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

Review report and condensed consolidated interim financial information for the six month period ended 30 June 2016

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Review report on condensed consolidated interim financial information

To the Board of Directors of
Dubai Financial Market P.J.S.C. (DFM)
Dubai, U.A.E.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Dubai Financial Market (DFM) P.J.S.C. (the 'Company') and its subsidiaries (together referred to as "the Group") as of 30 June 2016 and the related condensed consolidated statement of income and comprehensive income for three month and six month periods then ended, and condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting ("IAS 34")". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
25 July 2016

Paul Suddaby

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

Condensed consolidated interim statement of financial position as at 30 June 2016

	Note	As at 30 June 2016 AED'000 (Un-audited)	As at 31 December 2015 AED'000 (Audited)
ASSETS			
Non-current assets			
Goodwill	6	2,878,874	2,878,874
Other intangible assets	6	2,290,750	2,321,932
Property and equipment		260,984	21,436
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	7	788,688	702,149
Investment deposits	8	298,434	727,947
Total non-current assets		6,517,730	6,652,338
Current assets			
Prepaid expenses and other receivables	10	54,973	46,211
Investment deposits	8	1,626,357	1,574,962
Cash and cash equivalents	11	484,274	261,002
Total current assets		2,165,604	1,882,175
Total assets		8,683,334	8,534,513
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	8,000,000	8,000,000
Treasury shares		(4,364)	(4,364)
		7,995,636	7,995,636
Investment revaluation reserve - FVTOCI	13	(786,720)	(780,437)
Statutory reserve	13	381,027	381,027
Retained earnings		149,363	431,787
Equity attributable to owners of the Company		7,739,306	8,028,013
Non-controlling interest		18,505	18,176
Total equity		7,757,811	8,046,189
LIABILITIES			
Non-current liabilities			
Subordinated loan	9	24,890	24,343
Provision for employees' end of service indemnity		14,766	13,879
Total non-current liabilities		39,656	38,222
Current liabilities			
Payables and accrued expenses	14	525,473	408,398
Dividends payable		350,169	33,139
Due to related parties	9	10,225	8,565
Total current liabilities		885,867	450,102
Total liabilities		925,523	488,324
Total equity and liabilities		8,683,334	8,534,513

....
Chairman

The accompanying notes on pages 7 to 20 form an integral part of this condensed consolidated interim financial information.

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

Condensed consolidated interim statement of income (Un-audited) for the six month period ended 30 June 2016

	Note	3 months period ended 30 June		6 months period ended 30 June	
		2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Revenues					
Trading commission fees		**63,984**	140,866	**153,768**	226,179
Brokerage fees		**5,087**	4,949	**10,392**	9,345
Clearing settlement and depositary fee		**7,180**	15,179	**17,480**	21,289
Listing and market data fee		**2,249**	2,282	**4,530**	4,843
Other fees		**2,785**	2,228	**3,162**	3,083
Operating income		**81,285**	165,504	**189,332**	264,739
Investment income		**21,069**	15,295	**42,561**	32,935
Other income		**-**	49	**-**	477
Fair value gain on gifted land	17	**-**	-	**231,306**	-
Total income		**102,354**	180,848	**463,199**	298,151
Expenses					
General and administrative expenses		**(32,957)**	(32,158)	**(65,539)**	(65,497)
Amortisation of intangible assets		**(15,591)**	(15,591)	**(31,182)**	(31,182)
Interest expense		**(275)**	(263)	**(547)**	(520)
Operating expenses		**(48,823)**	(48,012)	**(97,268)**	(97,199)
Provision for impairment against investment deposit	8	**-**	-	**(226,000)**	-
Net profit for the period		**53,531**	132,836	**139,931**	200,952
Attributable to:					
Owners of the Company		**53,544**	132,380	**139,602**	200,111
Non-controlling interest		**(13)**	456	**329**	841
		53,531	132,836	**139,931**	200,952
Basic/Diluted Earnings per share - AED	15	**0.006**	0.017	**0.017**	0.025

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

Condensed consolidated interim statement of comprehensive income (Un-audited) for the six month period ended 30 June 2016

	3 months period ended 30 June		6 months period ended 30 June	
	2016 AED'000	2015 AED'000	2016 AED'000	2015 AED'000
Net profit for the period	**53,531**	132,836	**139,931**	200,952
Items that will not be re-classified to the condensed consolidated interim income statement				
Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI)	**(33,771)**	41,404	**(28,503)**	5,025
Total comprehensive income for the period	**19,760**	174,240	**111,428**	205,977
Attributable to:				
Owners of the Company	**19,773**	173,784	**111,099**	205,136
Non-controlling interest	**(13)**	456	**329**	841
Total comprehensive income for the period	**19,760**	174,240	**111,428**	205,977

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

Condensed consolidated interim statement of changes in equity (Un-audited) for the six month period ended 30 June 2016

	Share capital AED'000	Treasury shares AED'000	Investments revaluation reserve FVTOCI AED'000	Statutory reserve AED'000	Retained earnings AED'000	Attributable to owners of the company AED'000	Non-controlling interest AED'000	Total AED'000
As at 1 January 2015	8,000,000	(4,364)	(693,199)	354,929	755,917	8,413,283	17,354	8,430,637
Net profit for the period	-	-	-	-	200,111	200,111	841	200,952
Other comprehensive income for the period	-	-	5,025	-	-	5,025	-	5,025
Total comprehensive income for the period	-	-	5,025	-	200,111	205,136	841	205,977
Appropriation of non-sharia compliant income (Note 19)	-	-	-	-	(29,646)	(29,646)	-	(29,646)
Dividends declared, net of appropriation of non-sharia compliant income (Note 12)	-	-	-	-	(530,058)	(530,058)	-	(530,058)
Realised gain on disposal of investments	-	-	(1,545)	-	1,545	-	-	-
Zakat (Note 14)	-	-	-	-	(856)	(856)	-	(856)
As at 30 June 2015	8,000,000	(4,364)	(689,719)	354,929	397,013	8,057,859	18,195	8,076,054
As at 1 January 2016	8,000,000	(4,364)	(780,437)	381,027	431,787	8,028,013	18,176	8,046,189
Net profit for the period	-	-	-	-	139,602	139,602	329	139,931
Other comprehensive loss for the period	-	-	(28,503)	-	-	(28,503)	-	(28,503)
Total comprehensive income for the period	-	-	(28,503)	-	139,602	111,099	329	111,428
Appropriation of non-sharia compliant income (Note 19)	-	-	-	-	(15,648)	(15,648)	-	(15,648)
Dividends approved, net of appropriation of non-sharia compliant income (Note 12)	-	-	-	-	(384,140)	(384,140)	-	(384,140)
Realised loss on disposal of investments	-	-	22,220	-	(22,220)	-	-	-
Zakat (Note 14)	-	-	-	-	(18)	(18)	-	(18)
As at 30 June 2016	**8,000,000**	**(4,364)**	**(786,720)**	**381,027**	**149,363**	**7,739,306**	**18,505**	**7,757,811**

The accompanying notes on pages 7 to 20 form an integral part of this condensed consolidated interim financial information.

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

Condensed consolidated interim statement of cash flows (Un-audited) for the six month period ended 30 June 2016

	Note	Six month period ended 30 June 2016 AED'000	2015 AED'000
Cash flows from operating activities			
Net profit for the period		**139,931**	200,952
Adjustments for:			
Depreciation of property and equipment		**3,377**	3,074
Provision for employees' end of service indemnity		**1,097**	1,011
Fair value gain on gifted land	17	**(231,306)**	-
Provision for impairment	8	**226,000**	-
Amortisation of intangible assets	6	**31,182**	31,182
Interest expense	9	**547**	520
Income on investment deposits		**(31,483)**	(22,259)
Dividend income		**(11,078)**	(10,676)
Operating cash flows before changes in operating assets and liabilities		**128,267**	203,804
Increase/(decrease) in prepaid expenses and other receivables		**517**	(23,111)
Increase/(decrease) in due from/to a related party		**1,660**	(7,158)
Increase/(decrease)in payables and accrued expenses		**117,053**	(34,885)
Cash generated from operations		**247,497**	138,650
Employees' end of service indemnity paid		**(210)**	(178)
Net cash generated from operating activities		**247,287**	138,473
Cash flows from investing activities			
Purchase of property and equipment		**(11,617)**	(6,465)
Net investment deposits	8	**152,750**	315,444
Redemption/sale of investments		**4,250**	13,685
Investment in sukuk		**(119,235)**	(101,617)
Investment deposit income received		**21,516**	18,264
Dividend received		**11,078**	10,676
Net cash generated from investing activities		**58,742**	249,987
Cash flows from financing activities			
Dividends paid to shareholders	12	**(67,109)**	(535,081)
Distribution of non-sharia compliant income to shareholders	12,19	**(15,648)**	(29,646)
Net cash used in financing activities		**(82,757)**	(564,727)
Net increase/(decrease) in cash and cash equivalents		**223,272**	(176,267)
Cash and cash equivalents at the beginning of the period		**261,002**	687,258
Cash and cash equivalents at the end of the period	11	**484,274**	510,991

The accompanying notes on pages 7 to 20 form an integral part of this condensed consolidated interim financial information.

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. 2 of 2015 ("the Companies law").

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

The condensed consolidated interim financial information incorporate the financial information of Dubai Financial Market (DFM) - (PJSC) and its subsidiaries (together 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 (Note 16).

2 Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (IAS) No. 34: Interim Financial Reporting.

This condensed consolidated financial information does not include all the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2015. In addition, results for the six months ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

The same accounting policies, presentation and methods of computation have been followed in the condensed consolidated interim financial information as were applied in the preparation of the Group's financial statements for the year ended 31 December 2015. During the period, the Group adopted a new accounting policy in respect of the recognition of freehold land as disclosed in note 2.1.1.

This condensed consolidated interim financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments at FVTOCI.

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

2.1.1 Freehold land

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

2 Summary of significant accounting policies

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2016

(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 2016

The following applicable amendments to existing standards have been published and are effective for the Group's accounting periods beginning on 1 January 2016.

Amendments 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.

The above amendments to existing standards do not have any significant impact on the Group's condensed consolidated interim financial information or its consolidated financial statements for the year ending 31 December 2016. Apart from the above amendments, there are no new standards that have a potential significant impact on this condensed consolidated interim financial information.

Annual improvements 2014 (Effective date 1 January 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 derecognize 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.

2 Summary of significant accounting policies

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2016 (continued)

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

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2016 and not early adopted

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

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

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.

2 Summary of significant accounting policies

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2016 (continued)

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

Standards, amendments and interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2016 and not early adopted (continued)

IFRS 16 'Leases' (Effective date 1 January 2019)

This standard replaces IAS 17 "Leases", IFRIC 4 "Determining whether arrangement contains a lease", Standard Interpretations Committee ("SIC") 15 "Operating leases-Incentives" and SIC 27 "Evaluating substance of transactions involving legal form of a lease". The standard specifies recognition, measurement, presentation and disclosure related to leases. The core principle of IFRS 16 is to provide a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and effective for accounting periods beginning on or after 1 January 2019.

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

3 Basis of consolidation

The condensed consolidated interim financial information incorporates the interim financial information of the Company and the entities controlled by the Group (its subsidiaries) (together the "Group"). 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.

3 Basis of consolidation (continued)

The results of subsidiaries acquired during the period are included in the condensed consolidated interim statement of income from the effective date of acquisition.

Where necessary, adjustments are made to the condensed consolidated interim financial statements of the subsidiaries to bring the accounting policies in line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

4 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements as at and for the year ended 31 December 2015.

5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2015.

6 Goodwill and other intangible assets

	Goodwill AED'000	License to operate as a stock exchange AED'000	Relationships with market participants (Brokers) AED'000	Total AED'000
Cost				
At 1 January 2015 and 2016	2,878,874	2,824,455	58,744	5,762,073
At 30 June 2015 and 2016	2,878,874	2,824,455	58,744	5,762,073
Accumulated amortisation				
At 1 January 2016	-	508,401	52,866	561,267
Charge for the period	-	28,244	2,938	31,182
At 30 June 2016	-	536,645	55,804	592,449
At 1 January 2015	-	451,912	46,992	498,904
Charge for the period	-	28,244	2,938	31,182
At 30 June 2015	-	480,156	49,930	530,086
Carrying amount				
As at 30 June 2016	**2,878,874**	**2,287,810**	**2,940**	**5,169,624**
As at 30 June 2015	2,878,874	2,344,299	8,814	5,231,987
As at 31 December 2015	2,878,874	2,316,054	5,878	5,200,806

There was no evidence of impairment of the goodwill at 30 June 2016 based on the performance of the Company and on the basis that the fair value of the business, based on the Company's quoted market price at 30 June 2016, was in excess of its net assets at that date.

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

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Investment in equity securities	**325,303**	323,164
Managed funds – Note (a)	**259,317**	277,120
Investment in sukuks – Note (b)	**204,068**	101,865
	788,688	702,149

(a) Managed funds include funds of AED 226.16 million (31 December 2015: AED 240.39 million) managed by a shareholder of the parent (Note 9).

(b) The investment in sukuks are perpetual instruments, callable at the option of the issuers and measured at fair value through other comprehensive income. The sukuks carry profit rates ranging from 6.04% to 6.75% per annum. (2015: 6.04% to 6.75% per annum), which is payable at the discretion of the issuer.

Investments by geographic concentration are as follows:

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
- Within U.A.E.	**749,140**	659,505
- Outside U.A.E.	**39,548**	42,644
	788,688	702,149

8 Investment deposits

Current:	**30 June 2016 AED'000 (Un-audited)**	31 December 2015 AED'000 (Audited)
Investment deposits maturing in less than three months	**659,795**	244,021
Investment deposits maturing up to 1 year but more than 3 months – Note (a)	**966,562**	1,330,941
	1,626,357	1,574,962
Non-current:		
Investment deposits maturing above 1 year	**298,434**	727,947
	1,924,791	2,302,909

(a) Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging from 1.7 % to 2.85% (31 December 2015: 1% to 5.5%) per annum.

(b) An investment deposit of AED 136.73 (31 December 2015: AED 136.73 million) has been pledged as collateral against unutilised bank overdraft facilities provided to the Group.

(c) A specific provision for impairment was established during the period against an outstanding Wakala deposit of AED 271 million.

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

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2016 (continued)

9 Related party transactions and balances

Related parties comprise companies under common ownership or management, key management, businesses controlled by shareholders and directors as well as businesses over which they exercise significant influence. During the period, the Group entered into transactions with related parties in the ordinary course of business. The transactions with related parties and balances arising from these transactions are as follows:

Transactions during the period	**Six month period ended 30 June**	
	2016	2015
(a) Fellow Subsidiaries	**AED'000 (Un-audited)**	AED'000 (Audited)
Investment income	**7,553**	8,024
Interest expense	**547**	520
Mortgage fees	**-**	7,280
(b) Associates		
Investment income	**11,817**	7,314
Dividend income	**6,753**	6,002
Rent – Dubai World Trade Centre	**4,699**	4,740

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

Compensation of key management personnel	**Six month period ended 30 June 2016 AED'000 (Un-audited)**	2015 AED'000 (Audited)
Short-term benefits	**4,766**	4,494
General pension and social security	**443**	428
Board of Directors		
- Remuneration to the Nasdaq Dubai Board	**491**	596
- Remuneration to the DFM Board	**1,800**	1,800
- Meeting allowance for the Group	**669**	753

Balances	**30 June 2016 AED'000 (Un-audited)**	31 December 2015 AED'000 (Audited)
(a) Other related parties		
Managed funds (Note 7)	**226,164**	240,398
Other financial assets at FVTOCI	**292,757**	194,607
Cash and cash equivalents	**370,739**	224,894
Investment deposits	**1,174,264**	1,212,200
(b) Due to related parties		
Parent		
Expenses paid on behalf of the Group	**10,225**	8,565
Subordinated loan	**24,890**	24,343
Dividends payable	**318,500**	-

The subordinated loan has been provided by Borse Dubai Ltd., to Nasdaq Dubai Limited through the Company (Note 1). The subordinated loan is unsecured, has no fixed repayment date and bears interest at 12 month LIBOR plus 3.25% per annum and is subordinated to the rights of all other creditors of the subsidiary.

10 Prepaid expenses and other receivables

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Accrued income on investment deposits	21,116	11,837
Accrued trading commission fees	2,018	2,236
Due from brokers	2,592	2,973
Prepaid expenses	12,859	7,853
Central counterparty balances (Note 14)	10,598	19,769
Other receivables	5,926	1,690
	55,109	46,358
Less: allowance for doubtful debts	(136)	(147)
	54,973	46,211

Net movement in allowance for doubtful debts:

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Opening balance	147	214
Write off for the period/year	(11)	(67)
Ending balance	136	147

11 Cash and cash equivalents

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Cash on hand	222	226
Bank balances:		
Current accounts	35,040	44,866
Savings accounts	10,750	59,632
Mudarabah accounts	147,909	96,278
	193,921	201,002
Add : Investment deposits with original maturities not exceeding three months	290,353	60,000
Cash and cash equivalents	484,274	261,002

The rate of return on the saving and mudarabah accounts is 0.25 % to 0.36 % per annum (31 December 2015: 0.15% to 0.30% per annum). Dividends amounting to AED 218 million (31 December 2015: AED NIL) distributed by the Company on behalf of other companies remain unpresented to the Company's banks as at 30 June 2016.

12 Share capital

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Authorised, issued and paid up share capital: (31 December 2015: 8,000,000,000 shares) of AED 1 each (31 December 2015: AED 1 each)	**8,000,000**	8,000,000

The Company has distributed dividends of AED 399.8 million, including non-sharia compliant income of AED 15.6 million (Note 19), representing AED 0.05 per share. The dividends were approved by the shareholders at the Annual General Meeting held on 9 March 2016.

13 Reserves

(a) Statutory reserve

In accordance with the U.A.E. Federal Commercial Companies Law Number 2 of 2015, 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. No allocation to the statutory reserve has been made for the six month period ended 30 June 2016, as this will be affected at the year-end based on the Company's results for the year ending 31 December 2016.

(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.

14 Payables and accrued expenses

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Dividends payable on behalf of companies listed on the DFM		
Ivestor cards	**238,876**	156,025
Others	**169,345**	156,357
Members' margin deposits	**54,798**	27,920
Accrued expenses and other payables	**13,303**	17,219
Central counterparty balances (Note 10)	**10,598**	19,769
Unearned revenue	**14,321**	9,427
Brokers' retention	**16,373**	16,400
Due to U.A.E Securities and Commodities Authority	**6,984**	4,425
Zakat	**875**	856
	525,473	408,398

15 Earnings per share

	3 months ended 30-June		6 months ended 30-June	
	2016	2015	**2016**	2015
	(Un-audited)		**(Un-audited)**	
Net profit for the period attributable to owners of the Company (AED '000)	**53,544**	132,380	**139,602**	200,111
Authorised, issued and paid up share capital - (AED '000)	**8,000,000**	8,000,000	**8,000,000**	8,000,000
Less: Treasury shares ('000)	**(4,237)**	(4,237)	**(4,237)**	(4,237)
	7,995,763	7,995,763	**7,995,763**	7,995,763
Earnings per share – AED	**0.006**	0.017	**0.017**	0.025

16 Commitments

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Commitments for the purchase of property and equipment	**3,125**	4,541

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.

17 Fair value gain on gifted land

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

18 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.

19 Non Sharia compliant income

Non Sharia compliant income of AED 15.6 million relating to 2015 (2015: AED 29.6 million relating to 2014 appropriated in 2015) as approved by the Company's Sharia and Fatwa Supervisory Board, has been appropriated from retained earnings in 2016 for distribution by the Group to its shareholders towards disbursement by the shareholders for charitable purposes. Based on the ruling of the Sharia and Fatwa Supervisory Board, it is the sole responsibility of the individual shareholders to donate their respective shares of this amount for charitable purposes.

20 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.

20 Fair value of financial instruments (continued)

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:

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

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 30 June 2016 and 31 December 2015.

	30 June 2016 (Un-audited)			
	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	277,922	-	47,381	325,303
- Managed funds	-	258,296	1,021	259,317
- Investments in Sukuk	204,068	-	-	204,068
Total	481,990	258,296	48,402	788,688

	31 December 2015			
	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	275,845	-	47,319	323,164
- Managed funds	-	272,731	4,389	277,120
- Investments in Sukuk	101,865	-	-	101,865
Total	377,710	272,731	51,708	702,149

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

20 Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Measured at FVTOCI Unquoted equities	
	30 June 2016 AED'000	31 December 2015 AED'000
Opening balance	**51,708**	66,163
Additions during the year	**-**	28
Redemptions during the period	**-**	(12,938)
Other comprehensive loss	**(3,306)**	(1,545)
Closing balance	**48,402**	51,708

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

21 Approval of the interim condensed consolidated financial information

The interim condensed consolidated financial information for the six month period ended 30 June 2016 have been approved by the Board of Directors and authorized for issue on 25 July 2016.