party	-	-	8,421	-	-	8,421
Provision for employees end of service benefits	-	-	-	-	16,066	16,066
Total financial liabilities	**871,839**	**-**	**8,421**	**26,616**	**16,066**	**922,942**
31 December 2017						
Financial liabilities						
Payables and accrued expenses	1,201,789	-	-	-	-	1,201,789
Subordinated loan	-	-	-	27,830	-	27,830
Due to a related party	-	-	16,173	-	-	16,173
Provision for employees end of service benefits	-	-	-	-	18,913	18,913
Total financial liabilities	**1,201,789**	**-**	**16,173**	**27,830**	**18,913**	**1,264,705**

22.5 Fair value of financial instruments

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

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

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

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

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

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

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

There were no changes in valuation techniques during the year.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016 and 2017

	31 December 2016			
	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets at fair value through other comprehensive income				
- Equities	317,585	-	47,382	364,967
- Managed funds	-	265,980	1,021	267,001
- Investments in Sukuk	204,680	-	-	204,680
Total	**522,265**	**265,980**	**48,403**	**836,648**
	31 December 2017			
	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Financial assets at fair value through other comprehensive income				
- Equities	333,618	-	43,417	377,035
- Managed funds	-	275,681	170	275,851
- Investments in Sukuk	203,660	-	-	203,660
Total	**537,278**	**275,681**	**43,587**	**856,546**

There are no transfers between Level 1 and Level 2 during the year. During the year ended 31 December 2017 the Group has not purchased any new shares (2016: the Group purchased shares amounting to AED 28 million).

Reconciliation of Level 3 fair value measurements of financial assets

	Measured at FVTOCI Unquoted equities	
	2017 AED'000	2016 AED'000
Opening balance	48,403	51,708
Redemption during the year	(4,005)	-
Unrealised losses	(811)	(3,305)
Closing balance	**43,587**	**48,403**

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

During the year ended 31 December 2017, the Company acquired an investment in sukuk (Note 7) which is measured at amortised cost in the consolidated statement of financial position. The following table summarises the amortised cost and fair value of the sukuk at 31 December 2017:

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

23. Financial assets and liabilities

Financial assets by category

	2017 AED'000	2016 AED'000
Assets as per consolidated statement of financial position		
Financial assets measured at fair value through other comprehensive income (FVTOCI)	856,546	836,648
Amortised cost		
Cash and bank balances (Note 10)	473,402	370,635
Investment deposits	2,677,117	2,200,145
Other receivables (Note 9)	53,978	35,126
	3,204,497	**2,605,906**

Financial liabilities by category

	2017 AED'000	2016 AED'000
Liabilities as per consolidated statement of financial position		
Other financial liabilities at amortised cost		
Payables and accrued expenses	1,201,789	871,839
Subordinated loan	26,616	25,456
Due to a related party	16,173	8,421
Provision for employee's end of service indemnity	18,913	16,066
	1,263,491	**921,782**

24. Fair value gain on gifted land

During the year ended 31 December 2016, the Company received freehold land in the Business Bay area from Dubai Properties Group (DPG), free of cost for the purpose of construction of its new office premises. Based on the valuation certificate issued by the land department, the value of gifted land at the date of receipt was AED 231.3 million, which had been recognised in the statement of income.

25. Capital risk management

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

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

26. Segment reporting

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

27. Social contributions

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

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