

# ANNUAL REPORT 2015

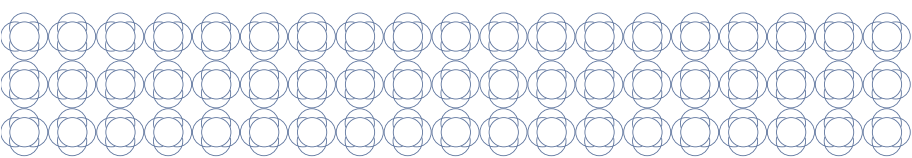


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Dubai Financial Market (PJSC)

Annual Report 2015

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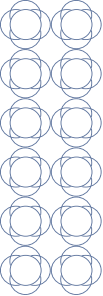






H. H. Sheikh Mohammed bin Rashid Al Maktoum  
UAE Vice President, Prime Minister and Ruler of Dubai

"We are at the start of the road to our vision,  
for every peak we reach overlooks the next.  
Only those who thrive to achieve are on top."



## Board of Directors

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H. E. Essa Abdulfattah Kazim  
Chairman



Rashid Hamad Al Shamsi  
Vice Chairman



Mohammed Humaid Al Mari  
Board Member



Ali Rashid Al Mazroei  
Board Member



Adil Abdullah Al Fahim  
Board Member



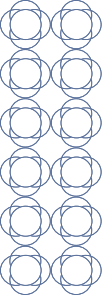
Musabbah Mohammed Al Qaizi  
Board Member



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## Chairman's Statement



His Excellency  
**Essa Abdulfattah Kazim**  
Chairman  
Dubai Financial Market (DFM)

**“We continue to explore new opportunities for development, inspired by the vision of our wise leadership that is constantly striving for great success. His Highness Sheikh Mohammed bin Rashid Al Maktoum has taught us that “In The Race For Excellence, There Is No Finish Line.”**

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

**Dear Shareholders,**

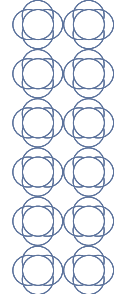
It gives me, the members of the Board of Directors and the senior management team, great pleasure to present to you the 9th Annual Report of the Dubai Financial Market (PJSC), which tackles the major developments that the company underwent, and the financial statements for the year ending December 31, 2015.

I would like to review with you the key achievements and developments in 2015. As part of its ongoing strategy, the DFM continued with developing its infrastructure and services offered to its market participants. Our development endeavors in 2015 covered several areas in line with the approved successful development plan that delivered outstanding results which were commended and welcomed by our customers. The following summarises these developments and achievements:

- I. Regardless of the trading activity having been impacted in 2015 due to circumstances that were both unforeseen and irrelevant of the state of our strong national economy, particularly the decrease in oil prices as well as the fear of China's economic slow-down and its impact on global economy taking its toll on international markets, such unfavorable circumstances did not hinder the DFM from going forward with implementing its development plans aimed at realizing its strategic objectives. This was realized by improving the services offered to market participants and by providing smart solutions that are in line with the “Smart Borse” strategy implemented by the DFM.

To define 2015 in a few words, it was “the year of empowering the Smart Borse strategy in DFM”. The achievements of DFM in this respect are too many to count in this brief statement. Nonetheless, we focused mainly on enhancing the “Smart Borse” tools through a number of services and innovative solutions in line with the vision and directives of His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai. To this end, the DFM has launched an integrated package of electronic services for investors, including a total of 15 electronic services via smart phone applications and website. Additionally, DFM has launched its redesigned website, containing a number of new webpages and sections that fulfill the needs of all DFM participants. Furthermore, the updated version of the Market Watch webpage now offers detailed information on the market activities and provides users with greater flexibility to configure the page according to their personal preferences. The DFM has also introduced its new smart phone application, with an Apple Watch version. These developments contributed to the fulfillment of the DFM objective of launching smart services and solutions, which is to make its data and services available at the fingertips of investors anytime and anywhere.

- II. Developing the DFM infrastructure has been our top priority over the past years, resulting in the UAE being upgraded to an international emerging market. This will continue to be the main focus of our future efforts, as we are constantly working on introducing processes and regulations which meet the expectations of international investment firms. Although we have gone a long way in business readiness and integration of DFM infrastructure and regulations, we continue to explore new opportunities for development, inspired by the vision of our wise leadership that is constantly striving for great success. His Highness Sheikh Mohammed bin Rashid Al Maktoum has taught us that “In The Race For Excellence, There Is No Finish Line.” Hence, 2015 has witnessed further steps in adopting international best practices. For



example, in May 2015, the enhanced version of the "Pre-Closing Session" has been implemented to determine the closing price of traded securities in the market. We have also introduced the "Trading At Last (TAL) session as per the Closing Price". Moreover, in November, the trading of Rights Issue of Takaful Emarat was launched for the first time on DFM. This came as part of the DFM's endeavors to diversify the investment tools, enabling investors to benefit from trading on their subscription rights of capital increase.

- III. Although we did not witness any IPOs in 2015, after an outstanding result in 2014 with 4 listings of new public joint stock companies from growth sectors that have not been represented in DFM before, such as Tourism, Education, Health and Retail, DFM retained its attractiveness as a favorite destination for companies seeking to list. Also, at the beginning of 2015, DAMAC Properties shares were listed, while in November we welcomed the first listing of a private joint stock company, Al Safwa Islamic Financial Services, on the "DFM Second Market" for trading private joint stock companies. This reflects the confidence both public and private joint stock companies have in the market as a leading platform for interaction between investors and companies, not only domestically, but also internationally, due to its integrated infrastructure, leading IT systems, and advanced services that place it on equal stance amongst the most advanced international stock markets. It is beyond question that enabling public or private joint stock companies to benefit from the many facilities that the capital market offers, contributes to enhancing the role of the financial sector in economic development, and increases its share of the GDP, which falls in line with the strategic objectives of the Dubai 2021 Plan.

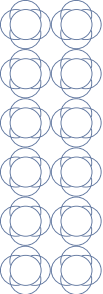
The DFM will continue its close cooperation with private joint stock companies and family businesses to revitalize the IPO sector in a way that supports the success of DFM's strategy aiming to achieve the best representation of key economic sectors in Dubai. This can be achieved through direct communication with these companies, in addition to organizing forums that help present the IPO sector's latest developments to the decision makers of such companies, who express great interest in attending relevant DFM events, such as DFM's third IPO Forum that attracted 190 members from the senior management of 80 family-owned, private and public organisations.

- IV. As part of the continuous efforts to further connect listed companies with international investors, as well as provide an effective international platform to showcase the progress and growth plans of those companies, the DFM organized two roadshows for international investors, in London, April 2015, and in New York, October 2015, respectively. The two events were a huge success, as they attracted a large number of international investment firms, with total assets under management exceeding USD 4 trillion, thus reflecting their growing interest in the investment opportunities offered on the DFM. Also, the deep interest demonstrated by many of the global investment firms in London and New York to connect with companies listed on the DFM is a clear indication that such events successfully achieved their desired outcomes. It also demonstrates the growing presence of the DFM amongst international investment firms. Hence, we will be further communicating with investors at key financial centers around the world by organizing more investor conferences and events in London and New York. We will also seek to host such events in the Far East, to attract more liquidity and update international funds interested in tapping into the attractive and diverse opportunities the DFM offers, thus enabling them to be part of the success story that Dubai is achieving year on year.

- V. In 2015, the DFM expanded the value added services it provides to listed companies. At the forefront of such services is managing the distribution of cash dividends on behalf of these companies. In 2015, the DFM distributed cash dividends for 2014 on behalf of 14 listed companies, with a total value of AED 5.6 billion, marking a 143% increase compared to the year before. The dividends distributed via DFM represent 62% of the total dividends of listed companies. Additionally, DFM provided the service of managing general assemblies on behalf of 4 listed companies. This service offers an intuitive yet effective system for registering the attendance of shareholders, voting on decisions, and electing members of the Board via DFM's innovative solutions. This system is being further developed to enable investors to remotely participate in the activities of general assemblies through online attendance and voting.

Apart from its importance to the company's strategy aiming to provide advanced and innovative solutions for all stakeholders, these services also come as part of the strategic endeavors targeting the diversification of revenue streams and creating a more balanced formula with the key revenue stream, namely the trading commission.

- VI. The DFM remained attractive for foreign investments, as foreign investors demonstrated an increasing and prominent presence in 2015. They represented the vast majority, amounting to 76%, of the total number of new investors - 5478 - in DFM over the last year. Also, their trading share increased to 48.6% versus 43.8% in 2014. Foreign investors, except for Arab and GCC nationals, were net buyers of AED 900 million, whilst institutional investors were net buyers of AED 1.5 billion. This shows the confidence that investors have in the quality and



## Chairman's Statement

**“To define 2015 in a few words, it was ‘the year of empowering the Smart Borse strategy in DFM’.”**

diversity of investment opportunities the DFM offers, and directly reflects the clearly strong and sustainable national economy, which maintains good growth rates owed to the successful economic diversification policies.

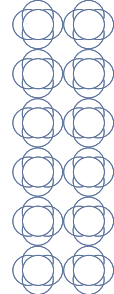
As for the financial performance of the company in 2015, the aforementioned developments in the oil market and global economy in general have cast their shadow on the trading value which decreased by 60% to AED 151.3 billion. This in turn impacted the company's revenues generated from trading commissions, which continue to be the main stream of revenue. Subsequently, the net profits declined to AED 261 million in 2015, compared to AED 759.3 million in 2014. The total revenues amounted to AED 451 million in 2015 versus AED 936.7 million in 2014. This is broken down into AED 393.7 million from operations and AED 57.3 million from investments and other revenues.

In conclusion, I would like to extend our sincere gratitude and deep appreciation to His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, for his generous support to the DFM. I would also like to thank the Fatwa and Shari'a Supervisory Board, all market participants and our employees for their efforts and sincere hard work to realize the company's objectives. I also express my deepest gratitude to the shareholders who place their confidence in us, and we promise them to continue to uphold such confidence and do our very best to achieve more success in the near future.

Best regards,

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





# DFM PJSC Financial Performance Summary

The Dubai Financial Market recorded a net profit of AED 261 million, a decrease of 66% compared to 2014. The decline in performance was a result of the global economic conditions which affected international stock markets including Dubai Financial Market. Consequently, reduced investor confidence in stock markets, liquidity shortages and lower performance of most of the DFM listed companies, affected our main operating activity and decreased the annual trading value to AED 151 billion in 2015, compared to AED 382 billion in 2014, down 59%. Operating expenses showed a normal increase for the year 2015.

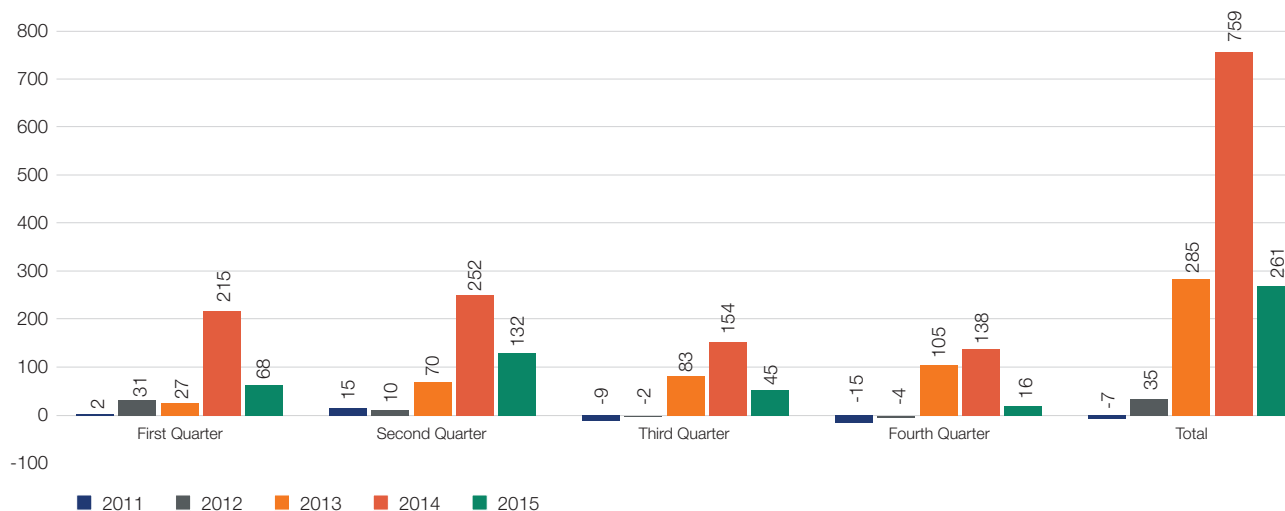
## Key Financial Indicators

|   | 2011    | 2012    | 2013     | 2014    | 2015    | %    |
|---|---------|---------|----------|---------|---------|------|
| Total revenues (AED million)  | 176.5   | 191     | 453.1    | 936.7   | 451     | -52% |
| Total expenses (AED million)  | 183.4   | 155.8   | 168.5    | 177.4   | 190     | 7%   |
| Net profit (loss) (AED million)   | (6.9)   | 35.2    | 284.6    | 759.3   | 261     | -66% |
| Net profit before depreciation, amortization and interest (AED million) | 89.5    | 108.1   | 353.7    | 828.1   | 329.1   | -60% |
| Total assets (AED million)  | 7,698   | 7,711.6 | 8,292.40 | 9,002.1 | 8,534.5 | -5%  |
| Total liabilities (AED million)   | 196     | 233.5   | 340.3    | 571.5   | 488.3   | -15% |
| Shareholders' equity without minority interest (AED million)            | 7,479   | 7,457.9 | 7,935.30 | 8,413.3 | 8,028   | -5%  |
| Share price (AED)   | 0.84    | 1.02    | 2.47     | 2.01    | 1.23    | -39% |
| Earnings per share (AED)  | -0.001  | 0.004   | 0.036    | 0.095   | 0.033   | -66% |
| Return on average shareholders' equity                                  | -0.091% | 0.47%   | 3.7%     | 9.3%    | 3.2%    | -66% |
| Return on average assets  | -0.088% | 0.46%   | 3.6%     | 8.78%   | 2.98%   | -66% |
| Profit margin   | -4%     | 18%     | 63%      | 81%     | 58%     | -28% |
| Dividend payout   | -       | -       | 140%     | 74%     | 153%    | 107% |

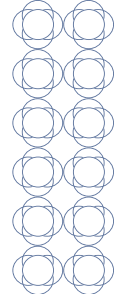
## 1. Net Profit

- The DFM Company annual net profit for the financial year ending 31/12/2015 amounted to AED 261 million, compared to AED 759.3 million in 2014, marking a decrease of 66%.
- The DFM (without its subsidiary) realized a net profit of AED 259.3 million in 2015, compared to a profit of AED 758.3 million in 2014, marking a decrease of 66%.

## Net Profit (Loss) of the Company (AED million)



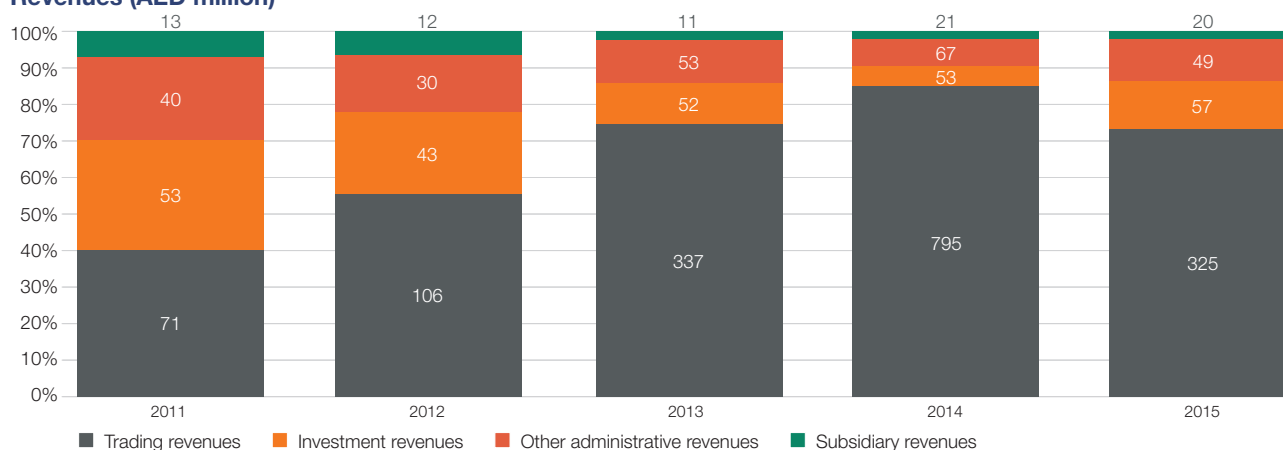




## 2. Revenues

- The total revenues of the Company during 2015 amounted to AED 451 million, marking a decrease of 52%, compared to 2014. It is worth noting that the reasons for the decrease were mainly due to the decrease in trading revenues by 59%, in addition to the decrease in other revenues such as clearing, settlement and depository services due to non-recurring transactions in 2014. However, the company improved the other revenues streams such as investment, broker, listing, market data and other fees related to managing other companies' dividends distribution, on the other hand, the subsidiary revenues showed a decrease of 4%.
- Trading revenues accounted for 72% of the Company's total revenue during 2015, while the investment revenues accounted for 13%. The contribution of the various administrative revenues resulting from the clearing, depository and settlement services, broker services and report fees, as well as other revenue streams in listings, selling of market data and others, collectively accounted for 11%. The subsidiary revenues accounted for 4% of the total revenues.

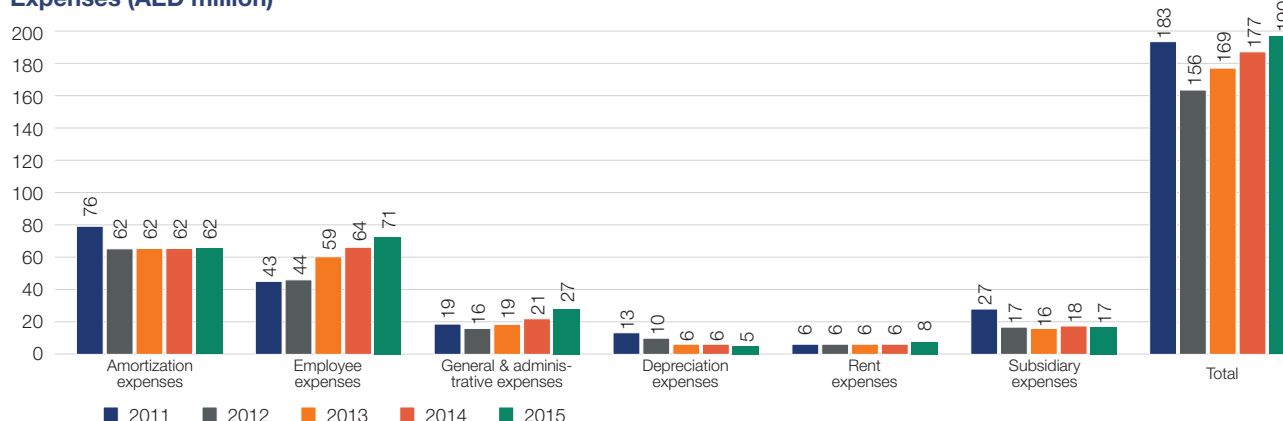
### Revenues (AED million)

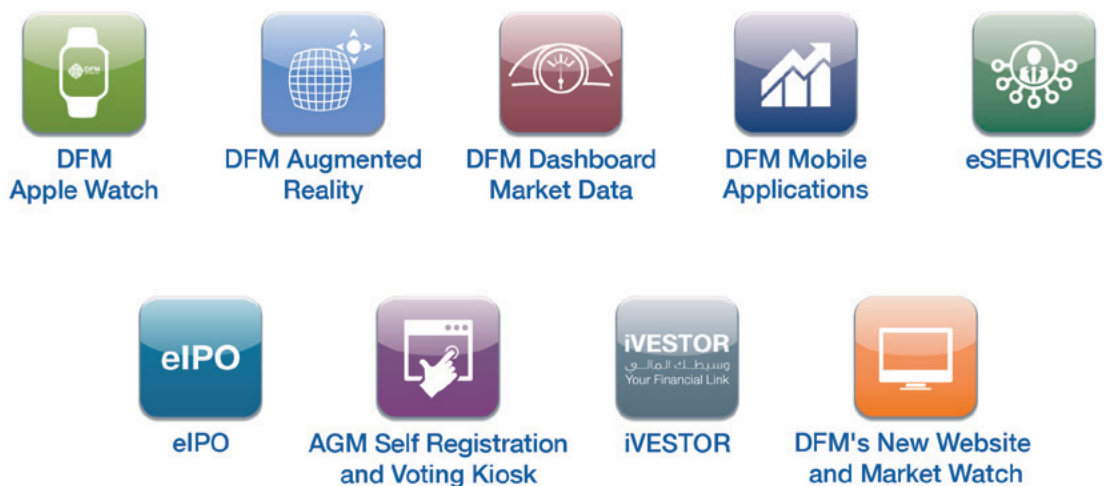


## 3. Expenses

- The total expenses of the Company amounted to AED 190 million in 2015 including subsidiary expenses in the amount of AED 17 million compared to AED 177.4 million in 2014, marking an increase of 7%. This increase in the expenses was a result of the new annual salaries increment and general and administrative expenses resulted from the new initiative services which affected related revenues in the broker services, in addition to an increase on the network and security expenses in order to improve the electronic control in the trading transactions and DFM database, as well as an increase in the rental expenses due to leasing new office spaces in the Dubai Word Trade Center.
- The amortization expenses of intangible assets accounted for AED 62.4 million, therefore 33% of total expenses. Employee expenses accounted for 37%, general and administrative expenses of 14%, depreciation expenses of fixed assets of 3% and rental expenses of 4%, in addition to the subsidiary expenses of 9%.

### Expenses (AED million)





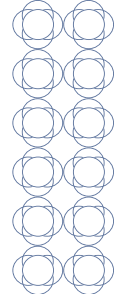
### DFM at GITEX 2015

Dubai Financial Market (DFM) showcased various technological advancements, including; the new Marketwatch webpage, the new DFM smart phone application as well as the Apple Watch version, new technology to disseminate market data through car dashboards in cooperation with "Gargash Enterprises" and new services to provide information through Augmented Reality technologies. By downloading the augmented reality application, and pointing the phone at a symbol, a picture or a logo, the user can receive the data stored, including market information, stock prices, presentations and tutorials on DFM services.

**GITEX TECHNOLOGY WEEK**

EMPOWERING.CONNECTING.ENTERTAINING.

GITEX 2015.



# Macroeconomic Developments and Market Environment

In 2015, the global economy experienced the same conditions and factors witnessed since the second quarter of 2014. Throughout 2015, the doubts and risks pertaining to the growth of international demand was dominant, due to a number of economic and non-economic factors, the most important of which were: the continuing post-crisis symptoms which were portrayed by the fluctuation in growth rates; the possibility of regaining high growth rates continued to dwindle, especially in India and China; the high risk of further deterioration in commodity prices which reflected negatively on the resources and the ability of many developing countries to finance economic development; and also, the continuity and escalation of political instability in many countries, especially in the Middle East.

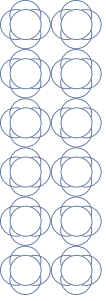
In light of the dominance of these unfavorable conditions, and despite the passing of almost 7 years since the 2008 financial and economic crisis, most countries in the world have not yet been able to restore their growth rates to the levels seen before the crisis, or even close to, whether in the advanced economies or developing and emerging economies. In the group of economically developed countries, despite the fact that some of them realized a slight increase in the economic growth rate due to enhancement policies, yet the growth rate, for the second year in a row, was less than what was anticipated in the beginning of the year. The most recent estimates indicate that economic growth will not exceed 2% in 2015. With regards to developing and emerging markets, economic growth is expected to decrease to 4.0%. As such, the global economic growth rate is expected to decrease from 3.3% in 2014 to 3.1% in 2015.

With regards to future expectations, the general picture envisaged for 2016 is still quite vague and uncertain. Both the global developments and the country specific developments indicate that the global economy is still affected by the same factors as the last two years, whereby there is no indication for increasing commodity prices, including oil and no resolution of political conflicts engulfing many countries. Given these unclear circumstances, doubts related to the global demand improving remain, and the most optimistic expectations indicate that the economic growth will be around 3.6%, although this is slightly higher than 2015 but not sufficient to overcome the consequences of the global financial crisis which has prevailed since 2008.

In light of the significant variations seen in the economic growth performance from one country to another depending on the country's specific factors - the performance of the financial markets in 2015 clearly varied, regardless of the geographical location or the economic classification of the country. The general index has increased in 26 stock exchanges out of the 63 members in the World Federation of Exchanges, while the general index dropped in 37 of the member stock exchanges. The largest decrease occurred in the Lima stock exchange at the rate of 33.4%, while the Shenzhen Stock Exchange scored the highest increase of 63.2%. In line with the decrease in stock prices, the market capitalization of the shares listed on the Stock Exchange members of the World Federation of Exchanges dropped from US\$ 66.8 trillion at the end of 2014 to US\$ 62.8 trillion by the end of 2015, representing a decrease of 6%. The value of the shares traded in the stock exchange members of the World Federation of Exchanges in 2015 was US\$ 143.2 trillion, showing an increase of 33.4% compared to the previous year.

With regards to the United Arab Emirates, the positive economic and investment environment that has been prevalent for years is still offering a solid momentum for the country's economic performance. The government is still committed to proceed with capital expenditure, especially on infrastructure projects, as per the preset plans and programs, which enhances the confidence of the private sector in the growth of the national economy, and in turn encourages the private

**The general index has increased in 26 stock exchanges out of the 63 members in the World Federation of Exchanges, while the general index dropped in 37 of the member stock exchanges.**



## Macroeconomic Developments and Market Environment

**“The growth in Dubai’s real GDP reached 3.8% in 2014, which clearly exceeds the growth achieved by the overall international economy and by MENA countries.”**

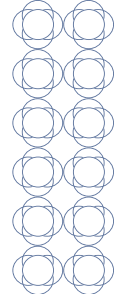
sector to initiate expansion in investment. This was reflected on the country’s growth rate during the previous years, as the real economic growth in 2014 at the rate of 4.6%, was one of the highest growth rates internationally. In spite of the positive impact of this favorable economic environment, the successive waves of decline in oil prices to less than US\$ 40, which is the lowest in years, raised some uncertainty and caused some hesitancy amongst investors. This reflected negatively on private sector investments which in turn led to a slight slowdown in economic activity. In light of these contradicting forces, the estimates so far indicate a slowdown in the country’s economic growth to 3% in 2015.

As for Dubai, the decrease in oil prices internationally had less of an impact on its economic performance due to the continuation of the positive momentum that distinguished non-oil sectors for years in contributing to the economic growth in Dubai, after the unprecedented success in diversifying the production base and decreasing the importance of the oil sector in the GDP drastically from approximately 55% in the early 1980s to less than 2% in 2014. As a result, the growth in Dubai’s real GDP reached 3.8% in 2014, which clearly exceeds the growth achieved by the overall international economy and by MENA countries. Moreover, it is also higher than the rate achieved by the GCC countries. Most recent estimates indicate that Dubai’s growth in 2015 and 2016 will be around 4% which is the same range achieved over the last 3 years.

The most prominent evidence which supports these optimistic economic growth rates in Dubai is the ever-growing activity in tourism and transport sectors, as well as the ongoing activity in the real estate sector. Within tourism and transport, the number of passengers travelling through Dubai airports increased in the first 10 months of 2015 by 11.2% compared to the same period last year, to reach 65 million passengers. This number is expected to reach 80 million passengers by the end of the year. In the real estate sector, the value of land and real estate sales registered in the Dubai Land Department since the beginning of the year until the end of November amounted to approximately AED 114 billion, compared to AED 112 billion in 2014. Also, the Dubai Government launched in 2015 a number of important strategic initiatives within the framework of executing the Dubai Plan 2021. Furthermore, Dubai being awarded to host EXPO 2020 is certain to reflect positively on the economic performance of Dubai due to the scale of hosting such a huge event, which necessitates executing extensive real estate and service projects.

Concerning the United Arab Emirates capital markets, similar to what occurred in 2014, their performance in the first half of 2015 was positive, where the general indices of Dubai Financial Market and Abu Dhabi Securities Exchange were rising. However, the drastic decrease in the price of crude oil, especially in the fourth quarter, reflected negatively on the country’s capital markets, same as what most international stock exchanges experienced. This led to a drastic decrease in both markets’ indices in which the outcome at the end of the year demonstrated a decrease of 22.7% in Dubai Financial Market’s index and a decrease of 11.1% in Abu Dhabi Securities Exchange’s index. This also had a negative impact on the value of the traded shares in both markets, as the traded value on Dubai Financial Market dropped during 2015 by 60%, to AED 151.4 billion and the traded value on Abu Dhabi Securities Exchange dropped by 58.5%, to AED 59.9 billion.



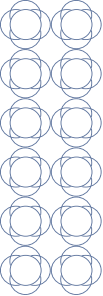


## eServices

DFM has always been committed to developing innovative products and services using the most advanced technologies and solutions to meet the evolving needs of its investors. This includes mobile applications, advanced Market Watch and stock portfolio information online, eIPO, the AGM solution and iVESTOR, a first of its kind global service enabling investors to instantly receive cash dividends electronically and to subscribe online to IPOs.

The DFM also offers a wide range of eServices tools enabling investors to instantly submit and track online requests.



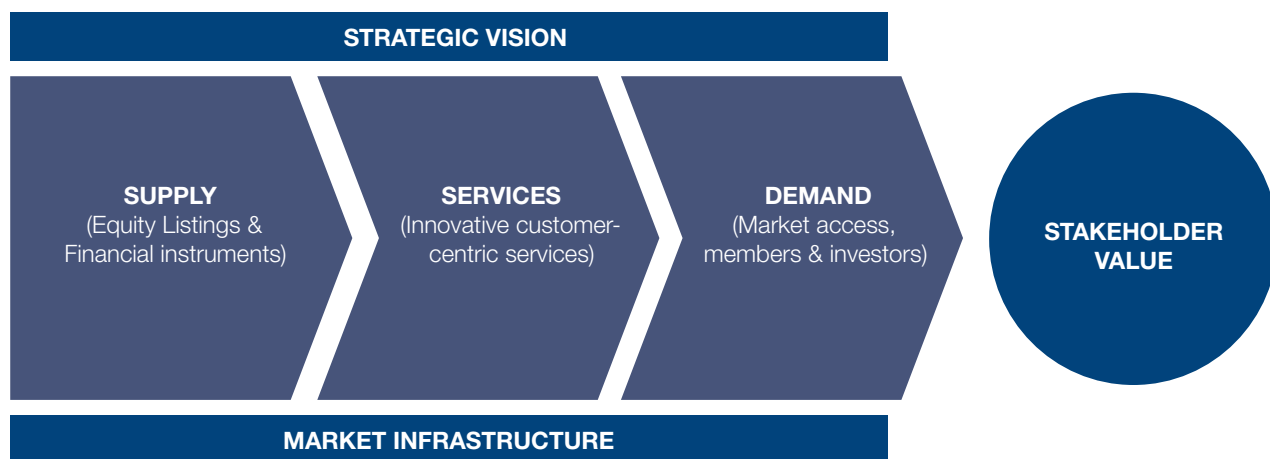


## DFM PJSC Strategy

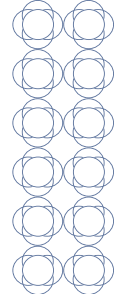
**During the course of 2015, the DFM continued steadfastly its ambition to be the “world-class regional marketplace” and further strengthen its leading capital market role.**

### Continuing a sustainable strategy

Our Board of Directors endorsed the strategic objectives of the DFM to continue focusing on diversification of revenue streams, ongoing development of its world-class infrastructure, driving growth in equity listings and developing digital services which connect investors and participants to the market.



The success of the past years strategy to drive demand for our services and supply of products to generate revenue and ultimately continue to drive shareholder value was realised, and continued to be the focus of DFM's efforts during the course of 2015.



## Focusing on three strategic priorities for 2015

To achieve our ambition, we concentrated on three strategic priorities:

### 1. Maintaining a solid market infrastructure in line with international best practices

As part of DFM's constant efforts to provide a solid market infrastructure in line with international best practices, the market has successfully developed a 'world-class' integrated structure endorsed by leading international agencies including the MSCI and S&P Dow Jones. During 2015, the DFM continued its efforts with further market improvements including the implementation of an enhanced Pre-closing session arrangement and introduced a new Trading At Last (TAL) session.

### 2. Heightened support to companies seeking to go public

The DFM continued its ongoing strategic efforts for growth in equity listings and build on its strong potential IPO pipeline, to further develop dialogue with companies looking to go public, and support these companies with a number of issuer services including the eIPO online subscription platform, Company Focus Weeks and a new DFM Guide on IPO Communications, the first of its kind globally from a regional exchange.

Given its solid market infrastructure for listing, the recent regulatory changes on the UAE Companies Law, and heightened support provided by DFM to companies seeking to go public, in 2015 the DFM took the opportunity to hold its 3rd IPO Forum to educate companies on the latest information in going public. The outcome of which reinforced DFM's position as well placed and ready for new listings.

### 3. Transforming DFM into a "SMART Borse"

Launched in October 2014, the DFM is on track with its strategy to transform the DFM into a "Smart Borse" with the aim to make the DFM available anytime, anywhere by developing seamless, multichannel, accessible, reliable and timely services to keep our customers constantly connected with the market. The strategy was realised with the launch of a number of new smart solutions during the course of 2015, including instant access to market information through mobile applications, new Apple Watch and augmented reality applications, and supported by digital enhancements of existing products and services, including a newly designed user-friendly website.

## Articulating our vision and values

The DFM vision, mission and core values continue to define the corporate culture of the DFM and support DFM's overall strategic objectives.

Our values are embedded into every employee at the DFM, with integrity, efficiency, innovation, confidentiality and transparency being paramount in all our actions in order "to provide stakeholders with innovative services in conducting trading, settlement and depository of securities, in an efficient, transparent and liquid environment."

### Our Vision:

*"The World Class Regional Marketplace"*

### Our Mission:

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

### Our Values:



*Integrity*



*Innovation*



*Transparency*



*Efficiency*

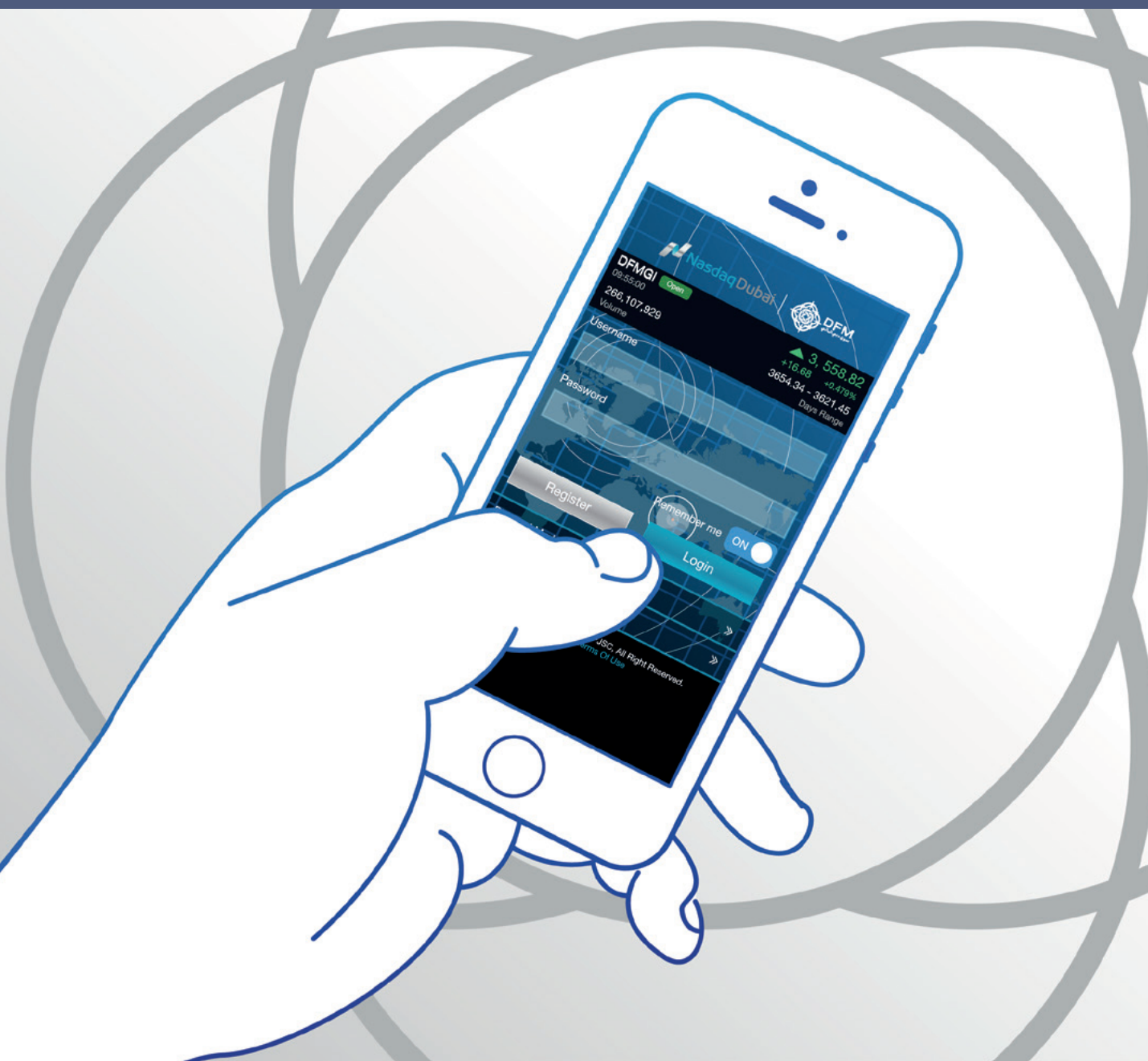
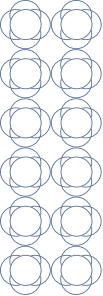


*Confidentiality*

## Monitoring and managing our progress

The DFM's business activities, resources and capabilities are strategically aligned to effectively implement developmental initiatives based on key performance indicators (KPIs) which are monitored on a quarterly basis throughout the year using the Scorecard mechanism. This resulted in a number of significant achievements for DFM in 2015.



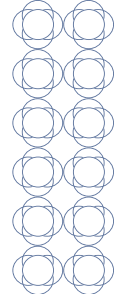


### DFM Smart Services Mobile Application:

The new application is the latest addition to DFM's smart applications. It is available through application stores of Apple and Android and includes various information that investors need to stay up-to-date with their stock portfolio and the latest market developments.

The application enables investors to access their stock portfolio details including the owned quantity of shares and its value, the iVESTOR card statement, cash dividend entitlements, as well as instantly track DFM and Nasdaq Dubai listed securities through DFM Market Watch. Users can also access various guides including how to trade on the DFM and have direct connectivity with DFM investor services.





# DFM Strategic Achievements in 2015

## A. A solid market infrastructure in line with international best practices

### 1. Implementing the enhanced "Pre-Closing Session" and the new "TAL" session

DFM started implementing the enhanced "Pre-Closing Session" and introduced "Trading At Last (TAL) session as per the Closing Price" as of 4 June 2015. The reshaped Pre-Closing Session provides a defined structure organizing processes of order input, order cancellation and matching, while the five minutes long TAL enables investors to place their orders according to the closing price (Theoretical Auction Price) calculated by the system.

As part of the new enhancements, the Pre-Closing Session runs between 13:45 and 13:55:20 and includes three stages namely; the order input period, the no-cancellation period and the matching period. The Pre-Closing Session is considered an "order accumulation period" which allows brokers and investors to enter orders without being executed until the pre-closing matching is complete.

The Trading At Last session (TAL) runs between 13:55:20 and 14:00:20 so brokers and investors can place executable orders, whether new or previously placed orders, as per the closing price only, and the previous closing price is applied if no closing price is available during the same session.

### 2. Trading of Rights Issue

The year 2015 saw the launch of Takaful Emarat's Rights Issue trading, marking the first trading of such rights on the DFM. The importance of trading Rights Issue preserves the rights of existing shareholders, especially those who do not wish to subscribe to the new shares, while providing them with liquidity without having to sell their shares, by selling their rights to other investors who wish to subscribe in the capital increase. The trading of Rights Issue also authorizes the holders of such rights to trade them in the capital increase shares at the end of the clearing and settlement period. It is worth noting that a Rights Issue is only valid for a specific period, and expires automatically in case the holder of such right does not subscribe to the capital increase of shares.

### 3. Accreditation of Financial Brokerage Firms to Practice Margin Trading

The number of brokerage firms that offer margin-trading services in the Dubai Financial Market (DFM) increased in 2015 to 31 firms, compared to 24 in 2014. Margin trading allows brokerage firms to finance part of its clients' investments in stocks using the stocks themselves or any other securities as collateral, in the cases stipulated by the Securities and Commodities Authority's (SCA) margin trading license. The total value of margin trading in 2015 reached AED 58.3 billion, representing 19.3% of the market's total trading value, compared to AED 153.4 billion, representing 20.6% of the total trading value in 2014.

### 4. Restructuring DFM's Customer Service Center

The DFM restructured its Customer Service Center as per the Dubai Government Communication Center standards, thus further cementing DFM's leading position amongst regional financial markets in terms of innovation, development and state-of-the-art technologies, providing stakeholders with a highly efficient communication experience that goes well beyond customer satisfaction. Inspired by the vision and direction of

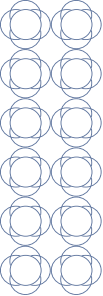
His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, the DFM's Customer Service Center provides an effective and smooth communication experience in line with best practices in effective communication, employing the latest technologies and a highly qualified team. The Center handled 367,000 investor calls, including 315,000 inquiries through the eServices homepage, while more than 51,000 inquiries were handled by the DFM's Customer Service Center staff in 2015. This resulted in successfully reducing the average call duration per investor from 2.11 minutes to 1.48 minutes, hence achieving the highest quality and customer satisfaction rates.

### 5. Accrediting New Brokerage Firms to Practice DMA

In 2015, the number of brokerage firms that offer Direct Market Access (DMA) services in DFM increased to 12 firms. DMA allows brokerage firms to authorize an international broker to execute selling and buying orders directly at the DFM through the DMA software package allocated by the brokerage firm, as an online transaction, hence allowing the international broker to trade directly on the DFM. This development underlines the growing interest from international investors towards DFM listed securities.

### 6. Adopting Network Infrastructure SDN FX

Constantly seeking to make use of cutting-edge technologies since its inception, the DFM has been implementing the best technological solutions that provide reliable, highly efficient and cost-effective services. Hence, the SDN FX solution, considered as the most advanced in its group, was implemented based on its ability to effectively and efficiently meet



## DFM Strategic Achievements in 2015

the needs of the market. It is worth noting that the network solution DFM implemented links to four key locations: its main site, the disaster recovery site, the connection to Abu Dhabi Securities Exchange and the BT London Data Centers. This further expands DFM's network infrastructure to provide smooth, flexible and integrated services, thus enabling quicker, easier and more efficient connection to DFM's service network.

### 7. Registering Foreign Listed Companies on the Electronic Disclosure System (EFSAH)

As part of its commitment to reach out to, and further strengthen the relationship with listed companies, as well as to inform them of various issuer services, the DFM organized a workshop in Kuwait with the participation of 11 dual-listed companies to update them on the electronic disclosure system. The workshop focused on the key features and benefits of the online disclosure solution 'EFSAH', a secure and sophisticated web-based application that DFM has developed to enable listed companies to publish their disclosures swiftly and effectively.

The disclosure system enables listed companies to efficiently connect with investors and further enhance transparency levels. DFM-listed companies regularly achieve 100% compliance in disclosing quarterly and annual financial results during most of the disclosure periods. This solution represents a significant leap compared to the traditional way of submitting disclosures by fax or email.

## B. Transforming DFM into a "SMART Bourse"

### 1. IPO Payments through Dubai Smart Government Portal

DFM signed a Memorandum of Understanding (MoU) with Dubai Government's Department of Finance (DoF), which enables investors to make payments of IPO subscriptions in the future via the ePay Portal of the Dubai Smart Government. The agreement underlines DFM's commitment to collaborate with various related organizations in order to provide market participants with smart and cutting-edge services.

This step is considered a new move that further boosts the success of DFM's "eIPO" platform, the sophisticated and efficient solution that DFM developed to facilitate IPO subscription which saves the time and effort of subscribers. The platform has witnessed enormous turnout from investors in the UAE and beyond during the implementation of a number of IPOs. This service enables payment of IPO subscriptions through the Dubai Smart Government's ePay Portal, by instantly debiting from customers' accounts with seven member banks.

### 2. Implementation of a new Smart Services Application providing Investors Real-Time Tracking of Stock Portfolios, Dividends and Stock Prices

In 2015, the DFM launched a new application for smart services, which offers investors a comprehensive range of services, including access to investment portfolio, statement of accounts, Market Watch and cash dividends. The application is the latest addition to the list of smart applications DFM provides as part of its continuous efforts to fully transform into a "Smart Bourse". The new DFM application for smart services is available on the App Store and Android Store under the name "DFM Smart Services", which provides various information that helps users track the status of their investment portfolio as well as access the latest DFM data and news in real-time via their smart phones, anytime and anywhere.

The application enables investors to access details of their stock portfolio, iVESTOR card transactions statements, dividend entitlements, real-time data on DFM and Nasdaq Dubai listed stocks, and DFM's Market Watch.

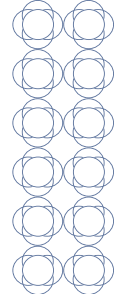
### 3. DFM's Newly Designed Website

In 2015, the DFM launched its newly designed website, which is the integrated link providing various market participants a unified and effective platform to access and benefit from the various services and market data through countless new webpages and sections, all intuitively designed for quick and efficient navigation by the customers.

The new website holds a significant amount of vital market data, including key information on listed companies, such as financial statements and the formation of the Boards of Directors. The investor can also access the live market data feed by registering on the website, which also provides access to electronic statements showing the balance of their portfolio and other services.

### 4. Launching an All-Inclusive Array of New State-of-the-Art Electronic Services for Investors – eServices Portal

In 2015, the DFM launched an all-inclusive array of new electronic services for investors, offering them a smooth and effective communication experience allowing them to complete their transactions with the DFM and follow up their investments through a number of channels. This array of



electronic services constitutes a key driver for the strategy being currently implemented by the DFM to fully transform into a “Smart Borse” going forward.

Currently, there are 58,916 investors using DFM's electronic services. Additionally, DFM plans to implement an awareness campaign targeting the investors via SMS, email, and through DFM's website and the media, to introduce and drive wider adoption of these services. Investors can easily register on DFM's website by using their email address and DFM Investor Number (NIN).

By launching this array of electronic services, the DFM was able to offer 73% of its main services to investors through various channels, enabling them to access DFM services efficiently and easily, and pay required fees effortlessly and in a timely manner. The number of DFM's electronic services has increased to 15 after adding 3 new services: Cash Dividend Entitlements Statement, iVESTOR Card Application, and Electronic Payment.

#### 5. A Memorandum of Understanding with Dubai Smart Government to join “MyID”

DFM signed a Memorandum of Understanding (MoU) with the Dubai Smart Government Department to join “My ID”, a secure service that enables users to access electronic and smart services of 13 government departments through smart phones or online using a unified identity (Username and Password).

Integrated with the Emirates ID, “MyID” offers investors an efficient and secure pass to DFM's electronic services, hence, current and potential investors can easily access many services such as applying for an Investor Number (NIN), tracking their investments and accessing statements online, without having to personally visit the DFM or validate their signatures.

Investors can access DFM's electronic services using their unified username and password through a dedicated link on the DFM website, allowing them to track their investments. Additionally, potential investors can apply for a DFM Investor Number (NIN) to start their investment journey with the market.

#### 6. Participation in GITEX 2015

DFM participated in GITEX 2015, the information technology exhibition held from 18 - 22 October 2015 at the Dubai World Trade Center, and showcased various technological advancements, including; the new Marketwatch webpage, the new DFM smart phone application and the Apple Watch version, new technology to disseminate market data through car dashboards in cooperation with “Gargash Enterprises” and new services to provide information through Augmented Reality technologies. By downloading the augmented reality application, and pointing the phone at a symbol, a picture or a logo, the user can receive the data stored, including market information, stock prices, presentations and tutorials on DFM services.

## C. Heightened support to Companies and Enhancing Communication with International Investors

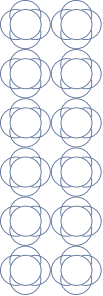
### 1. DFM International Investor Roadshow in London

The DFM continues to organize its annual international investor roadshows since launching them in 2007 - which was an unprecedented step amongst regional stock markets - to present our listed companies among international investors in London and New York.

The roadshow held in London in April 2015 attracted a number of companies that recently listed on the DFM, due to its role as an effective platform to connecting companies to international investors. The presence of these companies added great value to the event and provided further indication of the increasing diversity in the investment opportunities that the market offers, while reflecting on a slightly larger scale, the robustness and diversity of Dubai's economy. Moreover, the roadshow attracted a great number of London-based international investment companies, whose global investments exceed US\$ 3 trillion. This clearly shows the increasing interest of these companies, especially emerging markets investment funds, in the Dubai Financial Market.

### 2. DFM International Investor Roadshow in New York

In October 2015, the DFM also organized a roadshow for international investors in New York, co-sponsored by the Bank of America Merrill Lynch, giving listed companies the opportunity to showcase their growth strategy



## DFM Strategic Achievements in 2015

during one-to-one meetings with representatives of international investment funds.

The roadshow included more than 180 meetings between a number of CEOs, CFOs and Investor Relations managers of Dubai-listed companies on the one hand, and senior representatives of major international funds, with US\$ 1 trillion of assets under management on the other hand. The listed companies had the opportunity to present their success stories and most recent developments.

### 3. DFM IPO Forum III

In 2015, the DFM organized its third IPO forum under the theme "Empowering Growth within a Dynamic IPO Climate", with the participation of 190 senior decision makers of 80 family businesses, private and public sector companies, in addition to IPO advisors.

DFM regularly organizes this exclusive forum as part of its commitment to play a vital role to enrich dialogue amongst various stakeholders on opportunities, challenges and best practices in this sector. The forum provided an effective platform to discuss recent developments, update businesses on the latest regulations, and hear from IPO advisors as well as senior officials of companies that have successfully implemented IPOs and listed on the DFM.

### 4. Listing of Private Equity Joint Stock Companies

Al Safwa Islamic Financial Services has become the first private joint stock company to list its shares on the DFM's "Second Market" for the trading of private equity joint stock companies. The "DFM Second Market" brings significant value for both businesses and investors, as it enables the trading, clearing and settlement of private companies'

shares within a regulated and advanced environment through the electronic trading system. The listing also makes the information on these companies and the development of their operations available to investors, which creates a fair and transparent environment for trading. Trading information of the private companies is displayed on the main Market Watch and is clearly marked with a special icon in order to be distinguished from public joint stock companies. Furthermore, the listing on the 'Second Market', is considered an initial step that paves the way for private companies to go public and list on the main market at a later stage.

### 5. New Listings on the DFM

In 2015, the shares of DAMAC Properties were listed and are tradable under the symbol name "DAMAC". It appears on DFM's screens, trading systems and publications under the Real Estate & Construction sector. This listing, which is the first on DFM in 2015, reiterates the position of the market as the favorite listing destination of many leading companies locally and regionally. The number of public shareholding companies listed on DFM increased to 59 companies. The DFM succeeded in attracting companies that are active in many economic sectors such as Retail, Real Estate, Education, Health and Tourism. This offers the listed companies more diversity, and gives investors the chance to contribute to the growth of such key sectors.

## D. Supporting Achievements and Social Responsibility

### 1. A Memorandum of Understanding with South Korea Securities Finance Corporation

DFM signed a Memorandum of Understanding (MoU) with the South Korea Securities Finance Corporation in order to create a mechanism for long-term co-operation and foster the continuing relationship between the two sides for the benefit of the respective securities markets in Dubai and Korea. The MoU provides a general framework for areas of cooperation as it aims to strengthen collaboration between both sides in the capital markets including; exchange of information, staff secondment and training, as well as to improve the professional skill sets of staff and facilitate various forms of cooperation.

### 2. Summer Training Program 2015

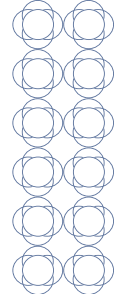
DFM has successfully concluded its 2015 summer training program for Emirati students, with the participation of 12 male and female students from a number of UAE schools and universities. The training ran over 4 weeks, for 6 hours per day.

In addition to the broad training on capital markets, the trainees attended a 5-day specialized program, six of them participated in the "Promising Broker" program and a similar number attended the "Promising Technician" program. The DFM introduced the two specialized programs in 2012 in order to provide trainees with the necessary specialized knowledge required in the financial markets sector. The participants were assigned within various divisions of the DFM, as well as brokerage firms.

### 3. UAE Career Fair 2015

DFM participated in the UAE Career Fair 2015 as part of its efforts to attract and develop UAE human resources and nurture a new generation of well-qualified Emiratis capable of leading the vital financial sector in the future. The DFM has a profound belief in the importance of this direction in line with the government's efforts and its wise leadership.





During the 15 years in operation, the DFM has significantly achieved enormous success in addressing human development and Emiratization policies as it implements a set of effective programs to attract, retain and develop local talents through annual training programs and clear career paths, following the motto "Today's talents...tomorrow's success."

UAE nationals account for 63% of DFM's workforce and occupy 100% of the senior management positions.

#### 4. Cooperation Agreement to Support UAE Capital Market Development

The DFM signed an agreement with the DIFC Dispute Resolution Authority (DRA) aiming to offer a broad range of commercial disputes resolution services for companies listed on the DFM. According to this agreement, both parties will collaborate closely to enable the DFM and its member companies to fully utilize the DRA's suite of services. They will also develop an international outreach program to jointly promote DFM and DRA services to international investors and companies.

This significant step underlines DFM's relentless efforts to lay out the necessary framework for cooperation and related work with concerned institutions to further enhance Dubai as a favorable and attractive destination for investment. This will further enhance efforts aimed at achieving the strategic objectives of the Dubai 2021 Plan, reinforcing the dynamic role of the financial sector as one of the key drivers of the Dubai economy.

#### 5. DFM Annual Stock Game

The DFM Annual Stock Game offered thousands of students the opportunity to demonstrate their promising talents in the field of securities investment. Many of the participants in the 13th round of the competition recorded significant returns, as the top 13 students achieved a return of 8.6% on average, whilst the DFM General Index decreased 1.3% during the same period.

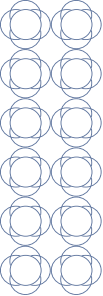
In 2015, 5723 school and university students from the UAE and beyond took part in the competition held between April 21st to May 5th. Participation recorded a 77% increase compared to the previous round of the competition. A total of 39 educational institutions have been represented in the competition, 6 of them for the first time and 3 were from overseas including; the Kingdom University of Bahrain, the University of Nizwa in Oman, and the University of Sarajevo in Bosnia and Herzegovina.

#### 6. UAE Innovation Week

The DFM participated in the UAE Innovation Week, the initiative launched by His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, aimed at strengthening the culture of innovation and creativity across all sectors.

The DFM hosted six innovation forums for various participants and stakeholders including investors, brokers, custodians, issuers, suppliers and employees. Additionally, the DFM hosted an Emirati Innovators Forum. These events represented a brain-storming opportunity to explore ways to further enhance the sector and discuss new innovative ideas that the exchange will strive to transform into an action plan for the coming period. The Innovation Week was also an opportunity to showcase DFM's smart products and services.

**DFM signed a Memorandum of Understanding (MoU) with the South Korea Securities Finance Corporation in order to create a mechanism for long-term co-operation and foster the continuing relationship between the two sides for the benefit of the respective securities markets in Dubai and Korea.**



## DFM Performance in 2015

**“The value of stocks bought by foreign investors during 2015 reached AED 73.6 billion comprising 48.6% of the total traded value.”**

The Dubai Financial Market General Index decreased by 16.5% to 3151 points at the end of this year compared to 3774 points at the end of 2014. At the sectoral level, indexes of six out of the nine sectors represented on DFM ended the year in the red, with the Real Estate and Construction sector decreasing the most by 25.4%, followed by the Industrial sector and Financial & Investment Services sector by 22.7%, and 19.1% respectively. In contrast the Consumer Staples and Discretionary sector increased the most by 39.8%, followed by the Services sector by 6.3% and the Telecommunications sector by 1.2%.

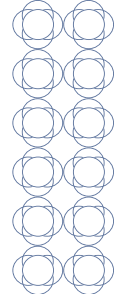
DFM General Index 2015



The market capitalization decreased at the end of 2015 by 4.5% amounting to AED 308.1 billion compared to AED 322.6 billion at the end of the previous year. The value of shares traded during 2015 reached AED 151.4 billion, compared to AED 381.5 billion recorded during 2014, down by 60.3%. The number of shares traded decreased by 38.8% to reach 98.2 billion shares during 2015 compared to 160.5 billion shares traded in 2014. The number of transactions executed during 2015 were down 34.9% to reach 1.6 million compared to 2.4 million deals carried out during the previous year.

As for the sectors' contribution to trading volumes, the Real Estate and Construction sector ranked first in terms of the traded value, to reach AED 78.6 billion, equating to 51.9% of the total traded value in the market. The Banking sector ranked second at AED 39.9 billion (26.3%), followed by the Financial and Investment Services sector with AED 15.4 billion (10.2%), the Consumer and Discretionary staples sector with AED 5.8 billion (3.8%), the Transportation sector with AED 5.5 billion (3.7%), the Services sector with AED 3 billion (2%), the Insurance sector with AED 1.8 billion (1.2%), the Telecommunications sector with 1.3 billion (0.9%), and finally the Industrial sector with AED 57.2 million.

The value of stocks bought by foreign investors during 2015 reached AED 73.6 billion comprising 48.6% of the total traded value. The value of stocks sold by foreign investors during the same period reached AED 73.4 billion comprising 48.5% of the total value traded. Accordingly, DFM's net foreign investment in-flow reached AED 171.3 million.

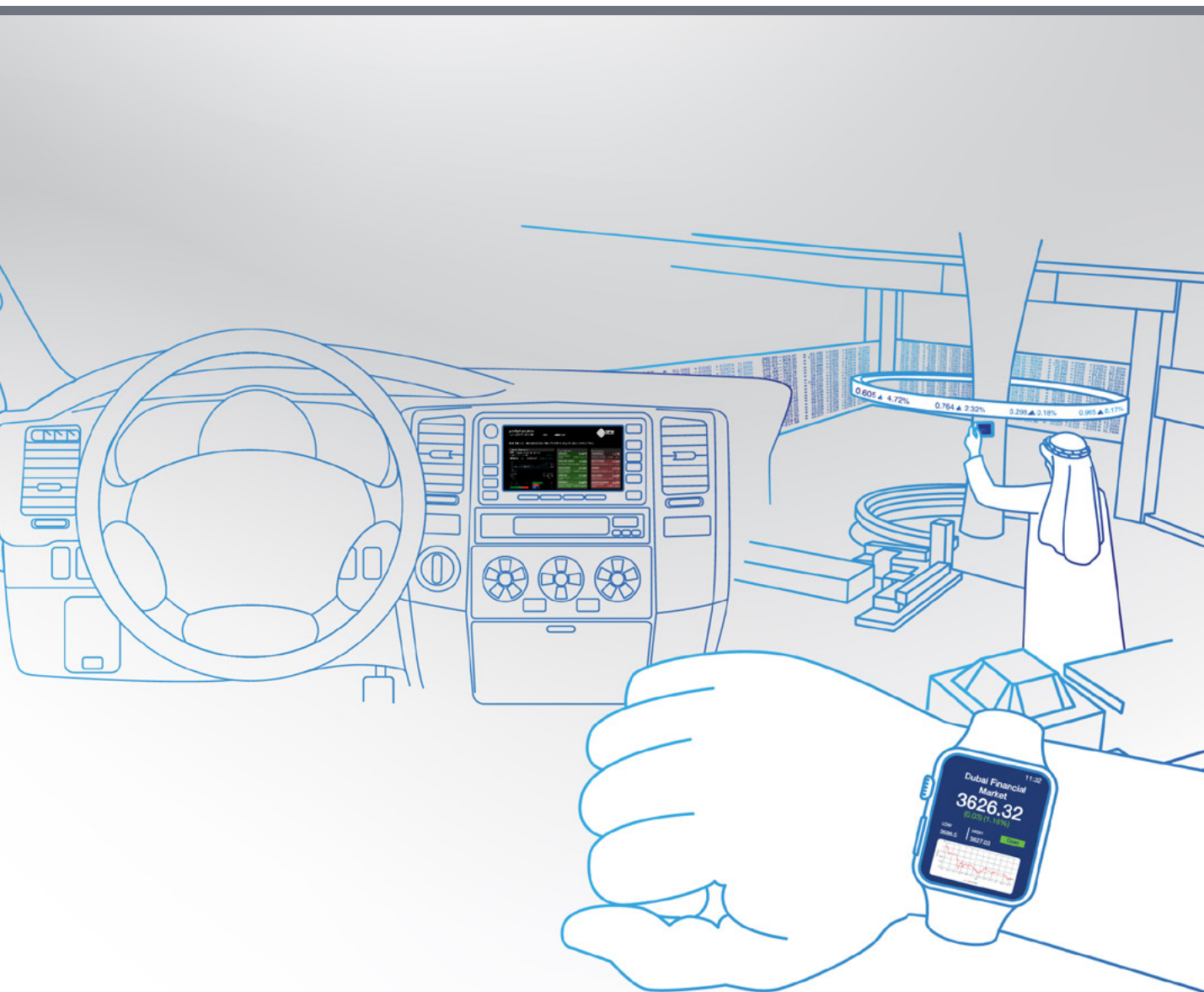
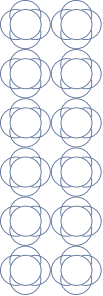


| Trading Activities in 2015 by Nationality |                                  |                                |                          |
|---|----------------------------------|--------------------------------|--------------------------|
|   | Value of<br>Stocks Bought<br>AED | Value of<br>Stocks Sold<br>AED | Net<br>Investment<br>AED |
| Arab                                      | 33,105,703,069                   | 33,306,177,813                 | <b>(200,474,744)</b>     |
| GCC                                       | 13,249,461,378                   | 13,779,236,003                 | <b>(529,774,625)</b>     |
| Others                                    | 27,235,880,534                   | 26,334,316,003                 | 901,564,531              |
| Total Non-UAE                             | 73,591,044,981                   | 73,419,729,819                 | 171,315,162              |
| UAE                                       | 77,801,485,345                   | 77,972,800,507                 | <b>(171,315,162)</b>     |
| <b>Total</b>                              | <b>151,392,530,327</b>           | <b>151,392,530,327</b>         |                          |

**DFM net institutional investment in-flow amounted to AED 1.5 billion in 2015.**

The value of stocks bought by institutional investors during 2015 reached AED 41.5 billion comprising 27.4% of the total traded value. The value of stocks sold by institutional investors during the same period reached AED 39.9 billion, which constitutes 26.4% of the total value traded. Net institutional investment in-flow amounted to AED 1.5 billion.

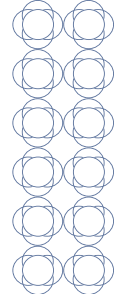
| Trading Activities in 2015 by Type of Investor |                                  |                                |                          |
|--|----------------------------------|--------------------------------|--------------------------|
|  | Value of<br>Stocks Bought<br>AED | Value of<br>Stocks Sold<br>AED | Net<br>Investment<br>AED |
| Institutional                                  | 41,477,023,056                   | 39,946,177,477                 | 1,530,845,579            |
| Individuals                                    | 109,915,507,271                  | 111,446,352,850                | <b>(1,530,845,579)</b>   |
| <b>Total</b>                                   | <b>151,392,530,327</b>           | <b>151,392,530,327</b>         |                          |



**SMART BORSE – Anytime, Anywhere**

Coming soon...





# Corporate Governance Report for 2015

## 1. Corporate Governance Practices

Pursuant to the responsibility of the Board of Directors towards shareholders and its duty to protect and promote the value of the shareholders' equity, the management of Dubai Financial Market (DFM) has endeavoured to apply the rules and principles of corporate governance set forth in the Ministerial Resolution No. 518 of 2009 in an effective and transparent manner. To this end, the DFM has ensured the following:

- The Board of Directors has complied with the requirement to hold 6 meetings during the year as per the meeting calendar.
- The Board members have complied with the annual disclosure of their independence during 2015, and the disclosure of any change affecting their independence, including their membership on other boards.
- The Board members have complied with the requirement to disclose their trades and the trades of their first-degree relatives in the shares of the DFM company.
- The Audit Committee held 5 meetings, the Nomination and Remuneration Committee held 2 meetings, and 3 meetings for the Investment Committee. The Committees performed their duties, submitted written reports to the Board of Directors on their results and recommendations, and followed up with implementation.
- DFM has complied with the disclosure of the quarterly and annual financial statements within the legal timeline.
- DFM has complied with the requirement by the Securities and Commodities Authority regarding the regulations of investor relations.
- Enhancing the knowledge of the Board members in the area of financial markets, and learning about best practices in risk management, by approving the visit of some Board members to the Singapore Stock Exchange from 27.04.2015 to 29.04.2015.
- Continuous development of the skills and expertise of Board members via forums and workshops that the DFM organizes, such as DFM's third IPO Forum held on 09.11.2015.
- Approving DFM 2015 investment plan.
- Review and approval of the financial regulations by the Fatwa and Shari'a Supervisory Board on 02.02.2015.
- Presenting the new Companies Act No. 2 of 2015 to the Board of Directors to act accordingly.
- Approving the Teammate AM application to automate the work of the Internal Control Department, thus increasing efficiency and effectiveness in completing the work.
- Managing Board Meetings and Board Committee Meetings electronically via iPads.
- Review and approval of some policies by the Board of Directors throughout the year.

## 2. Trading in the Company's Shares by Board Members and their First-degree Relatives during 2015

The members of the Board of Directors comply with the provisions of Article 17 of the Cabinet Decision No (12) of 2000 concerning the regulations on the listing of securities and commodities, and the applicable policy concerning their trading in the Company's shares, as contained in the Company's Market Control Procedures and Corporate Governance Guide, by obtaining the required approvals from the regulatory authorities. They also comply with the period of ban on dealings stipulated in Article 14 of the Securities and Commodities Authority's (SCA) regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities. The Board members also undertake to disclose their trading and the trading of their first-degree relatives annually.

According to the Board members' statements in January 2016, there was no trading on the company's shares during the year.

In addition to the approved policy pertaining to the Board members' dealings, the Company adopts a policy for its employees' trading in the shares of DFM listed companies (including the Company's shares). Under the Administrative Decision No. 6 of 2012 issued by the Company's Management, all DFM employees are regarded as insiders in the listed companies and are required to provide their own investor number and that of their minor children to the Human Resources Department. Any employee wishing to trade (in person or through a third party), must complete a special form prepared for this purpose and submit the completed form to the Market Control department for approval. The department shall, in turn, ensure that the request does not include any legal restraints, especially the period of ban on trading.

# Corporate Governance Report for 2015

The period of ban on trading was specified under Article 14 of the SCA Regulations pertaining to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities as follows:

- Ten (10) working days prior to disclosing any important information, which affects the share price, unless the information was a result of urgent and unexpected events.
- Fifteen (15) days prior to the end of the quarterly, half-yearly or annual financial period and until the financial statements are disclosed.

Without prejudice to Articles 14 and 17 above, the Company employees are permitted to trade in the Company's shares for only 30 days after each period of ban. The brokerage firms were instructed to reject any transactions by the Company employees unless they had obtained the required approvals from the DFM Market Control department.

## 3. Formation of the Board of Directors

As per the Decree issued by His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai on 22/12/2013, the board consists of the following six members:

| Name                          | Title         | Independent / Non Independent | Executive / Non Executive | Date of first election | Membership period from date of first election until 31/12/2015 |
|-------------------------------|---------------|-------------------------------|---------------------------|------------------------|--|
| *H. E. Essa Abdulfattah Kazim | Chairman      | Non-Independent               | Executive                 | 16/01/2007             | 9 years  |
| Rashid Hamad Al Shamsi        | Vice Chairman | Independent                   | Non-Executive             | 16/01/2007             | 9 years  |
| Mussabeh Mohammed Al Qaizi    | Director      | Independent                   | Non-Executive             | 22/12/2013             | 2 years  |
| Ali Rashid Al Mazroei         | Director      | Independent                   | Non-Executive             | 21/04/2010             | 5 years and 8 months   |
| Adil Abdullah Al Fahim        | Director      | Independent                   | Non-Executive             | 21/04/2010             | 5 years and 8 months   |
| Mohammed Humaid Al Mari       | Director      | Independent                   | Non-Executive             | 21/04/2010             | 5 years and 8 months   |

\* As per the Decree issued by H.H Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, on 22/10/2013, H.E. Essa Kazim was appointed as Chairman of DFM.

\* There is no female representation in the Board of Directors, due to the fact that it was formed before SCA's resolution. The term of the Board of Directors ends in 2017.

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

### H. E. Essa Abdulfattah Kazim

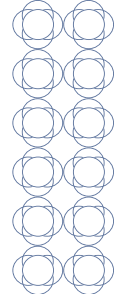
H.E. Essa Kazim is Governor of the Dubai International Financial Centre (DIFC), Chairman of the Dubai Mercantile Exchange Limited, Chairman of the Dubai Financial Market (DFM), Vice Chairman of the Supreme Committee for Legislation in Dubai, and Member of the Dubai Supreme Fiscal Committee.

H.E. Kazim began his career at the UAE Central Bank as a senior analyst with the Research and Statistics Department in 1988 and moved to the Dubai Department of Economic Development as Director of Planning and Development in 1993. He was subsequently appointed as Director General of the DFM from 1999 to 2006.

H.E. Kazim holds an honorary Doctorate from Coe College, a Master's degree in Economics from the University of Iowa, a Master's degree in Total Quality Management from the University of Wollongong, and a Bachelor's degree from Coe College.

H.E. Kazim currently sits on a number of official advisory committees and boards; he is a Member of the Higher Board of Directors of the Dubai International Financial Centre (DIFC), Chairman of the DIFC Authority Board of Directors, Chairman of the DIFC Investments Board of Directors, Board Member of the Dubai Economic Council, Board Member of Nasdaq Dubai, Board Member of Noor Bank, Board Member of Nasdaq, Board Member of Etisalat, and Member of the Board and Secretary General of the Dubai Islamic Economy Development Centre.

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



### Rashid Hamad Al Shamsi

Mr. Rashid Hamad Al Shamsi is Vice Chairman of Dubai Financial Market since the year 2007. Mr. Al Shamsi is the founding partner of MEECON, an architectural and engineering project management consultancy, and owner of Al Shamsi Property Management Company in Dubai. He graduated from the University of South Carolina, USA, with a Bachelor's degree in Civil Engineering in 1982 and occupies / has occupied the following positions:

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

### Mohammed Humaid Al Mari

Mr. Al Mari is a Financial and Administrative expert with more than 20 years of experience in both public and private sectors. He graduated from Mohammed Bin Rashid's Program for Leadership Development, Government Leaders Category.

He also holds an MBA from the American University in Dubai since 2004 and a Bachelor's degree in Accounting from the United Arab Emirates University in Al Ain since 1990. Mr. Al Mari started his professional career as an employee at the Land Department in 1986 and holds / has held the following positions since then:

- Assistant CEO for Housing Division at the Mohammed Bin Rashid Housing Establishment since August 2009.
- Founding Partner in Faris & Co. Public Accountants.
- Ex-member of Takaful Al Emarat PJSC Board of Directors.
- CFO at the Roads and Transport Authority (2006 - 2009).
- Assistant General Manager of the Dubai Transport Authority (2005 – 2006).
- Member of the Board of Directors of the Dubai Development Board (2005 – 2008)
- CFO and CAO of the Land Department until 2005.

### Mr. Al Mari has the following professional memberships:

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

### Adil Abdullah Al Fahim

Mr. Al Fahim has occupied many leadership positions in Dubai Government and obtained a number of academic and professional qualifications. He has graduated at the faculty of Commerce. A holder of the CPA (Certified Public Accountant, USA), CFE (Certified Fraud Examiner, USA), CFC (Certified Financial Consultant, Canada) and ACL (Audit Command Language) Certified Trainer Qualifications.

He is the Winner of the Financial Thought Leader MENA for the year 2012. Recipient of the IIA Lifetime Achievement Award (2013) from the Institute of Internal Auditors. He has articles discussing major economic events affecting global economic development.

### He holds / has held the following positions:

- Member of the Dubai Government "Planning & Budget Development and Automation Committee".
- Member of the Dubai Government "Financial Planning Committee".
- Member of the Board of Directors of "Dubai Financial Market".
- Deputy CEO for financial affairs and procurement at Dubai Airports Company.
- Director of Internal Audit at the Department of Finance, Dubai at H.H Ruler of Dubai Court.
- Deputy Director of Performance Control, Information Systems Audit and Training Department at H.H Ruler of Dubai Court.
- Director General of the UAE Accountants and Auditors Association (2000-2002)
- Member of the Board of Directors and President of the Conferences Committee in the UAE "Accountants and Auditors Associations" (2002-2004).
- President of the "American Institute of Internal Auditors" (IIA) USA - Emirates Branch (2006-2007).
- Senior Vice President, "Internationally Certified Fraud Examiner" (CFE) USA - Emirates Branch.

# Corporate Governance Report for 2015

- Member and Secretary of the UAE Auditors' Registration Committee.  
\* UAE Representative of the AGCC "E-Commerce Committee".
- Financial Expert & Arbitrator at Dubai Courts.

## He also has the following professional memberships:

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

## Ali Rashid Al Mazroei

Mr. Ali Al Mazroei is the Director & Group CFO of Bahri & Mazroei Trading Company. The group was established in 1968 in Dubai as a general investments group and is currently one of the most effective leading groups in the UAE. Mr. Al Mazroei undertakes administrative and financial affairs of the company's activities in Commerce, Real Estate, Manufacturing, and Tourism & Travel.

From 2000 to 2007, Mr. Al Mazroei held various functional and administrative positions at CitiBank Group in Dubai, as a Resident Vice President in the Financial Control Unit in Citibank, he headed the Planning & Analysis Dept for Middle East, Turkey and Africa, as well as Director of the SME Department.

Mr. Al Mazroei is also Member of the Board of Directors of Dubai Financial Market, National Bonds Corporation (P.S.C.), and Emirates Investment and Development (P.S.C.).

Mr. Al Mazroei holds a Bachelor in Business Administration from the American University in Dubai and Masters in Business Administration from Southern New Hampshire University, USA.

## Musabbah Mohammed Al Qaizi

Mr. Mussabeh Al Qaizi has over 20 years of hands-on experience, the majority of which were in the field of information technology where he supervised and directly managed several multi-tasked teams and individuals. He graduated with a Bachelor's degree in Computer Information Systems from Arkansas University, USA, in 1991.

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

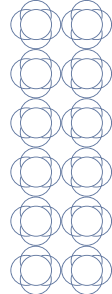
- Head of E-Banking Services and IT at Dubai Islamic Bank as well as other leadership positions such as member of the Board of Directors of the Islamic Financial Services (a subsidiary of Dubai Islamic Bank) and Member of the Automation Committee at the Dubai Islamic Bank, which plays a vital role in coordinating and aligning the bank's comprehensive strategy with the latest IT developments.
- Mr. Al Qaizi joined Dubai Islamic Bank in 1999 as Head of the Cards Unit which he developed in two years.
- Head of Information Systems Department at the Dubai Islamic Bank between 2001 and 2008. During this period, he was able to build and support the information systems infrastructure and hence gain wide ranging hands-on experience in project management at various banking levels.
- Since 2008, based within the E-Banking Operations Unit, Mr. Al Qaizi has been developing various channels to connect customers to the bank. In recognition of the great development, which he achieved in this field, his project was named Project of the Year for 2009, as well as Best Unique E-Banking System Project at Dubai Islamic Bank.

## Remuneration of the Board members and allowances for attending the meetings of the Board and the Board Committees

By virtue of the provisions of Articles 33 and 67 of the Company's Articles of Association, and in compliance with Article 118 of the Commercial Companies Law No. 8 of 1984 and its amendments, and Article 7 of the Ministerial Resolution No. 518, the Board of Directors' remuneration is equal to 10% of the net profit of the DFM Company after the deduction of costs, expenses, and statutory legal reserve as well as distribution of dividends equal to 5% of the Company's capital, subject to the approval of the Ordinary General Assembly. In its meeting on 08/01/2011, the Board of Directors set a remuneration of AED 300,000 per member after obtaining the shareholders' approval during the General Assembly.

During its meeting held on 26/2/2012, the Board has approved the recommendation submitted by the Nomination & Remuneration Committee regarding the Board and Committee meetings' attendance allowance. The approved allowance is AED 15,000 for Board meetings and AED 6,000 for Committee meetings' attendance in person and AED 2,000 for attending meetings via conference call or video conference.

Furthermore, the Board, in the meeting held on 11/12/2014 and based on recommendations of the Nomination & Remuneration committee in its meeting dated 11/11/2014, approved monthly allowances of AED 25,000 for the Chairman for the additional tasks assigned to him.



A total amount of AED 663,000 was disbursed in 2015 for attendance allowances, as follows:

| Meeting Type                 | BOD    | Audit Committee | Nomination & Remuneration Committee | Investment Committee | Total          |
|------------------------------|--------|-----------------|-------------------------------------|----------------------|----------------|
| H. E. Essa Abdulfattah Kazim | 90,000 | -               | -                                   | 18,000               | <b>108,000</b> |
| Rashid Hamad Al Shamsi       | 90,000 | -               | 12,000                              | 18,000               | <b>120,000</b> |
| Mohammed Humaid Al Mari      | 90,000 | 30,000          | -                                   | -                    | <b>120,000</b> |
| Mussabeh Mo-hammed Al Qaizi  | 60,000 | -               | -                                   | 18,000               | <b>78,000</b>  |
| Ali Rashid Al Mazroei        | 90,000 | 24,000          | 12,000                              | -                    | <b>126,000</b> |
| Adil Abdullah Al Fahim       | 75,000 | 24,000          | 12,000                              | -                    | <b>111,000</b> |

The total amount of the Chairman's monthly allowances is AED 300,000.

Also, a remuneration of AED 300,000 was disbursed to each member of the Board for the year 2014. This was approved by the General Assembly which convened on 09/03/2015. The same will be disbursed for 2015 after obtaining approval in the AGM that will be held in 2016.

#### Meetings of the Board of Directors during the Fiscal Year

The Board of Directors of DFM held 6 meetings during 2015 as follows:

| Personal Attendance          | Date of the Meeting |           |           |           |            |            |
|------------------------------|---------------------|-----------|-----------|-----------|------------|------------|
|                              | 2/2/2015            | 16/3/2015 | 26/4/2015 | 27/7/2015 | 26/10/2015 | 29/11/2015 |
| H. E. Essa Abdulfattah Kazim | ✓                   | ✓         | ✓         | ✓         | ✓          | ✓          |
| Rashid Hamad Al Shamsi       | ✓                   | ✓         | ✓         | ✓         | ✓          | ✓          |
| Mohammed Humaid Al Mari      | ✓                   | ✓         | ✓         | ✓         | ✓          | ✓          |
| *Mussabeh Mo-hammed Al Qaizi | ✓                   | ✓         | ✓         | -         | ✓          | -          |
| Ali Rashid Al Mazroei        | ✓                   | ✓         | ✓         | ✓         | ✓          | ✓          |
| *Adil Abdullah Al Fahim      | ✓                   | ✓         | ✓         | ✓         | ✓          | -          |

\* The member was absent from the meeting with a valid reason.

#### Duties and Functions Assigned by the Board of Directors to the Executive Management

As per the authorities approved by the Board of Directors on 11/12/2014, the Executive Management was assigned the following duties and functions:

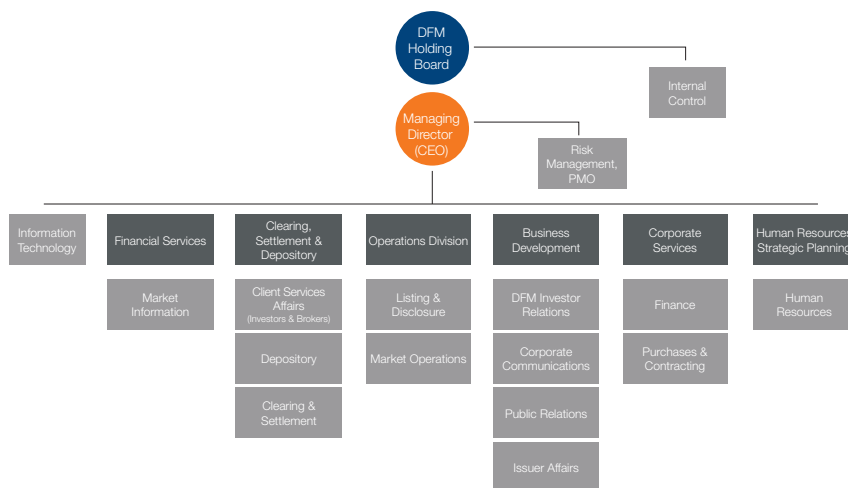
- The CEO was authorized to represent the Company before the courts. His signature was authenticated by the notary public to sign agreements on behalf of the Chairman of the Board of Directors to facilitate the Company's business.
- Prepare feasibility studies in relation to the Company's projects.
- Develop internal policies and bylaws to regulate the work.
- Approve work procedures, administrative circulars and decisions governing the work environment.
- Form, change and dissolve executive committees.
- Approve the direct order purchasing authority up to AED 50,000 for the Head of Purchasing and Contracting, up to AED 250,000 for the Head of Corporate Services and up to AED 500,000 for the CEO.
- Approve the authority of the CEO to contract through tendering up to AED 1 million.
- Approve the authority of the CEO to contract through limited or public CEO bidding up to AED 5 million.
- It is the authority of the Head of Corporate Services to sign approved contracts up to AED 5 million in value and the authority of the CEO to sign approved contracts up to AED 50 million.
- The CEO and the head of the concerned sector have the authority to sign memorandums of understanding, limited representation agreements and sub-deposit agreements.
- The CEO has the authority to rent the market spaces and determine the rent value.
- The CEO approves the results of the annual fixed asset count.
- The decision to dispose of fully depreciated (retired) assets is taken by the CEO.



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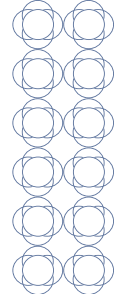
- It is the authority of the CEO to determine the service fees and penalties, and to update the list of fees according to the market data.
- The head of the concerned sector has the authority to impose penalties/ fines.
- The Head of Corporate Services in conjunction with the head of the concerned sector have the authority to cancel the first violation, and the authority of the CEO to cancel the second violation.
- The Head of Corporate Services is authorized to write off receivables up to AED 20,000 in a year.
- The CEO is authorized to exempt investors, upon a request to be submitted by them, from the fees of services provided to them based on fixed percentage and depending on the transaction value.
- Head of CSD division authorized to exempt official and government entities from certain transaction fees.
- The CEO has the authority to invest in short-term deposits of unlimited amounts pursuant to recommendations from the Internal Investment Committee, including liquidating the deposit before its maturity.
- Invest in long-term investments (deposits) up to AED 50 million is within the CEO's authority in accordance with the Investment Committee recommendation and investment policy.
- In the event of incomplete quorum of a Board meeting, the CEO is authorized to sign the reviewed interim financial statements after their approval by the Audit Committee.
- The authority to sign cheques and bank transfers up to AED 50 million is within the responsibility of the Executive Management.
- Renewal of bank facilities with unlimited amount is within the CEO's authority.
- Transfer of allocated budget between different items is within the CEO's approval.

## Organization Chart



**DFM's Senior Executive Management team consists of five senior executive employees. The following table shows the names of the senior executive employees, their jobs, date of hire, and the total salary and bonuses they received.**

| Name                           | Position  | Date of Appointment | Gross salaries and allowances paid in 2015 (AED) | Retirement & Social Security Contributions (AED) | Total Bonuses paid in 2015 (AED) |
|--------------------------------|---|---------------------|--|--|----------------------------------|
| Hassan Abdul Rahman Al Serkal  | Executive Vice President – COO Head of Operations Division                          | 01/06/1999          | 1,234,467.00                                     | 149,896.80                                       | 279,648                          |
| Maryam Mohammed Fikri          | Executive Vice President - COO Head of Clearing, Settlement and Depository Division | 01/06/1999          | 1,183,457.00                                     | 149,896.80                                       | 279,648                          |
| Ahmad Mohammed Al Jaziri       | Executive Vice President - Head of Corporate Services Division                      | 01/06/1999          | 1,026,720.00                                     | 136,278.00                                       | 249,180                          |
| Jamal Ibrahim Al Khadhar       | Executive Vice President - Head of Human Resources and Strategic Planning Division  | 01/06/1999          | 1,103,520.00                                     | 136,278.00                                       | 249,180                          |
| Fahima Abdul Razzaq Al Bastaki | Executive Vice President - Head of Business Development Division                    | 22/05/2004          | 1,080,120.00                                     | 126,738.00                                       | 233,280                          |



### Related party transactions

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   | 2015<br>AED'000 |
|--------------------------------|-----------------|
| <b>Fellow Subsidiaries</b>     |                 |
| Investment income              | 13,410          |
| Interest expense               | 1,061           |
| Dividend Income                | 6,002           |
| Pledge Fees                    | 7,280           |
| <b>Associates</b>              |                 |
| Investment Income              | 18,675          |
| Rent, Dubai World Trade Center | 9,493           |

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

|  | 2015<br>AED'000 |
|--|-----------------|
| <b>Compensation of key management personnel</b>  |                 |
| Salaries and short-term benefits   | 9,618           |
| General pension and social security  | 912             |
| <b>Board of Directors</b>  |                 |
| - Remuneration to the Nasdaq Board   | 1,025           |
| - Meeting allowance for the Group  | 1,359           |
| DFM Board remuneration   | 1,800           |
| <b>Due from related parties</b>  |                 |
| <b>Parent</b>  |                 |
| Investment deposits (Note 7)   | -               |
| Accrued income on investment deposits  | -               |
| <b>Other related parties</b>   |                 |
| Managed funds (Note 6)   | 240,398         |
| Other Financial Assets (Note 6)  | 194,607         |
| Cash and bank balances   | 164,894         |
| Investment deposits (Note 7)   | 1,272,200       |
| Investment deposits include AED 100 million (31 December 2014: AED 100 million) placed as collateral with related parties. |                 |
| <b>Due to related parties</b>  |                 |
| <b>Parent</b>  |                 |
| Expenses paid on behalf of the Group   | 8,565           |
| Subordinated loan  | 24,343          |

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 12 month LIBOR plus 3.25% per annum 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 2015.

The Group is in the process of complying with the provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law") with regards to the transactions with the related parties.

## 4. The External Auditor

PricewaterhouseCoopers is one of the major firms operating in the field of professional services. It consists of a network of companies operating in 158 countries, and employing more than 180,000 employees dedicated to providing audit, taxation and consulting services. The company was established in the Middle East more than forty years ago. It has offices in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestine, Qatar, Saudi Arabia, United Arab Emirates and Yemen, with more than 2,500 employees. The company has been operating in the United Arab Emirates for more than 30 years through its offices in Abu Dhabi, Dubai and Sharjah, which collectively have more than 700 partners, executive directors and employees.

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

Based on the recommendations of the Audit Committee during its meeting held on 24/2/2015 regarding having an internal policy on rotating the external auditor every 3 years, the Board's approval of the Audit Committee's recommendations and the shareholders' approval during the Ordinary General Assembly held on 09/03/2015, PricewaterhouseCoopers was reappointed as auditor for the year 2015 for fees of AED 183,500. PwC was the auditor since 2012. No other external auditors were appointed for any services during 2015. Moreover, PricewaterhouseCoopers was appointed as an external auditor for Borse Dubai (DFM's parent company) for fees of AED 120,000 and for Nasdaq Dubai for fees of AED 125,000 for the year 2015.

## 5. The Audit Committee

The Audit Committee was reformed in accordance with the Board of Directors' decision during its meetings held on 16/3/2014. The Audit Committee consists of the following members:

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

All the committee members are non-executive and independent as well as accounting and financial experts. In compliance with the Ministerial Resolution No. 518 of 2009 and pursuant to its mandated duties, the Audit Committee was assigned the following duties:

1. Implementing the policy related to contracting with an external auditor, monitoring their independence and discussing the nature and scope of the auditing process and reviewing the communications and action plan of the external auditor on 24/2/2015 and ensuring that the Finance Department and executive departments respond to the external auditor inquiries and requirements.

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

- Highlighting items subject to Board assessment.
- Significant adjustments resulting from the audit.
- The assumption of going concern.
- Complying with the accounting standards decided by the Authority.
- Complying with the listing and disclosure rules as well as other legal requirements related to the preparation of financial reports.

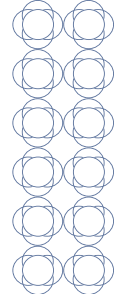
3. Meeting with the external auditor on a quarterly basis to discuss the quarterly and annual financial statements as well as the report submitted to the Senior Management.
4. Reviewing the Company's financial control, internal control and risk management systems as well as efficiency of Internal Control Department, appointing required resources and approving internal audit plan prepared on the basis of risk approach related to each division / department of DFM and Nasdaq Dubai on 20/4/2015 and followed up on the plan progress on a quarterly basis.
5. Reviewing and enhancing the Company's financial and accounting policies and procedures and operating risks procedures.
6. Coordinating with the Company's Board of Directors and Executive Management, and discuss the reports of the Internal Control and Financial Control Department and follow up on the corrective actions on a quarterly basis.
7. Setting guidelines which enable the Company's employees to confidentially report any possible violations in the financial reports, internal control or other issues, as well as the steps which allow the independent and fair investigation of such violations. The staff appointed for this purpose can be reached by email: whistleblower@dfm.ae, telephone: +971 4 305 5665 or fax: +971 4 305 5584, or through the HR portal.
8. Monitoring the Company's compliance with the standards of professional behaviour.
9. Approving Teammate program for automating the Internal Audit work.

**The Audit Committee held five meetings in 2015. The following table highlights the date of each meeting and the personal attendance:**

| Personal Attendance     | Date of the Meeting |           |           |           |            |
|-------------------------|---------------------|-----------|-----------|-----------|------------|
|                         | 25/1/2015           | 24/2/2015 | 20/4/2015 | 15/7/2015 | 20/10/2015 |
| Mohammed Humaid Al Mari | ✓                   | ✓         | ✓         | ✓         | ✓          |
| *Adil Abdullah Al Fahim | ✓                   | ✓         | ✓         | -         | ✓          |
| *Ali Rashid Al Mazroei  | ✓                   | ✓         | ✓         | ✓         | -          |

\*The member was absent from the meeting with a valid reason.





## 6. The Nomination and Remuneration Committee

The Nomination and Remuneration Committee was reformed by virtue of the Board's decision taken during its meetings held on 16/3/2014. It consists of the following non-executive and independent directors:

- Rashid Hamad Al Shamsi - Chairman
- Adil Abdullah Al Fahim - Member
- Ali Rashid Al Mazroei - Member

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

1. Verified the independence of the DFM Board members for the year 2015 through forms which was completed and signed by each independent member.
2. Recommendation to the Board of Directors to approve the remunerations of the Board members for 2015 in the General Assembly meeting held on 09/03/2015.
3. Endorsed Human Resources policies on 28/1/2015 and 9/3/2015.
4. Verified that the remunerations and benefits granted to the Senior Executive Management are reasonable and in line with the Company's performance.
5. Assessed the performance appraisal, including senior executives, and increment of the last year.

The Nomination and Remuneration Committee held two meetings during 2015 on 28/1/2015 and 9/3/2015 with full quorum.

## 7. The Internal Control System

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

The Board of Directors acknowledges its responsibility for the internal control system in the Company and for reviewing it and ensuring its effectiveness through the Internal Control Department (ICD). The ICD, in turn, submits regular reports in accordance with standard No. 2060 of international standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors in the USA to the Board of Directors and Executive Management on the objectives, authorities and responsibilities of the internal audit activity, as well as the achievements against the approved plan. The ICD also evaluates how adequate and effective are the internal control systems within the company and its subsidiaries.

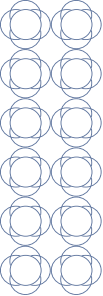
### b. Work Mechanism of the Internal Control Department

The Internal Control Department reports administratively to the Senior Management of the Company, and functionally to the Board of Directors through the Audit Committee in such a manner to ensure its independence. In performing its duties, the ICD applies the latest international standards issued by the IIA of the USA as well as international best practices in the following areas:

- Preparing the department's Balanced Scorecard in conformity with the Company's strategic plan.
- Performing the required updates for the internal audit manual and charter to be consistent with the latest international standards as approved by the Audit Committee. In addition to creating workflow for the audit manual for simplicity of operation.
- Developing an audit plan based on the risks related to every sector /

department / section in order to prioritize the sections with high risks. The plan is discussed with the CEO and approved by the Audit Committee and Board of Directors.

- At the end of each audit, preparing an audit report for every audited department whereby the objectives, scope, methodology and findings of the audit are presented. The reports also evaluate the notes in terms of the risk levels, in addition to an extensive assessment of the audited sector or department according to the assessment matrix.
- Submitting to DFM and Nasdaq Dubai Audit Committees all the internal control and follow up reports as well as the executive measures taken by the concerned department to enhance its internal control during the year. This enables the Audit Committees to assess the internal control of their respective companies and raise the necessary recommendations and decisions to the Board of Directors.
- 91% of the endorsed audit plan was implemented including financial audits, Shari'a audits, compliance with the rules, regulations and policies, and work procedures, as well as information security and risks.
- The ICD submitted a number of recommendations that have been agreed upon with the different audited sectors during 2015, whether at DFM or Nasdaq Dubai. Such recommendations helped in strengthening the internal control environment and minimized the risks in line with the internal audit objective of adding value to the company and its shareholders by improving the effectiveness and efficiency of corporate governance, risk management and control in the company.
- The ICD followed up on the implementation of corrective actions according to the reports issued by the internal and external auditors.
- The ICD prepared quality reports on assurances during the year to ensure the efficiency of the completed audit assignments and



## Corporate Governance Report for 2015

the availability of permanent and temporary files for each assignment in line with international best practices.

- Coordinating with the external auditor, Financial Audit Department, quality auditors, as well as SCA inspectors.
- Offering consulting services with the aim of developing and improving work procedures in a manner which does not compromise the independence of the auditors, and in accordance with the stipulations of the work charter of the ICD.
- Monitoring the communication channels used for confidential reporting.
- Preparing the Corporate Governance Report for the year 2015 in light of the provisions of the Ministerial Resolution No. 518 circulated by the SCA.
- Automating the work of ICD through Teammate application that contributes to enhancing efficiency and effectiveness by saving time and efforts in all stages of the audit process, from risk assessment to issuing the audit reports and the follow up of the implementation of the submitted recommendations through the following:
- Following a standard approach of risk assessment according to the international best practices, so as to develop an audit plan focused on risks. This allows the ICD to give priority to covering departments with the highest risks and accordingly achieve efficient management of time and efforts.
- The presence of a dashboard helps ICD manager in the efficient management of the available human resources, by charging members of the work team with tasks according to the skills and capabilities of each of them, as well as monitor the best usage of the available time, taking into consideration the holidays and annual vacations of each employee.
- Using Electronic Work Papers "EWP" helps in enhancing symmetry as regards to establishing audit tasks and keeping documented evidence. It also helps the ICD manager in reviewing all

audit work performed by each person remotely, without having to be present in the same place.

- EWP also allows for indexing the audit procedures so as to link these procedures to the remarks resulting from the audit, together with the audit evidence that was kept to support these remarks.
- Facilitates ease and speed of developing audit reports, as well as unifying the form and organization of the outgoing reports. The program also helps to issue additional reports in the form of graphs or tables as needed.
- Storing all documents pertaining to the completed tasks, in order to make use of them when performing similar tasks in the future.
- Supporting the audit team and relevant department in the follow up of implementing the recommendations and issuing reports as needed, that indicate to what extent these recommendations were being followed.
- Follow up of the execution of the audit plan and recognizing the percentage of implementation.

### **The Internal Control Department comprises five qualified employees as follows:**

**Name:** Asma Saeed Lootah

**Job Title:** Vice President - Secretary of the Board of Directors  
Head of the Internal Control Department & Compliance Officer

#### **Qualifications:**

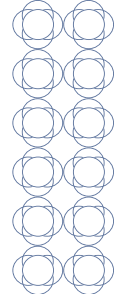
- Master of Finance from E. Philip Saunders College of Business, Rochester Institute of Technology - May 2011.
- Certified Management Accountant (CMA) - February 2008.
- Certified Lead Quality Auditor in ISO 9001:2000 from IRCA - May 2004.
- Bachelor degree from the Higher Colleges of Technology – Dubai Women's College - 2001.
- Higher Diploma in Accounting from the Higher Colleges of Technology - Dubai Women's College - 2000.
- Member of the advisory board of the Business Administration College, RIT Dubai.
- RIT Dubai Alumni President Chapter since March 2014.
- Member of the AAA.
- Member of the ICSA Gulf Forum.

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

- **Reda Farouq Shehata:** Manager - Internal and Shari'a Section / Internal Control, holder of CIB 2013, CRMA and CFC 2012, Higher Diploma in Financial Accounting from Ain Shams University - 2003, and a Bachelor's degree in Accounting from Ain Shams University - 1998.
- **Mohammad Ahmed Assaleh:** Deputy Manager - Compliance Section / Internal Control, holds an ACCA certificate - 2009, CRMA - 2012 and a Bachelor's degree in Accounting from Yarmouk University - 2003.
- **Ahmed Rajab Moeti:** Deputy Manager – Compliance Section / Internal Control. Holds an ACCA certificate - 2011 and B. A. of Arts from Menoufeya University, 2000.
- **Farah Hani Al Ananni:** Senior Auditor / Internal Control, holder of CPA -2010 and a Bachelor's degree in Accounting from Jordanian University – 2007.

### **Handling any major problems in the Company or those disclosed in the annual reports and accounts**

The Company was not subject to any significant risks during 2015; however, and pursuant to the ICD work guide, the Department deals with any problems the Company may face through the following process:



- Determine the nature of the problem and classify it in terms of level of risk through determining the size of the problem and its negative consequences that may affect the Company.
- Communicate with the respective departments through the heads of various divisions and the CEO to discuss the remedy and solution for the problem and make the necessary recommendations.
- Report the matter along with the related recommendations to the Audit Committee, which in turn, after discussion and assessment of the situation, forwards the matter to the Board of Directors to inform it about the problem and take the appropriate decision thereon.
- The Department follows up the implementation of the approved solution.
- Communicate with the external auditor of the company, if required.

## 8. Since its inception and through 2015, the Company has not committed any violations.

## 9. DFM's Corporate Social Responsibility in 2015

- Developing a qualification program for citizens to work in the field of investors' relations.
- Participating in Dubai Employment Fair 2015.
- Donating used equipment to the UAE Red Crescent and Mohamed Bin Rashid Establishment for Charity.
- Supporting the Rashid Center for the Disabled with an advertisement page on 08/01/2015.
- Organizing the campaign of more power – more giving for the Dubai Autism Center 26/01/2015.
- Organizing a donation campaign with the Dubai Charity Association on 15/2/2015.
- Organizing "Tarahamo" event for the Levant with the Dubai Charity Association in February 2015.
- Organizing the 13th session of the DFM Student Stock Game in April, 2015.
- Sponsoring the Dubai International Holy Qur'an Award Ceremony in July, 2015.
- Organizing the DFM Summer Stock Game for summer trainee students held at DFM in August, 2015.
- Organizing an Education Day in November, 2015.
- Organizing the National Day and Martyr Day events on 30/11/2015.
- Providing free lectures: regularly organizing and preparing free technical and financial workshops for students.

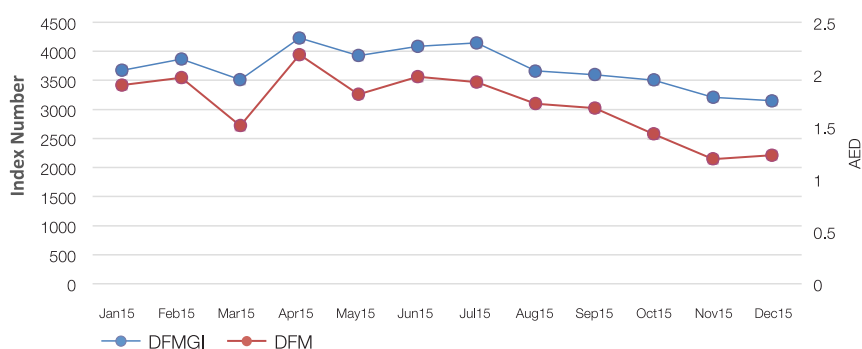
# Corporate Governance Report for 2015

## 10. General Information

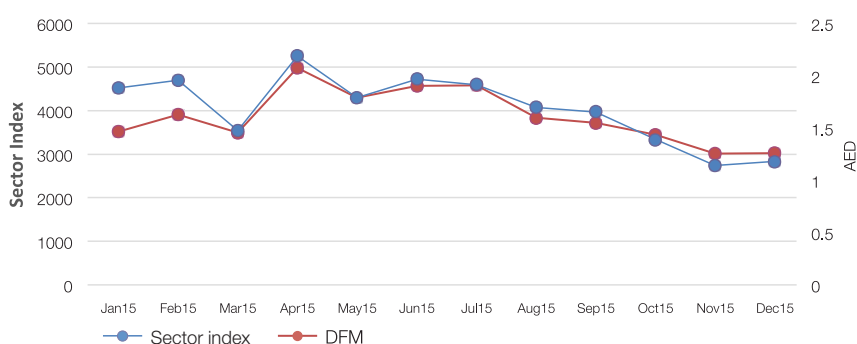
### a. The Company's (highest and lowest) share price at the end of each month of the financial year 2015.

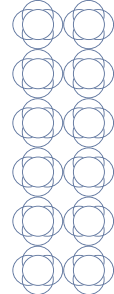
| Month     | Highest price during the month (AED) | Lowest price during the month (AED) | Closing price at the end of the month (AED) | Market Index (Index Figure) | Sector Index (Index Figure) |
|-----------|--------------------------------------|-------------------------------------|---|-----------------------------|-----------------------------|
| January   | 2.17                                 | 1.67                                | 1.9   | 3674.4                      | 3605.47                     |
| February  | 2.16                                 | 1.95                                | 1.97  | 3864.67                     | 3970.04                     |
| March     | 2                                    | 1.42                                | 1.51  | 3514.4                      | 3580.32                     |
| April     | 2.24                                 | 1.49                                | 2.19  | 4229.04                     | 5002.17                     |
| May       | 2.22                                 | 1.81                                | 1.81  | 3923.24                     | 4349.36                     |
| June      | 2.19                                 | 1.81                                | 1.98  | 4086.83                     | 4603.64                     |
| July      | 2.04                                 | 1.88                                | 1.93  | 4143.21                     | 4614.66                     |
| August    | 1.97                                 | 1.4                                 | 1.72  | 3662.56                     | 3902.48                     |
| September | 1.73                                 | 1.6                                 | 1.68  | 3593.28                     | 3795.84                     |
| October   | 1.77                                 | 1.42                                | 1.43  | 3503.75                     | 3529.29                     |
| November  | 1.46                                 | 1.05                                | 1.19  | 3204.28                     | 3120.51                     |
| December  | 1.27                                 | 1.05                                | 1.23  | 3151                        | 3129.24                     |

### b. Company's Share Price compared to the Market Index



### c. Company's Share Price compared to the Financial Sector Index





**d. Distribution of shareholders' ownership according to the trading activities on 31/12/2015 and settlement thereof on 03/01/2016 (individuals, companies, governments) classified as follows: Local, Gulf, Arabic, Foreign**

| No. | Description | Nationality | Shares        | Ownership % |
|-----|-------------|-------------|---------------|-------------|
| 1   | Company     | Arabic      | 7,720,706     | 0.0965      |
| 2   | Company     | Gulf        | 44,257,654    | 0.5532      |
| 3   | Company     | Foreign     | 327,122,884   | 4.0891      |
| 4   | Company     | Local       | 6,758,328,698 | 84.4791     |
| 5   | Government  | Local       | 360,000       | 0.0045      |
| 6   | Government  | Foreign     | 1,172,060     | 0.0147      |
| 7   | Individual  | Arabic      | 129,933,627   | 1.6242      |
| 8   | Individual  | Gulf        | 48,805,187    | 0.6101      |
| 9   | Individual  | Foreign     | 106,056,965   | 1.3257      |
| 10  | Individual  | Local       | 576,242,219   | 7.2031      |

**e. Borse Dubai owns 6,370,000,000 DFM shares, accounting for 79.625% of the Company's shares.**

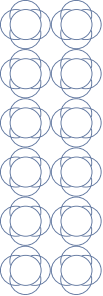
Distribution of shareholders according to the ownership percentage as of 31/12/2015 as per the following table:

| No. | Share Ownership                     | No. of Shareholders | No. of Owned Shares | Percentage of Owned Shares of Capital |
|-----|-------------------------------------|---------------------|---------------------|---------------------------------------|
| 1   | Less than 50,000                    | 25,934              | 147,319,324         | 1.4804                                |
| 2   | From 50,000 to less than 500,000    | 2,036               | 290,495,779         | 3.6455                                |
| 3   | From 500,000 to less than 5,000,000 | 377                 | 498,261,584         | 6.2317                                |
| 4   | More than 5,000,000                 | 60                  | 7,063,923,313       | 88.2992                               |

**f. No events that can be described as material occurred in the Company during 2015.**

**H.E. Essa Abdulfattah Kazim**  
Chairman  
4/2/2016





# Fatwa and Shari'a Supervisory Board Report 2015

During 2015, the DFM Fatwa and Shari'a Supervisory Board conducted the following activities:

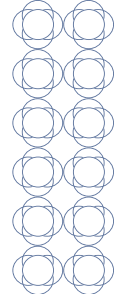
## 1. DFM Standards

- 1.1 The Fatwa and Shari'a Supervisory Board finalized drafting the semi-final version of the DFM Hedging Standard, in order to be discussed during a hearing session that will be attended by Shari'a scholars, law professionals, economists and bankers.
- 1.2 The Shari'a Supervisory Board requested that the DFM set a suitable date for the hearing session and consider the possibility of conducting the session in Dubai and other countries, in order to attract specialists from those countries to join the discussion on the Standard.
- 1.3 The Shari'a Board requested that the DFM prepare the translation of the Hedging Standard in order to be presented for review at the hearing, and subsequently apply any amendments to the final version.
- 1.4 The Shari'a Board discussed having a new standard it intends to apply in the preparation of financial statements and reports within Islamic financial institutions, and believe this should be given priority due to the fact that this standard is highly necessary to determine the rights of shareholders, the owners of joint investment accounts, the creditors of these institutions and banks, in addition to applying the principle of capital adequacy.
- 1.5 DFM participated in the Global Islamic Economic Summit "GIES 2015" which took place in Dubai on the 5<sup>th</sup> and 6<sup>th</sup> of October, 2015. The DFM Shari'a section hosted a DFM exhibition stand which enabled them to:
  - 1.5.1 Discuss the DFM standards for the trading of Sukuk and shares, and highlight their importance in enriching the economy in order to abide by the principles of Islamic Shari'a.
  - 1.5.2 Explain the preparation of how Shari'a compliant companies list according to the DFM Standard for Issuing, Acquiring and Trading Shares.
  - 1.5.3 Manage all questions and inquiries from delegates.
  - 1.5.4 Provide participants with up-to-date approved lists of Shari'a compliant companies listed on the DFM and Nasdaq Dubai.

Following this important event, a Memorandum of Agreement will be signed between the DFM and Thomson Reuters through the Dubai Islamic Economy Development Centre, according to which the DFM will provide Thomson Reuters with the DFM Shari'a Sukuk and shares standards, also regularly approved lists of Shari'a compliant companies on the DFM and Nasdaq Dubai, to upload on the SALAAM Gateway for the Islamic economy.

## 2. Shari'a Auditing





The Fatwa and Shari'a Supervisory Board reviewed the Shari'a auditing reports that were prepared by the Shari'a Auditing Section, and presented on a quarterly basis. The Board provided the necessary recommendations before their adoption.

### 3. Fatwas

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

### 4. Companies Classification

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

### 5. Calculating 2014 Zakat

- 5.1 The Board has reviewed and adopted the calculation of Zakat for DFM, payable for the year 2014, prepared by the Shari'a Auditing Section, in light of the DFM Zakat balance sheet. Based on this, it has invited DFM shareholders to pay the Zakat during the Annual Meeting scheduled for 2015.
- 5.2 The Board reviewed and adopted the calculation of Zakat for the DFM treasury stocks, payable retroactively from 2007 to 2014.

### 6. Calculation of non-compliance with Shari'a income for the year 2014

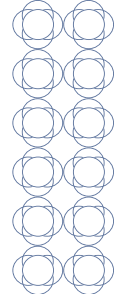
The Shari'a Supervisory Board reviewed and adopted the total balance of non-compliance with Shari'a income for the year 2014 and the proportion that should be excluded by each share. Based on this, the Board invited DFM shareholders to pay this during the Annual Meeting which took place in 2015.

May Allah guide our steps and grant us success in serving Islam and Muslims.

# Financial Statements

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# Independent Auditor's Report

Independent Auditor's Report for Dubai Financial Market PJSC

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Dubai Financial Market PJSC (DFM) ("the Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the consolidated financial statements

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

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## 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) the financial information included in the Chairman's report and Directors' report is consistent with the books of account of the Group;
- v) as disclosed in note 21.5 to the consolidated financial statements, the Group has invested in shares during the year ended 31 December 2015;
- vi) note 15 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 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 2015; and
- viii) as disclosed in note 26, the Group has not made any monetary social contributions during the year ended 31 December 2015.

PricewaterhouseCoopers  
04 February 2016

**Paul Suddaby**  
Registered Auditor Number 309  
Dubai, United Arab Emirates

# Consolidated Statement of Financial Position

As at 31 December 2015

| ASSETS  | Notes | 2015<br>AED'000  | 2014<br>AED'000  |
|---|-------|------------------|------------------|
| <b>Non-current assets</b>   |       |                  |                  |
| Goodwill  | 4     | 2,878,874        | 2,878,874        |
| Other intangible assets   | 4     | 2,321,932        | 2,384,295        |
| Property and equipment  | 5     | 21,436           | 15,269           |
| Other financial assets measured at fair value through other comprehensive income (FVTOCI) | 6     | 702,149          | 718,060          |
| Investment deposits   | 7     | 777,947          | 742,168          |
| <b>Total non-current assets</b>   |       | <b>6,702,338</b> | <b>6,738,666</b> |
| <b>Current assets</b>   |       |                  |                  |
| Prepaid expenses and other receivables  | 8     | 46,211           | 27,172           |
| Investment deposits   | 7     | 1,584,962        | 2,038,101        |
| Cash and bank balances  | 9     | 201,002          | 198,208          |
| <b>Total current assets</b>   |       | <b>1,832,175</b> | <b>2,263,481</b> |
| <b>Total assets</b>   |       | <b>8,534,513</b> | <b>9,002,147</b> |
| <b>EQUITY AND LIABILITIES</b>   |       |                  |                  |
| <b>Equity</b>   |       |                  |                  |
| Share capital   | 10    | 8,000,000        | 8,000,000        |
| Treasury shares   |       | (4,364)          | (4,364)          |
|   |       | 7,995,636        | 7,995,636        |
| Investments revaluation reserve – FVTOCI  | 11    | (780,437)        | (693,199)        |
| Statutory reserve   | 11    | 381,027          | 354,929          |
| Retained earnings   |       | 431,787          | 755,917          |
| <b>Equity attributable to owners of the company</b>                                       |       | <b>8,028,013</b> | <b>8,413,283</b> |
| Non-controlling interest  |       | 18,176           | 17,354           |
| <b>Total equity</b>   |       | <b>8,046,189</b> | <b>8,430,637</b> |
| <b>Non-current liabilities</b>  |       |                  |                  |
| Subordinated loan   | 15    | 24,343           | 23,282           |
| Provision for employees' end of service indemnity   | 12    | 13,879           | 12,006           |
| <b>Total non-current liabilities</b>  |       | <b>38,222</b>    | <b>35,288</b>    |
| <b>Current liabilities</b>  |       |                  |                  |
| Payables and accrued expenses   | 13    | 408,398          | 501,484          |
| Dividends payable   | 14    | 33,139           | 29,256           |
| Due to related parties  | 15    | 8,565            | 5,482            |
| <b>Total current liabilities</b>  |       | <b>450,102</b>   | <b>536,222</b>   |
| <b>Total liabilities</b>  |       | <b>488,324</b>   | <b>571,510</b>   |
| <b>Total equity and liabilities</b>   |       | <b>8,534,513</b> | <b>9,002,147</b> |

These consolidated financial statements were approved on 4<sup>th</sup> February 2016 by the Board of Directors and signed on its behalf by:

**H. E. Essa Abdulfattah Kazim**  
Chairman

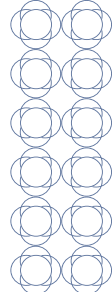
The accompanying notes form an integral part of these financial statements.

# Consolidated Income Statement

For the year ended 31 December 2015

|  | Notes | 2015<br>AED'000  | 2014<br>AED'000 |
|--|-------|------------------|-----------------|
| <b>Income</b>                            |       |                  |                 |
| Trading commission fees                  |       | 335,162          | 806,049         |
| Brokerage fees                           |       | 19,440           | 14,989          |
| Clearing, settlement and depository fees |       | 34,799           | 55,916          |
| Listing and market data fees             |       | 9,267            | 8,756           |
| Other fees                               |       | 4,515            | 3,301           |
| <b>Operating income</b>                  |       | <b>403,183</b>   | 889,011         |
| Investment income                        | 16    | 57,673           | 54,438          |
| Other income                             |       | 433              | 3,827           |
| <b>Total income</b>                      |       | <b>461,289</b>   | 947,276         |
| <b>Expenses</b>                          |       |                  |                 |
| General and administrative expenses      | 17    | (136,060)        | (124,071)       |
| Amortization of intangible assets        | 4     | (62,363)         | (62,363)        |
| Interest expense                         | 15    | (1,061)          | (1,014)         |
| <b>Total expenses</b>                    |       | <b>(199,484)</b> | (187,448)       |
| <b>Net profit for the year</b>           |       | <b>261,805</b>   | 759,828         |
| <b>Attributable to:</b>                  |       |                  |                 |
| Owners of the Company                    |       | 260,983          | 759,312         |
| Non-controlling interest                 |       | 822              | 516             |
|  |       | <b>261,805</b>   | 759,828         |
| <b>Earnings per share – AED</b>          | 18    | <b>0.033</b>     | 0.095           |

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



Chairman's  
Statement

DFM PJSC Financial  
Performance Summary

Macroeconomic Developments  
and Market Environment

DFM PJSC  
Strategy

DFM Strategic  
Achievements in 2015

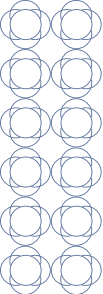
DFM Performance  
in 2015

Corporate Governance  
Report for 2015

Fatwa and Shari'a Supervisory  
Board Report for 2015

Financial  
Statements





## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

|   | 2015<br>AED'000 | 2014<br>AED'000 |
|---|-----------------|-----------------|
| <b>Net profit for the year</b>  | <b>261,805</b>  | 759,828         |
| <b>Other comprehensive income/(loss)</b>  |                 |                 |
| <b>Items that will not be reclassified to profit or loss</b>  |                 |                 |
| Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI) | <b>(85,693)</b> | 88,056          |
| <b>Total comprehensive income for the year</b>  | <b>176,112</b>  | 847,884         |
| <b>Attributable to:</b>   |                 |                 |
| Owners of the Company   | <b>175,290</b>  | 847,368         |
| Non-controlling interest  | <b>822</b>      | 516             |
| <b>Total comprehensive income for the year</b>  | <b>176,112</b>  | 847,884         |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

|   | Share capital    | Treasury shares | Investments revaluation reserve FVTOCI | Statutory reserve | Retained earnings | Attributable to owners of the company | Non-controlling interest | Total            |
|---|------------------|-----------------|--|-------------------|-------------------|---------------------------------------|--------------------------|------------------|
|   | AED'000          | AED'000         | AED'000                                | AED'000           | AED'000           | AED'000                               | AED'000                  | AED'000          |
| <b>As at 1 January 2014</b>   | 8,000,000        | (4,364)         | (789,102)                              | 278,998           | 449,684           | 7,935,216                             | 16,838                   | 7,952,054        |
| Net profit for the year   | -                | -               | -                                      | -                 | 759,312           | 759,312                               | 516                      | 759,828          |
| Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI) | -                | -               | 88,056                                 | -                 | -                 | 88,056                                | -                        | 88,056           |
| Total comprehensive income for the year   | -                | -               | 88,056                                 | -                 | 759,312           | 847,368                               | 516                      | 847,884          |
| Appropriation of non-shari'a compliant income (Note 20)   | -                | -               | -                                      | -                 | (15,697)          | (15,697)                              | -                        | (15,697)         |
| Dividends declared, net of appropriation of non-shari'a compliant income (Note 10)                        | -                | -               | -                                      | -                 | (353,604)         | (353,604)                             | -                        | (353,604)        |
| Transfer to statutory reserve (Note 11)   | -                | -               | -                                      | 75,931            | (75,931)          | -                                     | -                        | -                |
| Realised loss on disposal of investment   | -                | -               | 7,847                                  | -                 | (7,847)           | -                                     | -                        | -                |
| <b>As at 31 December 2014</b>   | <b>8,000,000</b> | <b>(4,364)</b>  | <b>(693,199)</b>                       | <b>354,929</b>    | <b>755,917</b>    | <b>8,413,283</b>                      | <b>17,354</b>            | <b>8,430,637</b> |
| <b>As at 1 January 2015</b>   | 8,000,000        | (4,364)         | (693,199)                              | 354,929           | 755,917           | 8,413,283                             | 17,354                   | 8,430,637        |
| Net profit for the year   | -                | -               | -                                      | -                 | 260,983           | 260,983                               | 822                      | 261,805          |
| Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI) | -                | -               | (85,693)                               | -                 | -                 | (85,693)                              | -                        | (85,693)         |
| Total comprehensive income for the year   | -                | -               | (85,693)                               | -                 | 260,983           | 175,290                               | 822                      | 176,112          |
| Appropriation of non-shari'a compliant income (Note 20)   | -                | -               | -                                      | -                 | (29,646)          | (29,646)                              | -                        | (29,646)         |
| Dividends declared, net of appropriation of non-shari'a compliant income (Note 10)                        | -                | -               | -                                      | -                 | (530,058)         | (530,058)                             | -                        | (530,058)        |
| Transfer to statutory reserve (Note 11)   | -                | -               | -                                      | 26,098            | (26,098)          | -                                     | -                        | -                |
| Realised gain on disposal of investments  | -                | -               | (1,545)                                | -                 | 1,545             | -                                     | -                        | -                |
| Zakat   | -                | -               | -                                      | -                 | (856)             | (856)                                 | -                        | (856)            |
| <b>As at 31 December 2015</b>   | <b>8,000,000</b> | <b>(4,364)</b>  | <b>(780,437)</b>                       | <b>381,027</b>    | <b>431,787</b>    | <b>8,028,013</b>                      | <b>18,176</b>            | <b>8,046,189</b> |

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2015

|  | Notes | 2015<br>AED'000  | 2014<br>AED'000 |
|--|-------|------------------|-----------------|
| <b>Cash flows from operating activities</b>  |       |                  |                 |
| Net profit for the year  |       | <b>261,805</b>   | 759,828         |
| <b>Adjustments for:</b>  |       |                  |                 |
| Depreciation of property and equipment   | 5     | <b>5,848</b>     | 6,476           |
| Provision for employees' end of service indemnity                                    | 12    | <b>2,278</b>     | 2,672           |
| Amortization of intangible assets  | 4     | <b>62,363</b>    | 62,363          |
| Write off property and equipment   | 5     | -                | 14              |
| Interest expense   | 15    | <b>1,061</b>     | 1,014           |
| Income on investment deposits  | 16    | <b>(46,828)</b>  | (44,862)        |
| Dividend income  | 16    | <b>(10,845)</b>  | (30,569)        |
| Fair value loss on initial recognition   | 16    | -                | 20,993          |
| <b>Operating cash flow before changes in operating assets and liabilities</b>        |       | <b>275,682</b>   | 777,929         |
| (Increase)/decrease in prepaid expenses and other receivables                        |       | <b>(14,583)</b>  | 13,055          |
| Increase/(decrease) in due to a related party  | 15    | <b>3,083</b>     | (45,347)        |
| (Decrease)/increase in payables and accrued expenses                                 |       | <b>(93,942)</b>  | 293,810         |
| <b>Cash generated from operations</b>  |       | <b>170,240</b>   | 1,039,447       |
| Employees' end of service indemnity paid   | 12    | <b>(405)</b>     | (504)           |
| <b>Net cash generated from operating activities</b>                                  |       | <b>169,835</b>   | 1,038,943       |
| <b>Cash flows from investing activities</b>  |       |                  |                 |
| Proceeds from sale and redemption of investments                                     |       | <b>31,699</b>    | 19,180          |
| Purchase of investments  |       | <b>(101,468)</b> | (12,366)        |
| Purchase of property and equipment   | 5     | <b>(12,015)</b>  | (10,220)        |
| Net investment deposits (excluding cash and cash equivalents & non cash transaction) | 7     | <b>(10,352)</b>  | (458,672)       |
| Investment deposit income received   |       | <b>41,022</b>    | 42,907          |
| Dividend received  | 16    | <b>10,845</b>    | 30,569          |
| <b>Net cash used in investing activities</b>   |       | <b>(40,269)</b>  | (388,602)       |
| <b>Cash flows from financing activities</b>  |       |                  |                 |
| Dividends paid to shareholders   | 10    | <b>(526,176)</b> | (343,576)       |
| Distribution of non-shari'a compliant income to shareholders                         | 10,20 | <b>(29,646)</b>  | (46,186)        |
| <b>Net cash used in financing activities</b>   |       | <b>(555,822)</b> | (389,762)       |
| <b>Net (decrease)/ increase in cash and cash equivalents</b>                         |       | <b>(426,256)</b> | 260,579         |
| Cash and cash equivalents at the beginning of the year                               |       | <b>687,258</b>   | 426,679         |
| <b>Cash and cash equivalents at the end of the year</b>                              | 9     | <b>261,002</b>   | 687,258         |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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").

UAE Federal Law No. 2 of 2015 ("Companies Law") which is applicable to the Group has come into effect on 1 July 2015. The Group is currently assessing and evaluating the relevant provisions of the Companies Law. It has twelve months from the effective date of the Companies Law to fully comply with the Companies Law under the transitional provisions set out therein.

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.

## 2. Summary of significant accounting policies

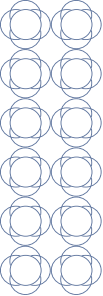
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 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 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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2015

### (a) New and amended standards adopted by the Group

Standards and amendments to published standards effective for the Group's accounting period beginning on 1 January 2015

The following applicable amendments to existing standards have been published and are effective for the Group's accounting periods beginning on 1 January 2015.

#### Annual improvements 2012 (Effective date 1 July 2014)

These annual improvements amend standards from the 2010 - 2012 reporting cycle. It includes changes to:

- IFRS 8, 'Operating segments' which is amended to require disclosure of the judgments made by management in applying the aggregation criteria to operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.
- IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.

#### Annual improvements 2013

IFRS 13 'Fair value measurement' on clarification of the portfolio exemption in IFRS 13 - The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

#### IAS 19, Defined benefit plans: Employee contributions (Effective date 1 July 2014)

The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employees' working lives.

The above amendments to existing standards do not have any significant impact on the Group's consolidated financial statements for the year ended 31 December 2015. Apart from the above amendments, there are no new standards that have a potential significant impact on these consolidated financial statements.

### (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 2015 and not early adopted

#### Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortization (Effective date 1 January 2016)

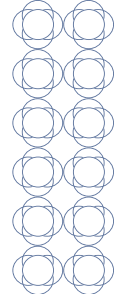
This amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

The presumption may only be rebutted in certain limited circumstances.

#### Amendments to IAS 1, 'Presentation of financial statements' (Effective date 1 January 2016)

The amendments clarify that it may be necessary to disaggregate some of the line items specified in IAS 1 paragraphs 54 (statement of financial position) and 82 (profit or loss). That disaggregation is required where it is relevant to an understanding of the entity's financial position or performance.





### Annual improvements 2014 (Effective date 1 July 2016)

These annual improvements amend standards from the 2012 - 2014 reporting cycle. It includes changes to:

- IFRS 7, 'Financial instruments: Disclosures' – The amendment related to servicing contracts requires that if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets.
- IAS 19, 'Employee benefits' – The amendment clarifies, when determining the discount rate for post-employment benefit obligations, that it is the currency that the liabilities are denominated in that is important, not the country where they arise.
- IAS 34, 'Interim financial reporting', regarding information disclosed elsewhere in the interim financial report. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

### 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.

### 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. Accordingly, the Group continues to apply the impairment provisions of IAS 39.

### Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' (Effective date Annual periods beginning on or after 1 January 2016)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Other than the classification and measurement version of IFRS 9, which has been early adopted, management has assessed the impact of the above new standards and amendments to existing standards and has concluded that there is no significant impact expected from the amendments on the Group's consolidated financial statements. 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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:

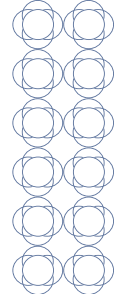
|   | Years |
|---|-------|
| License to operate as a Stock Exchange          | 50    |
| Relationship with market participants (Brokers) | 10    |
| Historical trading database                     | 5     |

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

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

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

|                                   | Years |
|-----------------------------------|-------|
| 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 recognized 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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 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.

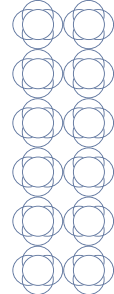
The cumulative gain or loss is not reclassified to consolidated income statement on disposal of the investments.

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 16).

## 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

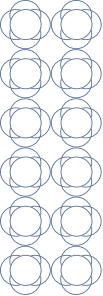
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, current, saving and mudarabah accounts with banks and bank deposits with an original maturity of less than three months.

## 2.12 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized 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.





# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 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 balance sheet date. In accordance with the provisions of IAS 19, to assess the present value of its obligations as at 31 December 2015, 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 4.16% (2014: 4.27%). 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 2% (2014: 2%).

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 recognized when the underlying trade or transfer has been consummated.

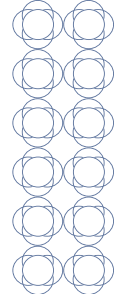
Clearing, settlement & depository fees are recognized when transfer & pledge shares and other CSD Services have been consummated and services provided.

Brokers' fees are recognised on a straight line basis over the period of the benefits utilization.

Listing and market data fees are recognized on a straight line basis over the period of the listing and benefits utilized.

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 UAE Dirhams (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 judgements

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 judgements, 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 judgements, 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.

### Intangible assets

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

### Impairment for goodwill and intangibles

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 also tested annually for impairment. They are reviewed 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 assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

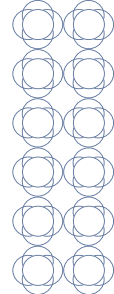
## Provision for end of service benefits

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         | License to<br>operate as a<br>Stock Exchange | Relationships<br>with market<br>participants<br>(Brokers) | Historical<br>trading<br>database | Total            |
|-------------------------------------|------------------|--|---|-----------------------------------|------------------|
|                                     | AED'000          | AED'000                                      | AED'000   | AED'000                           | AED'000          |
| <b>Cost</b>                         |                  |  |   |                                   |                  |
| At 1 January 2014 and 2015          | 2,878,874        | 2,824,455                                    | 58,744  | 67,455                            | 5,829,528        |
| <b>At 31 December 2014 and 2015</b> | <b>2,878,874</b> | <b>2,824,455</b>                             | <b>58,744</b>   | <b>67,455</b>                     | <b>5,829,528</b> |
| <b>Amortization</b>                 |                  |  |   |                                   |                  |
| At 1 January 2015                   | -                | 451,912                                      | 46,992  | 67,455                            | 566,359          |
| Charge for the year                 | -                | 56,489                                       | 5,874   | -                                 | 62,363           |
| <b>At 31 December 2015</b>          | <b>-</b>         | <b>508,401</b>                               | <b>52,866</b>   | <b>67,455</b>                     | <b>628,722</b>   |
| At 1 January 2014                   | -                | 395,423                                      | 41,118  | 67,455                            | 503,996          |
| Charge for the year                 | -                | 56,489                                       | 5,874   | -                                 | 62,363           |
| At 31 December 2014                 | -                | 451,912                                      | 46,992  | 67,455                            | 566,359          |
| <b>Carrying amount</b>              |                  |  |   |                                   |                  |
| <b>At 31 December 2015</b>          | <b>2,878,874</b> | <b>2,316,054</b>                             | <b>5,878</b>  | <b>-</b>                          | <b>5,200,806</b> |
| At 31 December 2014                 | 2,878,874        | 2,372,543                                    | 11,752  | -                                 | 5,263,169        |

There was no evidence of impairment of the goodwill at 31 December 2015 on the basis that the fair value of the business, based on the Company's quoted market price at 31 December 2015 was in excess of its net assets at that date.



## 5. Property and equipment

|                                 | Computers<br>and informa-<br>tion systems | Leasehold<br>improvement | Furniture and<br>office<br>equipment | Motor<br>vehicles | Capital<br>work-in-<br>progress | Total          |
|---------------------------------|---|--------------------------|--------------------------------------|-------------------|---------------------------------|----------------|
|                                 | AED'000                                   | AED'000                  | AED'000                              | AED'000           | AED'000                         | AED'000        |
| <b>Cost</b>                     |   |                          |                                      |                   |                                 |                |
| At 31 December 2013             | 135,008                                   | 11,273                   | 15,296                               | 252               | 2,528                           | 164,357        |
| Additions                       | 3,853                                     | -                        | 2,218                                | -                 | 4,149                           | 10,220         |
| Disposals                       | (12,282)                                  | -                        | (1,336)                              | -                 | -                               | (13,618)       |
| Transfers                       | 2,446                                     | -                        | 93                                   | -                 | (2,539)                         | -              |
| At 31 December 2014             | 129,025                                   | 11,273                   | 16,271                               | 252               | 4,138                           | 160,959        |
| Additions                       | 4,135                                     | 130                      | 2,721                                | 64                | 4,965                           | 12,015         |
| Disposals                       | (15,011)                                  | -                        | (4,393)                              | -                 | -                               | (19,404)       |
| Transfers                       | 2,828                                     | -                        | -                                    | -                 | (2,828)                         | -              |
| <b>At 31 December 2015</b>      | <b>120,977</b>                            | <b>11,403</b>            | <b>14,599</b>                        | <b>316</b>        | <b>6,275</b>                    | <b>153,570</b> |
| <b>Accumulated depreciation</b> |   |                          |                                      |                   |                                 |                |
| At 31 December 2013             | 128,430                                   | 11,268                   | 12,868                               | 252               | -                               | 152,818        |
| Charge for the year             | 5,023                                     | 2                        | 1,451                                | -                 | -                               | 6,476          |
| Disposals                       | (12,282)                                  | -                        | (1,322)                              | -                 | -                               | (13,604)       |
| At 31 December 2014             | 121,171                                   | 11,270                   | 12,997                               | 252               | -                               | 145,690        |
| Charge for the year             | 4,252                                     | 9                        | 1,572                                | 15                | -                               | 5,848          |
| Disposals                       | (15,011)                                  | -                        | (4,393)                              | -                 | -                               | (19,404)       |
| <b>At 31 December 2015</b>      | <b>110,412</b>                            | <b>11,279</b>            | <b>10,176</b>                        | <b>267</b>        | <b>-</b>                        | <b>132,134</b> |
| <b>Carrying amount</b>          |   |                          |                                      |                   |                                 |                |
| <b>At 31 December 2015</b>      | <b>10,565</b>                             | <b>124</b>               | <b>4,423</b>                         | <b>49</b>         | <b>6,275</b>                    | <b>21,436</b>  |
| At 31 December 2014             | 7,854                                     | 3                        | 3,274                                | -                 | 4,138                           | 15,269         |

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

|                                 | 2015<br>AED'000 | 2014<br>AED'000 |
|---------------------------------|-----------------|-----------------|
| Investment in equity securities | 323,164         | 386,707         |
| Managed funds – Note (a)        | 277,120         | 331,353         |
| Investment in sukuk             | 101,865         | -               |
|                                 | <b>702,149</b>  | 718,060         |

Investments by geographic concentration are as follows:

|                  | 2015<br>AED'000 | 2014<br>AED'000 |
|------------------|-----------------|-----------------|
| - Within U.A.E.  | 659,505         | 669,212         |
| - Outside U.A.E. | 42,644          | 48,848          |
|                  | <b>702,149</b>  | 718,060         |

(a) Managed funds include funds of AED 240.39 million (2014: AED 286.78 million) (Note 15) managed by a shareholder of the parent.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 7. Investment deposits

|  | 2015<br>AED'000 | 2014<br>AED'000 |
|--|-----------------|-----------------|
| <b>Current:</b>  |                 |                 |
| Investment deposits maturing in less than 3 months               | 304,021         | 708,021         |
| Investment deposits maturing up to 1 year but more than 3 months | 1,280,941       | 1,330,080       |
|  | 1,584,962       | 2,038,101       |
| <b>Non-current:</b>  |                 |                 |
| Investment deposits maturing above 1 year                        | 777,947         | 742,168         |
|  | 2,362,909       | 2,780,269       |

- (a) Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging from 1% to 5.5% (2014: 1% to 5.1%) per annum.
- (b) Investment deposits of AED 136.73 million (2014: AED 136.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.
- (c) Investment deposits maturing in less than three months include an amount of AED 60 million (31 December 2014: AED 489.05 million) with original maturities not exceeding three months (Note 9).

## 8. Prepaid expenses and other receivables

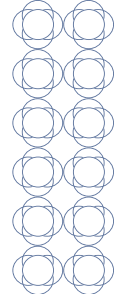
|  | 2015<br>AED'000 | 2014<br>AED'000 |
|--|-----------------|-----------------|
| Accrued income on investment deposits          | 11,837          | 7,381           |
| Accrued trading commission fees                | 2,236           | 4,494           |
| Due from brokers                               | 2,973           | 3,016           |
| Prepaid expenses                               | 7,853           | 6,697           |
| Other financial assets (central counterparty)* | 19,769          | 3,196           |
| Other receivables                              | 1,690           | 2,602           |
|  | 46,358          | 27,386          |
| Less: allowance for doubtful debts             | (147)           | (214)           |
|  | 46,211          | 27,172          |

### Net movement in allowance for doubtful debts:

|                           | 2015<br>AED'000 | 2014<br>AED'000 |
|---------------------------|-----------------|-----------------|
| Opening balance           | 214             | 2,092           |
| Write off during the year | (67)            | (1,878)         |
| Closing balance           | 147             | 214             |

\* These balances relate to Nasdaq Dubai Limited as the entity acts as central counterparty for all the trades. These are usually settled on a T+2 basis. The entity has member margin deposits and guarantees to manage its overall risks.





## 9. Cash and bank balances

|  | 2015<br>AED'000 | 2014<br>AED'000 |
|--|-----------------|-----------------|
| Cash on hand   | 226             | 334             |
| Bank balances:   |                 |                 |
| Current accounts   | 44,866          | 20,182          |
| Savings accounts   | 59,632          | 19,895          |
| Mudarabah accounts   | 96,278          | 157,797         |
|  | 201,002         | 198,208         |
| Add : Investment deposits with original maturities not exceeding three months (Note 7) | 60,000          | 489,050         |
| Cash and cash equivalents  | 261,002         | 687,258         |

The rate of return on the saving and mudarabah accounts is 0.15% to 0.23% per annum (31 December 2014: 0.15% to 0.35%).

## 10. Share capital

|  | 2015<br>AED'000 | 2014<br>AED'000 |
|--|-----------------|-----------------|
| Authorised, issued and paid up share capital:<br>8,000,000,000 (2014: 8,000,000,000 shares) of AED 1 each (2014: AED 1 each) | 8,000,000       | 8,000,000       |

During the year, the Company has distributed dividends of AED 559.7 million, including non-shari'a compliant income of AED 29.6 million (Note 20), representing AED 0.07 per share. The dividends were approved by the shareholders at the Annual General Meeting held on 9 March 2015.

## 11. 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<br>AED'000 |
|---------------------------------------|------------------------------|
| Balance as of 31 December 2013        | 278,998                      |
| Transfer from net income for the year | 75,931                       |
| Balance as of 31 December 2014        | 354,929                      |
| Transfer from net income for the year | 26,098                       |
| <b>Balance as of 31 December 2015</b> | <b>381,027</b>               |

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 12. Provision for employees' end of service indemnity

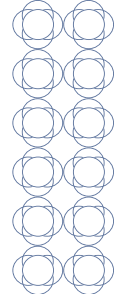
|                                       | 2015<br>AED'000 | 2014<br>AED'000 |
|---------------------------------------|-----------------|-----------------|
| Balance at the beginning of the year  | 12,006          | 9,838           |
| Charged during the year               | 2,278           | 2,672           |
| Paid during the year                  | (405)           | (504)           |
| <b>Balance at the end of the year</b> | <b>13,879</b>   | <b>12,006</b>   |

## 13. Payables and accrued expenses

|  | 2015<br>AED'000 | 2014<br>AED'000 |
|--|-----------------|-----------------|
| Dividends payable on behalf of companies listed on the DFM | 156,357         | 105,580         |
| iVESTOR cards  | 156,025         | 256,845         |
| Members' margin deposits                                   | 27,920          | 78,432          |
| Other financial liabilities (central counterparty)         | 19,769          | 3,196           |
| Accrued expenses and other payables                        | 17,219          | 16,644          |
| Unearned revenue   | 9,427           | 9,800           |
| Brokers' retention   | 16,400          | 18,604          |
| Due to U.A.E. Securities and Commodities Authority         | 4,425           | 12,383          |
| Zakat  | 856             | -               |
|  | <b>408,398</b>  | <b>501,484</b>  |

## 14. Dividends payable

During the year, the Company has distributed dividends of AED 559.7 million (2014: AED 399.8). The dividends were approved by the shareholders at the Annual General Meeting held on 9 March 2015. The payable balance represents dividends which have not been claimed by the investors since 2007.



## 15. Related party transactions

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   | 2015<br>AED'000 | 2014<br>AED'000 |
|--------------------------------|-----------------|-----------------|
| <b>Fellow Subsidiaries</b>     |                 |                 |
| Investment income              | 13,410          | 21,578          |
| Interest expense               | 1,061           | 1,014           |
| Dividend Income                | 6,002           | 3,752           |
| Pledge Fees                    | 7,280           | -               |
| <b>Associates</b>              |                 |                 |
| Investment Income              | 18,675          | 8,565           |
| Rent, Dubai World Trade Center | 9,493           | 7,832           |

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

|   | 2015<br>AED'000 | 2014<br>AED'000 |
|---|-----------------|-----------------|
| <b>Compensation of key management personnel</b> |                 |                 |
| Salaries and short-term benefits                | 9,618           | 7,770           |
| General pension and social security             | 912             | 721             |
| <b>Board of Directors</b>                       |                 |                 |
| - Remuneration to the Nasdaq Board              | 1,025           | 943             |
| - Meeting allowance for the Group               | 1,359           | 1,339           |
| DFM board remuneration                          | 1,800           |                 |
| <b>Due from related parties</b>                 |                 |                 |
| <b>Parent</b>                                   |                 |                 |
| Investment deposits (Note 7)                    | -               | 50,452          |
| Accrued income on investment deposits           | -               | 552             |
| <b>Other related parties</b>                    |                 |                 |
| Managed funds (Note 6)                          | 240,398         | 286,776         |
| Other Financial Assets (Note 6)                 | 194,607         | 103,546         |
| Cash and bank balances                          | 164,894         | 149,341         |
| Investment deposits (Note 7)                    | 1,272,200       | 1,447,092       |

Investment deposits include AED 100 million (31 December 2014: AED 100 million) placed as collateral with related parties.

|                                      | 2015<br>AED'000 | 2014<br>AED'000 |
|--------------------------------------|-----------------|-----------------|
| <b>Due to related parties</b>        |                 |                 |
| <b>Parent</b>                        |                 |                 |
| Expenses paid on behalf of the Group | 8,565           | 5,482           |
| Subordinated loan                    | 24,343          | 23,282          |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 12 month LIBOR plus 3.25% per annum 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 2015.

The Group is in the process of complying with the provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law") with regards to the transactions with the related parties.

## 16. Investment income

|                               | 2015<br>AED'000 | 2014<br>AED'000 |
|-------------------------------|-----------------|-----------------|
| Return on investment deposits | 46,828          | 44,862          |
| Dividends                     | 10,845          | 30,569          |
| Fair value loss               | -               | (20,993)        |
|                               | 57,673          | 54,438          |

## 17. General and administrative expenses

|                            | 2015<br>AED'000 | 2014<br>AED'000 |
|----------------------------|-----------------|-----------------|
| Payroll and other benefits | 83,817          | 78,714          |
| Rent                       | 9,442           | 7,919           |
| Depreciation               | 5,848           | 6,476           |
| Professional expenses      | 1,968           | 1,894           |
| Maintenance expenses       | 12,413          | 13,260          |
| Telecommunication expenses | 8,355           | 3,379           |
| iVESTOR expenses           | 3,349           | 2,436           |
| Other                      | 10,868          | 9,993           |
|                            | 136,060         | 124,071         |

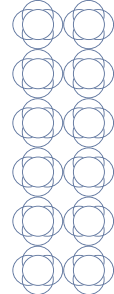
## 18. Earnings per share

|   | 2015      | 2014      |
|---|-----------|-----------|
| Net profit for the year attributable to the owners of the Company (AED'000) | 260,983   | 759,312   |
| 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  | 0.033     | 0.095     |

## 19. Commitments

|  | 2015<br>AED'000 | 2014<br>AED'000 |
|--|-----------------|-----------------|
| Commitments for the purchase of property and equipment | 4,541           | 3,544           |

The Company also has a commitment of AED 148 million to acquire the remaining 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.



## 20. Non-Shari'a compliant income

Non-Shari'a compliant income as approved by the Company's Fatwa and Shari'a 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 Fatwa and Shari'a Supervisory Board, it is the sole responsibility of the individual shareholders to donate their respective shares of this amount for charitable purposes. Non-Shari'a compliant income of AED 29.6 million relating to the following years has been distributed by the Company to the shareholders in 2014 (Note 10).

| Year | AED'000 |
|------|---------|
| 2012 | 21,002  |
| 2013 | 15,697  |
| 2014 | 29,646  |
|      | 66,345  |

Non-Shari'a compliant income of AED 29.6 million relating to 2014 has been appropriated from the retained earnings in the current year and that relating to 2012 and 2013 was appropriated in prior years.

## 21. Financial risk management objectives

### 21.1 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 minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze 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 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, and price risk and interest rate risk), credit risk and liquidity risk.

### 21.2 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 35 million (2014: AED 36 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. Most of the financial assets and financial liabilities of the Group carry fixed rate of profit and therefore, the Group is not exposed to any significant cash flow risk.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 21.3 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:

|                               | 2015<br>AED'000  | 2014<br>AED'000 |
|-------------------------------|------------------|-----------------|
| <b>Financial assets</b>       |                  |                 |
| Investment deposits           | <b>2,362,909</b> | 2,780,269       |
| Other receivables             | <b>38,358</b>    | 20,475          |
| Cash and bank balances        | <b>200,776</b>   | 197,874         |
| <b>Total financial assets</b> | <b>2,602,043</b> | 2,998,618       |

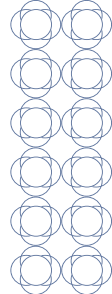
The Group has made a full provision of AED 0.14 million (2014: AED 0.21 million) against its doubtful receivables as at 31 December 2015. The remaining receivables were neither past due nor impaired at the consolidated financial position date.

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

|                    | 2015<br>AED'000 |
|--------------------|-----------------|
| <b>Bank Rating</b> |                 |
| A-*                | 3,484           |
| A1                 | 368             |
| A2                 | 21,279          |
| A3                 | 7               |
| AA2                | 13,437          |
| Baa1               | 161,209         |
| Unrated            | 992             |
| <b>Total</b>       | <b>200,776</b>  |

\*The rating was obtained from Fitch





## 21.4 Liquidity risk management

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<br>3 months | 3 to 6<br>months | 6 to 12<br>months | 1 to 5<br>years | Over<br>5 years | Total          |
|---|--------------------|------------------|-------------------|-----------------|-----------------|----------------|
| <b>31 December 2014</b>                         | AED'000            | AED'000          | AED'000           | AED'000         | AED'000         | AED'000        |
| <b>Financial liabilities</b>                    |                    |                  |                   |                 |                 |                |
| Payables and accrued expenses                   | 520,940            | -                | -                 | -               | -               | 520,940        |
| Subordinated loan                               | -                  | -                | -                 | 24,343          | -               | 24,343         |
| Due to a related party                          | -                  | -                | 5,482             | -               | -               | 5,482          |
| Provision for employees end of service benefits | -                  | -                | -                 | -               | 12,006          | 12,006         |
| <b>Total financial liabilities</b>              | <b>520,940</b>     | <b>-</b>         | <b>5,482</b>      | <b>24,343</b>   | <b>12,006</b>   | <b>562,771</b> |
| <b>31 December 2015</b>                         |                    |                  |                   |                 |                 |                |
| <b>Financial liabilities</b>                    |                    |                  |                   |                 |                 |                |
| Payables and accrued expenses                   | 432,110            | -                | -                 | -               | -               | 432,110        |
| Subordinated loan                               | -                  | -                | -                 | 25,453          | -               | 25,453         |
| Due to a related party                          | -                  | -                | 8,565             | -               | -               | 8,565          |
| Provision for employees end of service benefits | -                  | -                | -                 | -               | 13,879          | 13,879         |
| <b>Total financial liabilities</b>              | <b>432,110</b>     | <b>-</b>         | <b>8,565</b>      | <b>25,453</b>   | <b>13,879</b>   | <b>480,007</b> |

## 21.5 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 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 period.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2014 and 31 December 2015.

| 31 December 2014   |                    |                    |                    |                  |
|--|--------------------|--------------------|--------------------|------------------|
|  | Level 1<br>AED'000 | Level 2<br>AED'000 | Level 3<br>AED'000 | Total<br>AED'000 |
| <b>Financial assets at fair value through other comprehensive income</b> |                    |                    |                    |                  |
| - Equities   | 328,889            | -                  | 57,818             | 386,707          |
| - Managed funds  | -                  | 323,008            | 8,345              | 331,353          |
| <b>Total</b>   | <b>328,889</b>     | <b>323,008</b>     | <b>66,163</b>      | <b>718,060</b>   |

| 31 December 2015   |                    |                    |                    |                  |
|--|--------------------|--------------------|--------------------|------------------|
|  | Level 1<br>AED'000 | Level 2<br>AED'000 | Level 3<br>AED'000 | Total<br>AED'000 |
| <b>Financial assets at fair value through other comprehensive income</b> |                    |                    |                    |                  |
| - Equities   | 275,845            | -                  | 47,319             | 323,164          |
| - Managed funds  | -                  | 272,731            | 4,389              | 277,120          |
| - Investments in Sukuk   | 101,865            | -                  | -                  | 101,865          |
| <b>Total</b>   | <b>377,710</b>     | <b>272,731</b>     | <b>51,708</b>      | <b>702,149</b>   |

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

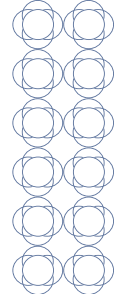
## Reconciliation of Level 3 fair value measurements of financial assets

|   | Measured at FVTOCI<br>Unquoted equities |                 |
|---|---|-----------------|
|   | 2015<br>AED'000                         | 2014<br>AED'000 |
| Opening balance                                       | 66,163                                  | 19,747          |
| Additions during the year*                            | 28                                      | 48,882          |
| Redemptions during the year                           | (12,938)                                | (3,449)         |
| Transfer from level 3 to level 2                      | -                                       | -               |
| Unrealised (losses)/gains in other comprehensive loss | (1,545)                                 | 983             |
| Closing balance                                       | 51,708                                  | 66,163          |

\*There have been no other purchases of shares during the year

## Sensitivity analysis for level 3 items

Level 3 assets represent unquoted equity and mutual fund investments whose fair value is determined based on varying unobservable assumptions which depend on a broad range of macroeconomic factors.



## 22. Financial assets and liabilities

### Financial assets by category

|  | 2015<br>AED'000  | 2014<br>AED'000 |
|--|------------------|-----------------|
| <b>Assets as per consolidated statement of financial position</b>                          |                  |                 |
| <b>Financial assets measured at fair value through other comprehensive income (FVTOCI)</b> | <b>702,149</b>   | 718,060         |
| <b>Amortised cost</b>  |                  |                 |
| Cash and bank balances   | 201,002          | 198,208         |
| Investment deposits  | 2,362,909        | 2,780,269       |
| Other receivables  | 38,358           | 20,475          |
|  | <b>2,602,269</b> | 2,998,952       |

### Financial liabilities by category

|  | 2015<br>AED'000 | 2014<br>AED'000 |
|--|-----------------|-----------------|
| <b>Liabilities as per consolidated statement of financial position</b> |                 |                 |
| <b>Other financial liabilities at amortised cost</b>                   |                 |                 |
| Payables and accrued expenses  | 432,110         | 520,940         |
| Subordinated loan  | 24,343          | 23,282          |
| Due to a related party   | 8,565           | 5,482           |
| Provision for employee's end of service benefits                       | 13,879          | 12,006          |
|  | <b>478,897</b>  | 561,710         |

## 23. 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 and to maintain an optimal capital structure to reduce the cost of capital.

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.

## 24. 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.

## 25. Reclassifications

Certain corresponding figures have been reclassified, where necessary, to conform to the current period presentation. Management believes that the current period presentation provides more meaningful information to the users of the consolidated financial statements.

## 26. 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.

