Dubai Financial Market P.J.S.C

Consolidated financial statements for the year ended 31 December 2012

Dubai Financial Market P.J.S.C

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Dubai Financial Market P.S.J.C (DFM) and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, 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.

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by another auditor who issued an unqualified audit report with an emphasis of matter paragraph dated 26 February 2012.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and 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 the 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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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.

PricewaterhouseCoopers, Emaar Square, Building 4, Level 8, PO Box 11987, Dubai, United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 330 4100, www.pwc.com/middle-east

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2012, and of 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

As required by the UAE Federal Law No (8) of 1984, as amended, we report that:

(i) we have obtained all the information we considered necessary for the purpose of our audit;

(ii) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended and the Articles of Association of DFM;

(iii) DFM has maintained proper books of account and the financial statements are in agreement therewith;

(iv) the financial information included in the Chairman's report and Directors' report is consistent with the books of account of DFM; and

(v) nothing has come to our attention, which causes us to believe that DFM has breached any of the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2012.

PricewaterhouseCoopers
18 February 2013

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Dubai Financial Market P.J.S.C

Consolidated statement of financial position as at 31 December 2012

	Notes	2012 AED'000	2011 AED'000
ASSETS			
Non-current assets			
Goodwill	4	**2,878,874**	2,878,874
Intangible assets	4	**2,509,021**	2,571,384
Property and equipment	5	**14,664**	21,889
Due from a financial institution	15	**257,260**	257,260
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	6	**377,494**	456,400
Investment deposits	7	**810,000**	810,000
Total non-current assets		**6,847,313**	6,995,807
Current assets			
Due from a related party	15	-	917
Prepaid expenses and other receivables	8	**20,888**	19,164
Investment deposits	7	**778,126**	631,426
Cash and bank balances	9	**65,295**	50,980
Total current assets		**864,309**	702,487
Total assets		**7,711,622**	7,698,294
EQUITY AND LIABILITIES			
Equity			
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	**(1,002,816)**	(981,821)
Statutory reserve	11	**250,535**	247,016
Retained earnings		**214,516**	218,190
Equity attributable to owners of the company		**7,457,871**	7,479,021
Non-controlling interest		**20,288**	23,511
Total equity		**7,478,159**	7,502,532
Non-current liabilities			
Subordinated loan	15	**21,297**	20,366
Provision for employees' end of service indemnity	12	**8,294**	6,717
Total non-current liabilities		**29,591**	27,083
Current liabilities			
Payables and accrued expenses	13	**134,164**	100,108
Dividends payable	14	**19,377**	20,071
Due to related parties	15	**50,331**	48,500
Total current liabilities		**203,872**	168,679
Total liabilities		**233,463**	195,762
Total equity and liabilities		**7,711,622**	7,698,294

These consolidated financial statements were approved on 18 February 2013 by the Board of Directors and signed on its behalf by:

....
Abdul Jalil Darwish
Chairman

....
Essa Kazim
Managing Director & CEO

The notes on pages 8 to 37 form an integral part of these consolidated financial statements

Dubai Financial Market P.J.S.C

Consolidated income statement
for the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000
Revenues			
Trading commission fees		**114,753**	76,795
Brokerage fees		**14,199**	18,082
Ownership transfer and mortgage fees		**8,413**	19,251
Other fees		**12,332**	9,776
Operating income		**149,697**	123,904
Investment income	16	**45,328**	54,555
Other income		**2,073**	4,724
Change in fair value of other financial assets at fair value through profit or loss (FVTPL)		**-**	(405)
Total income		**197,098**	182,778
Expenses			
General and administrative expenses	17	**(101,842)**	(113,755)
Property and equipment written off	5	**-**	(6,173)
Amortization of intangible assets	4	**(62,363)**	(75,854)
Interest expense	15	**(931)**	(1,715)
Net profit / (loss) for the year		**31,962**	(14,719)
Attributable to :			
Owners of the company		**35,185**	(6,860)
Non-controlling interest		**(3,223)**	(7,859)
		31,962	(14,719)
Earnings / (loss) per share – AED	18	**0.004**	(0.001)

Dubai Financial Market P.J.S.C

Consolidated statement of comprehensive income for the year ended 31 December 2012

	2012 AED'000	2011 AED'000
Net profit / (loss) for the year	**31,962**	(14,719)
Other comprehensive loss		
Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI)	**(46,848)**	(37,322)
Total comprehensive loss for the year	**(14,886)**	(52,041)
Attributable to:		
Owners of the Company	**(11,663)**	(44,182)
Non-controlling interest	**(3,223)**	(7,859)
Total comprehensive loss for the year	**(14,886)**	(52,041)

The notes on pages 8 to 37 form an integral part of these consolidated financial statements

Dubai Financial Market P.J.S.C

Consolidated statement of changes in equity for the year ended 31 December 2012

	Share capital AED'000	Treasury shares AED'000	Net initial public offering surplus AED'000	Investments revaluation reserve FVTOCI AED'000	Capital reserve AED'000	Statutory reserve AED'000	Retained earnings AED'000	Attributable to owners of the company AED'000	Non-controlling interest AED'000	Total AED'000
As at 1 January 2011	8,000,000	(4,364)	31,608	(944,741)	(181,950)	247,016	375,634	7,523,203	31,370	7,554,573
Net loss for the year	-	-	-	-	-	-	(6,860)	(6,860)	(7,859)	(14,719)
Other comprehensive loss for the year	-	-	-	(37,322)	-	-	-	(37,322)	-	(37,322)
Total comprehensive loss for the year	-	-	-	(37,322)	-	-	(6,860)	(44,182)	(7,859)	(52,041)
Transfer to retained earnings	-	-	(31,608)	-	181,950	-	(150,342)	-	-	-
Transfer on disposal and write off of investments	-	-	-	242	-	-	(242)	-	-	-
Balance at 31 December 2011	**8,000,000**	**(4,364)**	-	**(981,821)**	-	**247,016**	**218,190**	**7,479,021**	**23,511**	**7,502,532**
Net profit for the year	-	-	-	-	-	-	35,185	35,185	(3,223)	31,962
Other comprehensive loss for the year	-	-	-	(46,848)	-	-	-	(46,848)	-	(46,848)
Total comprehensive loss for the year	-	-	-	(46,848)	-	-	35,185	(11,663)	(3,223)	(14,886)
Transfer of non-sharia compliant income (Note 20 and 13)	-	-	-	-	-	-	(9,487)	(9,487)	-	(9,487)
Transfer to statutory reserve	-	-	-	-	-	3,519	(3,519)	-	-	-
Transfer on disposal and write off of investments	-	-	-	25,853	-	-	(25,853)	-	-	-
Balance at 31 December 2012	**8,000,000**	**(4,364)**	-	**(1,002,816)**	-	**250,535**	**214,516**	**7,457,871**	**20,288**	**7,478,159**

The notes on pages 8 to 37 form an integral part of these consolidated financial statements.

Dubai Financial Market P.J.S.C

Consolidated statement of cash flows for the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000
Cash flows from operating activities			
Net profit / (loss) for the year		**31,962**	(14,719)
Adjustments for:			
Depreciation of property and equipment	**5**	**10,812**	16,733
Provision for employees' end of service indemnity	**12**	**2,026**	1,239
Amortization of intangible assets	**4**	**62,363**	75,854
Provision / (reversal) for doubtful accounts expense	**8**	**318**	(329)
Change in fair value of FVTPL investments		**-**	405
Property and equipment written off		**-**	6,173
Interest expense	**15**	**931**	1,715
Income on investment deposits	**16**	**(41,316)**	(51,046)
Dividend income	**16**	**(4,012)**	(3,509)
Loss on disposal of property and equipment		**-**	11
Operating cash flow before changes in operating assets and liabilities		**63,084**	32,527
(Increase) / decrease in prepaid expenses and other receivables		**(1,439)**	6,518
Net changes in dues from / to a related party	**15**	**2,748**	1,701
Increase in payables and accrued expenses		**24,569**	59,086
Cash generated from operations		**88,962**	99,832
Employees' end of service indemnity paid		**(449)**	(587)
Net cash generated from operating activities		**88,513**	99,245
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**32,058**	31,057
Purchase of property and equipment	**5**	**(3,587)**	(4,908)
Proceeds from sale of property and equipment		**-**	108
Investment deposits	**7**	**(363,066)**	(34,470)
Investment deposit income received		**40,713**	49,367
Dividend received	**16**	**4,012**	3,509
Net cash (used in) / generated from investing activities		**(289,870)**	44,663
Cash flows from financing activities			
Dividends paid to shareholders		**(694)**	(186,339)
Net cash used in financing activities		**(694)**	(186,339)
Net decrease in cash and cash equivalents		**(202,051)**	(42,431)
Cash and cash equivalents, beginning of the year		**434,396**	476,827
Cash and cash equivalents, end of the year	**9**	**232,345**	434,396

The notes on pages 8 to 37 form an integral part of these consolidated financial statements.

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 U.A.E. Federal law No. 8 for the year 1984 and its amendments.

The licensed activities of the Company are trading in financial instruments, acting as 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.

Borse Dubai Limited ("the Parent") owns 80% of the shares of DFM. Investment Corporation Dubai ("ICD"), a Government of Dubai entity, owns 90% of the shares of the Parent.

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

Company name	Activity	Country of incorporation	Ownership held 2012 and 2011
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 2012 and 2011
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.

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2012

(a) New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2012 that have had a material impact on the Group's consolidated financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

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

New Standards and amendments to Standards:	**Effective for annual periods beginning on or after**
IAS 27, Separate Financial Statements (revised 2011) and IAS 28, Investments in Associates and Joint Ventures (revised 2011) – Revision as required by IFRS 10, IFRS 11 and IFRS 12.	1 January 2013
The amendments to IAS 32, Financial Instruments: Presentation – The amendments clarify the offsetting criteria in IAS 32 to address inconsistencies in their application. An entity will have a legally enforceable right to set off only if it is non-contingent in nature and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy	1 January 2014

2. Summary of significant accounting policies (continued)

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2012 (continued)

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted (continued)

New Standards and amendments to Standards:	**Effective for annual periods beginning on or after**
IFRS 10, Consolidated Financial Statements - Replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. Under IFRS 10 there is only one basis of consolidation that is control, for which a new definition has been included.	1 January 2013
IFRS 11, 'Joint arrangements'IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities - Replaces the requirements previously included in IAS 27 – Consolidated and Separate Financial Statements, IAS 31 – Interests in Joint Ventures and IAS 28 - Investments in Associates. In general, the disclosure requirements are more extensive than the current standards.	1 January 2013
IFRS 13, Fair Value measurement - represents the completion of the joint project to establish a single source for the requirements on how to measure fair value under IFRS. The Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and improving disclosure requirements for use across IFRSs.	1 January 2013

Management anticipates that these IFRSs and amendments will be adopted in the initial period when they become mandatorily effective. An initial assessment of the potential impact indicates that application of these standards are not expected to have a significant impact on amounts reported in the consolidated financial statements, but it is expected that additional disclosures will be required.

2. Summary of significant accounting policies (continued)

2.3 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

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. Summary of significant accounting policies (continued)

2.4 Intangible assets

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

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

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

2.5 Goodwill

Goodwill arises on the acquisition of subsidiaries and 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.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

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.

2. Summary of significant accounting policies (continued)

2.6 Property and equipment (continued)

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	4
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. 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. Summary of significant accounting policies (continued)

2.9 Financial assets

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

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

Classification of financial assets

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

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

All other financial assets are subsequently measured at fair value.

Amortised cost and effective interest method

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

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

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

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

A financial asset is held for trading if:

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

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

The cumulative gain or loss 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).

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

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

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

Debt instruments that do not meet the amortised cost criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as 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 resultant gains and losses on a different basis.

Derecognition of financial assets

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

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

2. Summary of significant accounting policies (continued)

2.9 Financial assets (continued)

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 consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated income statement.

2. Summary of significant accounting policies (continued)

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 mudarbah 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.

2.13 Employees' benefits

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

U.A.E. National employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per Federal Labour Law No. 7 of 1999, the Group is required to contribute 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.

2. Summary of significant accounting policies (continued)

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, ownership transfer and mortgage fees are recognized when the underlying trade or transfer has been consummated.

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

Return on Islamic investment deposits

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.

2. Summary of significant accounting policies (continued)

2.17 Foreign currency transactions (continued)

(b) Transactions and balances

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

3. Critical accounting estimates and judgments

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

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

Valuation of unquoted equity investments

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

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.

4. Goodwill & intangible assets

	Goodwill	License to operate as a Stock Exchange	Relationships with market participants (Brokers)	Historical trading database	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost					
As at 31 December 2011	2,878,874	2,824,455	58,744	67,455	5,829,528
As at 31 December 2012	**2,878,874**	**2,824,455**	**58,744**	**67,455**	**5,829,528**
Amortization					
As at 31 December 2010	-	225,956	23,496	53,964	303,416
Charge for the year	-	56,489	5,874	13,491	75,854
As at 31 December 2011	**-**	**282,445**	**29,370**	**67,455**	**379,270**
Charge for the year	-	56,489	5,874	-	62,363
As at 31 December 2012	**-**	**338,934**	**35,244**	**67,455**	**441,633**
Carrying amount					
At 31 December 2012	**2,878,874**	**2,485,521**	**23,500**	**-**	**5,387,895**
At 31 December 2011	**2,878,874**	**2,542,010**	**29,374**	**-**	**5,450,258**

There was no evidence of impairment of the goodwill at 31 December 2012 on the basis that the fair value of the business, based on the Company's quoted market price at 31 December 2012 was in excess of its net assets at that date.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

5. Property and equipment

	Computers and information system AED'000	Leasehold improvement AED'000	Furniture and office equipment AED'000	Motor vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost						
At 31 December 2010	123,898	11,266	25,939	252	9,351	170,706
Additions	500	-	1,851	-	2,557	4,908
Transfers	10,071	-	863	-	(10,934)	-
Write-off	-	-	(13,447)	-	-	(13,447)
Disposal	(2,098)	-	(1,655)	-	-	(3,753)
At 31 December 2011	132,371	11,266	13,551	252	974	158,414
Additions	2,323	7	817	-	440	3,587
Transfers	73	-	-	-	(73)	-
At 31 December 2012	**134,767**	**11,273**	**14,368**	**252**	**1,341**	**162,001**
Accumulated depreciation						
At 31 December 2010	101,298	10,780	18,370	252	-	130,700
Charge for the year	14,436	486	1,811	-	-	16,733
Write-off	-	-	(7,274)	-	-	(7,274)
Disposal	(2,094)	-	(1,540)	-	-	(3,634)
At 31 December 2011	113,640	11,266	11,367	252	-	136,525
Charge for the year	10,043	-	769	-	-	10,812
At 31 December 2012	**123,683**	**11,266**	**12,136**	**252**	**-**	**147,337**
Carrying amount						
At 31 December 2012	**11,084**	**7**	**2,232**	**-**	**1,341**	**14,664**
At 31 December 2011	18,731	-	2,184	-	974	21,889

In 2011, property and equipment with a net book of value of AED 6 million were written off.

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

	2012	2011
	AED'000	AED'000
Investment in equity securities	**139,441**	118,707
Managed funds – Note (a)	**238,053**	337,693
	377,494	456,400

Investments by geographic concentration are as follows:

	2012	2011
	AED'000	AED'000
- Within U.A.E.	**314,439**	384,971
- Outside U.A.E.	**63,055**	71,429
	377,494	456,400

(a) Managed funds include funds of AED 177.6 million (2011: AED 268.49 million) (Note 15) managed by a shareholder of the parent.

7. Investment deposits

	2012	2011
	AED'000	AED'000
Current:		
Investment deposits maturing in less than 3 months (Note 9)	**167,050**	383,416
Investment deposits maturing up to 1 year but more than 3 months	**611,076**	248,010
	778,126	631,426
Non-current:		
Investment deposits maturing above 1 year	**810,000**	810,000
	1,588,126	1,441,426

7. Investment deposits (continued)

Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging from 1.2% to 4% (2011: 0.6% to 4.2%) per annum.

Investment deposits of AED 86.73 million (2011: AED 36.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.

Investment deposits also include an amount of AED 140.47 million (2011: AED 134.73 million) placed with the parent and carry a profit rate of 3.72 % (2011: 4.19 %) per annum (Note 15).

8. Prepaid expenses and other receivables

	2012 AED'000	2011 AED'000
Accrued income on investment deposits	**9,094**	8,491
Accrued trading commission fees	**1,245**	471
Due from brokers	**2,205**	2,894
Prepaid expenses	**6,253**	5,371
Other receivables	**4,899**	4,427
	23,696	21,654
Less: allowance for doubtful debts	**(2,808)**	(2,490)
	20,888	19,164

Net movement in allowance for doubtful debts:

	2012 AED'000	2011 AED'000
Opening balance	**2,490**	2,819
Charge / (release) during the year	**318**	(329)
Ending balance	**2,808**	2,490

9. Cash and bank balances

	2012 AED'000	2011 AED'000
Cash on hand	**363**	267
Bank balances:		
Current accounts – Note (a)	**17,664**	30,409
Savings accounts – Note (b)	**20,332**	11,954
Mudarabah accounts - Note (c)	**26,936**	8,350
	65,295	50,980
Add : deposits maturing in less than three months (Note 7)	**167,050**	383,416
Cash and cash equivalents	**232,345**	434,396

a) Current accounts include margin deposits (Note 13) from members in respect of their clearing and settlement obligations. Margins are held in segregated accounts in the name of the Group at the clearing bank and are used towards discharging the members' clearing obligations in case of any default.

b) Savings accounts mainly include amounts received from certain companies listed on DFM on account of dividends declared by these listed companies, the distribution of which is undertaken by the Group. The rate of return on the saving accounts is 0.5 % (2011: 1%) per annum (Note 13).

c) Mudarabah accounts carry profit rate of 0.5% (2011: 0.5% to 1%) per annum.

10. Share capital

	2012 AED'000	2011 AED'000
Authorised, issued and paid up share capital: 8,000,000,000 (2011: 8,000,000,000 shares) of AED 1each (2011: AED 1 each)	8,000,000	8,000,000

11. Reserves

Statutory reserve

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

	Statutory reserve AED'000
Balance as of 31 December 2010	247,016
Transfer from net income for the year	-
Balance as of 31 December 2011	247,016
Transfer from net income for the year	3,519
Balance as of 31 December 2012	**250,535**

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.

12. Provision for employees' end of service indemnity

	2012 AED'000	2011 AED'000
Balance at the beginning of the year	**6,717**	**6,065**
Charged during the year	**2,026**	**1,239**
Paid during the year	**(449)**	**(587)**
Balance at the end of the year	**8,294**	**6,717**

13. Payables and accrued expenses

	2012 AED'000	2011 AED'000
Dividends payable on behalf of companies listed on the DFM (Note 9)	**47,473**	26,636
Ivestor Cards	**32,985**	19,424
Members' margin deposits (Note 9)	**8,652**	21,192
Accrued expenses and other payables	**15,097**	16,584
Unearned revenue	**6,526**	6,790
Brokers' retention	**11,746**	8,030
Due to U.A.E. Securities and Commodities Authority	**2,198**	1,452
Non-Shariah compliant income (Note 20)	**9,487**	-
	134,164	100,108

14. Dividends payable

During 2012 and 2011, the Group did not declare any dividends. 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. During the year, the Group entered into transactions with related parties in the ordinary course of business. These transactions were carried out at mutually agreed terms and conditions. The transactions with related parties and balances arising from these transactions are as follows:

Transactions during the year	2012 AED'000	2011 AED'000
Ownership transfer and mortgage fees	**-**	15,543
Income on investment deposits	**5,517**	7,268
Interest expense	**931**	1,715

15. Related party transactions (continued)

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

	2012 AED'000	2011 AED'000
Compensation of key management personnel		
Short-term benefits	**6,647**	7,267
General pension and social security	**657**	577
Board of Directors		
- Remuneration to the NASDAQ Board	**1,006**	1,248
- Meeting allowance for the Group	**1,988**	1,285
Balances		
Due from related parties		
Parent		
Investment deposits (Note 7)	**140,477**	134,728
Due from related party	**-**	917
Accrued income on investment deposits	**2,862**	3,094
Other related parties		
Due from a financial institution	**257,260**	257,260
Managed funds (Note 6)	**177,601**	268,493
Due to related parties		
Parent		
Due to a related party	**1,831**	-
Subordinated loan	**21,297**	20,366
Ultimate controlling party		
Dubai Government	**48,500**	48,500

In the initial public offering in 2006, 20% of the share capital amounting to AED 1,600,000,000 was offered for public subscription for the credit of Dubai Government, of which AED 48.5 million remains due to the Dubai Government. The balance does not bear any profit.

The subordinated loan has been provided by the parent, Borse Dubai Ltd., to NASDAQ Dubai Limited (Note 1). The subordinated loan is unsecured 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.

Due from a financial institution represents a wakala deposit with government related entity which is currently in the process of being restructured.

16. Investment income

	2012 AED'000	2011 AED'000
Return on investment deposits	**41,316**	51,046
Dividends	**4,012**	3,509
	45,328	54,555

17. General and administrative expenses

	2012 AED'000	2011 AED'000
Payroll and other benefits	**57,473**	56,649
Rent	**7,612**	9,202
Depreciation	**10,812**	16,733
Professional expenses	**1,385**	1,619
Maintenance expenses	**10,529**	9,531
Other	**14,031**	20,021
	101,842	113,755

18. Earnings / (loss) per share

	2012	2011
Net profit / (loss) for the year attributable to the owner of the Company (AED'000)	**35,185**	(6,860)
Authorized share capital ('000)	**8,000,000**	8,000,000
Less: Treasury shares ('000)	**(4,237)**	(4,237)
Number of shares issued ('000)	**7,995,763**	7,995,763
Earnings / (loss) per share - AED	**0.004**	(0.001)

19. Commitments

	2012 AED'000	2011 AED'000
Commitments for the purchase of property and equipment	**1,343**	465

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 Sharia compliant income

Non Sharia compliant earnings of AED 9.4 million relating to the prior year (2011: AED Nil), as endorsed by the Sharia Supervisory Board of DFM at its meeting held on 21 March 2012 and ratified by the shareholders at the Annual General Meeting held on 15 April 2012, has been appropriated from retained earnings for distribution by the Group to its shareholders towards disbursement by the shareholders for charitable purposes. Based on the ruling of the Sharia Supervisory Board at its meeting held on 15 December 2012, it is the sole responsibility of the individual shareholders to donate their respective shares of this amount for charitable purposes. Accordingly, the amount has been dealt with as an appropriation from retained earnings in these consolidated financial statements.

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. Financial risk management objectives (continued)

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. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade in these investments.

Equity price sensitivity analysis

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

If equity prices had been 5% higher/lower:

- Investment revaluation reserves would increase/decrease by AED 19 million (2011: AED 23 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.

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 exposure is controlled by counterparty limits that are reviewed and approved by the management.

21. Financial risk management objectives (continued)

21.3 Credit risk (continued)

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

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

	2012	2011
	AED'000	AED'000
Financial assets		
Due from a financial institution	**257,260**	257,260
Investment deposits	**1,588,126**	1,441,426
Other receivables	**14,635**	13,793
Due from a related party	**-**	917
Cash and bank balances	**64,932**	50,713
Total financial assets	**1,924,953**	**1,764,109**

The Group has made a full provision of AED 2.8 million (2011: AED 2.5 million) against its doubtful receivables as at 31 December 2012. The remaining receivables were neither past due nor impaired at consolidated financial position date.

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.

21. Financial risk management objectives (continued)

21.4 Liquidity risk management (continued)

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:

31 December 2012	Within 3 months AED'000	3 to 6 months AED'000	6 to 12 months AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Financial liabilities						
Payables and accrued expenses	147,015	-	-	-	-	147,015
Subordinated loan	-	-	-	21,297	-	21,297
Due to a related party	-	-	50,331	-	-	50,331
Total financial liabilities	147,015	-	50,331	21,297	-	218,643
31 December 2011						
Financial liabilities						
Payables and accrued expenses	113,389	-	-	-	-	113,389
Subordinated loan	-	-	-	20,366	-	20,366
Due to a related party	-	-	48,500	-	-	48,500
Total financial liabilities	113,389	-	48,500	20,366	-	182,255

21. Financial risk management objectives (continued)

21.5 Fair value of financial instruments

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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012 and 31 December 2011.

21. Financial risk management objectives (continued)

21.5 Fair value of financial instruments (continued)

	31 December 2012			
	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through other comprehensive income				
- Equities	130,315	-	9,126	139,441
- Managed funds	-	186,743	51,310	238,053
Total	**130,315**	**186,743**	**60,436**	**377,494**

	31 December 2011			
	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through other comprehensive income				
- Equities	108,826	-	9,881	118,707
- Managed funds	-	278,166	59,527	337,693
Total	**108,826**	**278,166**	**69,408**	**456,400**

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

Reconciliation of Level 3 fair value measurements of financial assets

	Measured at FVTOCI Unquoted equities	
	2012	2011
	AED'000	AED'000
Opening balance	**69,408**	**76,676**
Disposal during the year	**(5,577)**	**-**
In other comprehensive loss	**(3,395)**	**(7,268)**
Closing balance	**60,436**	**69,408**

22 Financial assets and liabilities

Financial assets by category

	2012 AED'000	2011 AED'000
Asset as per consolidated statement of financial position		
Financial assets measured at fair value through other comprehensive income (FVTOCI)	377,494	456,400
Amortised cost		
Cash and bank balances	**65,295**	50,980
Investment deposits	**1,588,126**	1,441,426
Due from a related party	**-**	917
Due from financial institution	**257,260**	257,260
Other receivables	**14,635**	13,793
	1,925,316	1,764,376

Financial liabilities by category

	2012 AED'000	2011 AED'000
Liabilities as per consolidated statement of financial position		
Other financial liabilities at amortised cost		
Payables and accrued expenses	**147,015**	113,389
Subordinated loan	**21,297**	20,366
Due to a related party	**50,331**	48,500
	218,643	182,255

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.