

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

**Consolidated financial statements
for the year ended 31 December 2017**

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

	Pages
Independent auditor's report	1 – 6
Consolidated statement of financial position	7
Consolidated income statement	8
Consolidated statement of comprehensive income	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12 - 44



*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.

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Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed Elborno are registered as practicing auditors with the UAE Ministry of Economy



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

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.



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

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key Audit Matter
<i>Impairment of goodwill and other intangible assets</i> 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.	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.

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.

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.



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

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.



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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.



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

Report on other legal and regulatory requirements

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

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of account;
- iv) 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
- v) note 16 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- vi) 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
- vii) the Group has not made any monetary social contributions during the year ended 31 December 2017.

PricewaterhouseCoopers
31 January 2018

A handwritten signature in black ink, appearing to read 'M Elborn'.

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

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

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:

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Chairman 

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

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

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

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
<i>Other comprehensive income</i>		
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

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

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital AED'000	Treasury shares AED'000	Investments revaluation reserve FV/TOCI 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 (FV/TOCI)	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	19,945	-	-	19,945	-	19,945
Appropriation of non-sharia compliant income (Note 21)	-	-	19,945	-	253,491	273,436	323	273,759
Dividends declared, net of appropriation of non-sharia compliant income (Note 11)	-	-	-	-	(15,648)	(15,648)	-	(15,648)
Transfer to statutory reserve (Note 12)	-	-	-	25,350	(384,140)	(384,140)	-	(384,140)
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 (FV/TOCI)	-	-	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.

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

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

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

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:

<u>Company name</u>	<u>Activity</u>	<u>Country of incorporation</u>	<u>Ownership held</u>
Nasdaq Dubai Limited*	Electronic Financial Market	U.A.E.	67%
Nasdaq Dubai Limited has the following subsidiary:			
<u>Company name</u>	<u>Activity</u>	<u>Country of incorporation</u>	<u>Ownership held</u>
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).

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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*

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

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

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

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

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

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

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

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

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2017 and not early adopted (continued)

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 or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the consolidated financial statements of the Group.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

2.6 Property, equipment and freehold land (continued)

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

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

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).

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

2. Summary of significant accounting policies (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

3. Critical accounting estimates and judgments (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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
							(27)

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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
	<u>856,546</u>	<u>836,648</u>

Investments by geographic concentration are as follows:

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

- (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	-
	<u>94,756</u>	<u>-</u>

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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
	<u>2,290,148</u>	<u>1,905,148</u>
Non-current:		
Investment deposits maturing above 1 year	292,213	294,997
	<u>2,582,361</u>	<u>2,200,145</u>

- (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
	<u>63,338</u>	<u>42,621</u>
Less: allowance for doubtful debts	(317)	(348)
	<u>63,021</u>	<u>42,273</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

9. Prepaid expenses and other receivables (continued)

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	<u>317</u>	<u>348</u>

* 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
	<u>182,570</u>	<u>130,029</u>
Add : Investment deposits with original maturities not exceeding three months	<u>291,039</u>	<u>240,814</u>
Cash and cash equivalents	<u>473,609</u>	<u>370,843</u>

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 unrepresented to the Company's banks as at 31 December 2017.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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	<u>18,913</u>	<u>16,066</u>

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
	<u>852,695</u>	<u>522,546</u>

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 (Note 16)

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

16. Related party transactions and balances (continued)

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
	<u>101,423</u>	<u>79,538</u>

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
	<u>139,797</u>	<u>136,962</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

21. Non Sharia compliant income (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

22. Financial risk management objectives (continued)

22.2 Market risk (continued)

(b) Price risk (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

22. Financial risk management objectives (continued)

22.3 Credit risk (continued)

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

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

22. Financial risk management objectives (continued)

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

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

22. Financial risk management objectives (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

22. Financial risk management objectives (continued)

22.5 Fair value of financial instruments (continued)

There were no changes in valuation techniques during the year.

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

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

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	2016
	AED'000	AED'000
Opening balance	48,403	51,708
Redemption during the year	(4,005)	-
Unrealised losses	(811)	(3,305)
Closing balance	<u>43,587</u>	<u>48,403</u>

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

22. Financial risk management objectives (continued)

22.5 Fair value of financial instruments (continued)

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, Investor 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

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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.

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

Notes to the consolidated financial statements for the year ended 31 December 2017 (continued)

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.