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

Consolidated financial statements for the year ended 31 December 2020

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Consolidated financial statements
For the year ended 31 December 2020

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dubai Financial Market P.J.S.C. (the "Company" or "DFM") and its subsidiaries (together the "Group") as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Our audit approach

Key Audit Matter	● Impairment of goodwill and other intangible assets

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

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Mohamed ElBorno, Jacques Fakhoury, Douglas O'Mahony and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

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

Our audit approach (continued)

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and other intangible assets We considered goodwill and other intangible assets of AED 2.9 billion and AED 2 billion respectively as at 31 December 2020 to be a key audit matter because of their significance and the judgement involved in testing such items for impairment. Together they account for 49% of the total assets of the Group and any impairment charge could have a material impact on the reported financial performance of the Group and on their carrying values in the consolidated statement of financial position. In accordance with International Accounting Standards (IAS) 36, goodwill is required to be tested annually for impairment. If impairment indicators are identified, its carrying amount is reduced to its estimated recoverable amount which is defined under IAS 36 as the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use. Management has determined that the fair value less cost to sell exceeded the carrying amount. For other intangible assets, at the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired or if there is a change in the estimated useful life. Management of the Group have carried out impairment assessments of goodwill and other intangible assets. In the case of goodwill, management considers the Group to comprise just one cash generating unit as defined by IAS 36. Refer to Notes 4.2, 4.3, 5 and 6 to the consolidated financial statements for details.	Goodwill was tested by management for impairment at 31 December 2020, by comparing the net assets of DFM at that date to the fair value less cost to sell of DFM, based on its quoted market price at 31 December 2020. We re-performed management's impairment assessment of goodwill including the review of the underlying assumptions. We assessed management's identification of DFM as a single cash generating unit based on our understanding of the Group's business and the requirements of IFRS. We reviewed management's estimate of the useful economic life of the stock exchange license, which is the most significant component of other intangible assets. Our review was based on the analysis of relevant factors relating to the expected period over which the stock exchange license is expected to generate cash inflows to the Group. We also compared the appropriateness of the useful life of the stock exchange license to similar licenses of other stock exchanges. We assessed the consolidated financial statement disclosures to ensure compliance with IAS36.

Other information

Management is responsible for the other information. The other information comprises the Chairman's Statement and the Group's Annual Report (but doesn't include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

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

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

When we read the Chairman's Statement and the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- the Group has maintained proper books of account;
- as disclosed in note 25.5 to the consolidated financial statements the Group has not purchased any shares during the financial year ended 31 December 2020;
- note 15 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;

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

Report on other legal and regulatory requirements

- as disclosed in Note 29 to the consolidated financial statements, the Group has not made any material monetary social contributions during the financial year ended 31 December 2020; and

- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2020.

PricewaterhouseCoopers
2 February 2021

Douglas O'Mahony
Registered Auditor Number 834
Place: Dubai, United Arab Emirates

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

Consolidated statement of financial position
as at 31 December 2020

	Note	2020 AED'000	2019 AED'000
ASSETS			
Non-current assets			
Goodwill	6	**2,878,874**	2,878,874
Other intangible assets	6	**2,033,609**	2,090,098
Property and equipment	7	**351,858**	344,863
Financial assets measured at fair value through other comprehensive income (FVOCI)	8	**800,635**	850,198
Investment at amortised cost	9	**166,075**	175,489
Investment deposits	10	**241,054**	257,311
Total non-current assets		**6,472,105**	6,596,833
Current assets			
Prepaid expenses and other receivables	11	**157,005**	83,855
Investment deposits	10	**2,851,501**	2,791,122
Cash and cash equivalents	12	**420,675**	209,101
Total current assets		**3,429,181**	3,084,078
Total assets		**9,901,286**	9,680,911
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**8,000,000**	8,000,000
Treasury shares		**(4,364)**	(4,364)
		7,995,636	7,995,636
Investments revaluation reserve – FVOCI	14	**(841,395)**	(803,542)
Statutory reserve	14	**468,062**	454,272
Retained earnings		**152,964**	224,424
Equity attributable to owners of the Company		**7,775,267**	7,870,790
Non-controlling interest		**25,275**	20,576
Total equity		**7,800,542**	7,891,366
Non-current liabilities			
Subordinated loan	15	**30,490**	29,098
Lease liabilities	16	**17,156**	26,656
Provision for employees' end of service benefits	17	**25,545**	23,200
Total non-current liabilities		**73,191**	78,954
Current liabilities			
Payables and accrued expenses	18	**1,545,561**	1,235,037
Dividends payable	15, 19	**469,588**	469,588
Due to related parties	15	**12,404**	5,966
Total current liabilities		**2,027,553**	1,710,591
Total liabilities		**2,100,744**	1,789,545
Total equity and liabilities		**9,901,286**	9,680,911

These consolidated financial statements were approved on 2 February 2021 by the Board of Directors and signed on its behalf by:

Chairman

The notes on pages 11 to 52 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on page 1-5.

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

Consolidated statement of income for the year ended 31 December 2020

	Note	2020 AED'000	2019 AED'000
Income			
Trading commission fees		**157,905**	129,058
Brokerage fees		**15,518**	18,545
Clearing, settlement and depository fees		**43,128**	22,967
Listing and market data fees		**10,212**	9,636
Other Fees		**5,335**	6,765
Operating income		**232,098**	186,971
Investment income	*20*	**114,868**	140,233
Other income		**4,867**	(97)
Total income		**351,833**	327,107
Expenses			
General and administrative expenses	*21*	**(149,292)**	(145,026)
Amortisation of other intangible assets	*6*	**(56,489)**	(56,489)
Interest expense	*15, 16*	**(3,453)**	(3,544)
Operating expenses		**(209,234)**	(205,059)
Net profit for the year		**142,599**	122,048
Profit attributable to:			
Owners of the Company		**137,900**	120,609
Non-controlling interest		**4,699**	1,439
		142,599	122,048
Basic and Diluted Earnings per share – AED	*22*	**0.017**	0.015

The notes on pages 11 to 52 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on page 1-5.

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

Consolidated statement of comprehensive income
for the year ended 31 December 2020

	2020 AED'000	2019 AED'000
Net profit for the year	**142,599**	122,048
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI)	**(58,294)**	10,763
Total comprehensive income for the year	**84,305**	132,811
Attributable to:		
Owners of the Company	**79,606**	131,372
Non-controlling interest	**4,699**	1,439
	84,305	132,811

The notes on pages 11 to 52 form an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity
for the year ended 31 December 2020

	Share Capital AED'000	Treasury shares AED'000	Investments revaluation reserve FVOCI 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 2019	8,000,000	(4,364)	(815,844)	442,211	142,249	7,764,252	19,137	7,783,389
Net profit for the year	-	-	-	-	120,609	120,609	1,439	122,048
Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	10,763	-	-	10,763	-	10,763
Total comprehensive income for the year	-	-	10,763	-	120,609	131,372	1,439	132,811
Transactions with owners of the Company								
Dividends declared, net of appropriation of non-sharia compliant income (Note13)	-	-	-	-	-	-	-	-
Appropriation of non-sharia compliant income (Note 24)	-	-	-	-	(24,801)	(24,801)	-	(24,801)
Transfer to statutory reserve (Note 14)	-	-	-	12,061	(12,061)	-	-	-
Realised loss on disposal of investments	-	-	1,539	-	(1,539)	-	-	-
Zakat	-	-	-	-	(33)	(33)	-	(33)
As at 31 December 2019	8,000,000	(4,364)	(803,542)	454,272	224,424	7,870,790	20,576	7,891,366
As at 1 January 2020	8,000,000	(4,364)	(803,542)	454,272	224,424	7,870,790	20,576	7,891,366
Net profit for the year	-	-	-	-	137,900	137,900	4,699	142,599
Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	(58,294)	-	-	(58,294)	-	(58,294)
Total comprehensive income/(loss) for the year	-	-	(58,294)	-	137,900	79,606	4,699	84,305
Transactions with owners of the Company								
Dividends declared, net of appropriation of non-sharia compliant income (Note13)	-	-	-	-	(152,554)	(152,554)	-	(152,554)
Appropriation of non-sharia compliant income (Note 24)	-	-	-	-	(22,539)	(22,539)	-	(22,539)
Transfer to statutory reserve (Note 14)	-	-	-	13,790	(13,790)	-	-	-
Realised loss on disposal of investment	-	-	20,441	-	(20,441)	-	-	-
Zakat	-	-	-	-	(36)	(36)	-	(36)
As at 31 December 2020	**8,000,000**	**(4,364)**	**(841,395)**	**468,062**	**152,964**	**7,775,267**	**25,275**	**7,800,542**

The notes on pages 11 to 52 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on page 1-5.

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

Consolidated statement of cash flows
for the year ended 31 December 2020

	Note	2020 AED'000	2019 AED'000
Cash flows from operating activities			
Net profit for the year		**142,599**	122,048
Adjustments for:			
Depreciation of property and equipment	7	**23,154**	21,604
Provision for employees' end of service benefits	17	**2,449**	2,512
Amortisation of other intangible assets	6	**56,489**	56,489
Interest expense		**3,453**	3,544
Revenue from investment deposits	20	**(104,870)**	(127,348)
Dividend revenues	20	**(9,998)**	(12,885)
Operating cash flow before changes in operating assets and liabilities		**113,276**	65,964
Changes in:			
Prepaid expenses and other receivables		**34,325**	(1,019)
Due to a related party		**6,439**	(4,177)
Payables and accrued expenses		**239,457**	88,742
Cash generated from operations		**393,497**	149,510
Employees' end of service benefits paid	17	**(104)**	(700)
Net cash generated from operating activities		**393,393**	148,810
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**21,712**	22,977
Investments in sukuk and other financial assets measured at FVOCI		**(55,646)**	(100,403)
Net purchase of property and equipment	7	**(30,148)**	(25,017)
Net investment deposits (excluding cash and cash equivalents & non cash transactions)		**(44,122)**	(218,535)
Investment deposit revenue received		**127,377**	118,971
Dividend received	20	**9,998**	12,885
Net cash generated from/(used in) investing activities		**29,171**	(189,122)
Cash flows from financing activities			
Dividends paid to shareholders	19	**(196,806)**	(20,000)
Lease liabilities	16	**(14,184)**	(11,530)
Net cash used in financing activities		**(210,990)**	(31,530)
Net increase/(decrease) in cash and cash equivalents		**211,574**	(71,842)
Cash and cash equivalents at the beginning of the year		**209,101**	280,943
Cash and cash equivalents at the end of the year	12	**420,675**	209,101

During the year ended 31 December 2020, the principal non-cash transactions relate to the recognition of right-of-use assets and lease liability amounting to AED 26 million (2019: AED 38 million) and AED 27 million (2019: AED 47 million) respectively, following the adoption of IFRS 16. (Refer to Note 16)

The notes on pages 11 to 52 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on page 1-5.

1. Establishment and operations

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

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

The Company’s shares are listed on the Dubai Financial Market (“DFM”).

The Company currently operates the Dubai stock exchange, related clearing house and carries out investment activities on its own behalf. The registered address of the Company is Dubai World Trade Center, Sheikh Zayed Road, P.O. Box 9700, Dubai.

The ultimate parent and controlling party is the Government of Dubai which owns 80.66% (2019: 80.66%) of DFM through Borse Dubai Limited (the “Parent”), a Government of Dubai entity.

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

Company name	Activity	Country of incorporation	Ownership held
Dubai Central Clearing and Depository Holding LLC*	Holding Company	U.A.E	100%
Nasdaq Dubai Limited**	Electronic Financial Market	U.A.E	67% ***

*Dubai Central Clearing and Depository Holding LLC has the following subsidiaries:

Company name	Activity	Country of incorporation	Ownership held
Dubai Clear LLC	Securities Central Clearing Service	U.A.E	100%
Dubai Central Securities Depository LLC	Securities Depository Services	U.A.E	100%

**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 23).

2. Basis of preparation

The Group has consistently applied the following accounting policies to all years presented in these consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting standards ("IFRS") as issued by International Accounting Standard Board ("IASB"), and applicable provisions of the UAE Federal law No. 2 of 2015 ("UAE Companies Law of 2015").

Federal Decree Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income (FVOCI).

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are disclosed in note 5.

(e) Impact of COVID-19

Since early January 2020, the COVID-19 outbreak has spread across the globe and is causing ongoing disruption to business and economic activity, resulting in substantial government and central bank relief actions and support measures in many countries to protect the economy. There has not been any material impact on the Group's business performance as of 31 December 2020, however the Company will continue to monitor the situation as it evolves in order to assess any potential financial impact.

3. Application of new and revised International Financial Reporting Standards ("IFRS")

(a) New and revised IFRS applied on the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior years.

- **Amendments to IFRS 3 -** This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to IAS 1 and IAS 8 -** These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

- **Amendments to IFRS 9, IAS 39 and IFRS 7 –** Interest rate benchmark reform - These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

- **Amendments to Conceptual framework** – The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
  - increasing the prominence of stewardship in the objective of financial reporting
  - reinstating prudence as a component of neutrality
  - defining a reporting entity, which may be a legal entity, or a portion of an entity
  - revising the definitions of an asset and a liability
  - removing the probability threshold for recognition and adding guidance on derecognition
  - adding guidance on different measurement basis, and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions -** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

3. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

(b) New and revised IFRS in issue but not yet effective and not early adopted

- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities (Effective date 1 January 2022) -** These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

The Group is currently assessing the impact of the above amendments.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial period beginning on 1 January 2020 that would be expected to have a material impact on the consolidated financial information of the Group.

4. Summary of significant accounting policies (continued)

4.1 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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 except if related to the issue of debt or equity securities.

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 statement of Income.

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 statement of Income.

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.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

4. Summary of significant accounting policies (continued)

4.2 Other intangible assets

Other intangible assets acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in the consolidated statement of income.

The estimated useful lives for current and comparative periods are as follows:

License to operate as a Stock Exchange	50 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

4.3 Goodwill

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

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

4.4 Property and equipment

Property and equipment are measured 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.

4. Summary of significant accounting policies (continued)

4.4 Property and equipment (continued)

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group

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

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in consolidated statement of income. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

Depreciation method, useful lives and assets' residual values are reviewed at each reporting date and adjusted if appropriate.

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.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the consolidated statement of income.

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

4. Summary of significant accounting policies (continued)

4.5 Cash and cash equivalents and investment deposits

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

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

4.6 Financial instruments

(i) Recognition and initial measurement

Financial assets and financial liabilities are recognised when they are originated and the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

(a) Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; FVOCI – debt investment; FVOCI – equity instrument; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets 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.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income ("OCI"). This election is made on an investment-by-investment basis.

4. Summary of significant accounting policies (continued)

4.6 Financial instruments (continued)

(ii) Classification and subsequent measurement *(continued)*

(a) Financial assets (continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether Group management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

4. Summary of significant accounting policies (continued)

4.6 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

(a) Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses:

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of income.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of income (Note 20) unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the consolidated statement of income.

Derecognition of financial assets:

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

4. Summary of significant accounting policies (continued)

4.6 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

(a) Financial assets (continued)

(i) Non-derivative financial assets

Impairment of financial assets

The Group recognises loss allowances Expected Credit Loss ("ECL") on:

- financial assets measured at amortised cost; and
- debt investments measured at FVOCI;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4. Summary of significant accounting policies (continued)

4.6 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

(a) Financial assets (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

4. Summary of significant accounting policies (continued)

4.6 Financial instruments (continued)

(iii) Classification and subsequent measurement (continued)

(b) Financial liabilities (continued)

All financial liabilities are subseqently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the consolidated statement of income. Any gain or loss on derecognition is also recognised in the consolidated statement of income.

<u>Derecognition of financial liabilities</u>

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement of income.

4.7 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.8 Impairment on non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

4. Summary of significant accounting policies (continued)

4.8 Impairment on non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.9 Employees' end of service 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.

U.A.E. National 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 statement of income.

The Group provides for staff terminal benefits based on an estimation of the amount of future benefit that employees have earned in return for their service until their retirement. This calculation is performed based on a projected unit credit method.

4.10 Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the consolidated statement of profit or loss when the changes arise.

4.11 Share capital

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Treasury shares

When shares recognised as equity are unalloted, these are recognised as a deduction from equity. Unalloted shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

4. Summary of significant accounting policies (continued)

4.12 Revenue recognition

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Trading Commission Fees	Trading Commission Fees represents the fees charged by DFM on each trade (both buy and sell) undertaken by the brokers as per laws & regulations of SCA.	Trading commission fees are recognised at the time when the underlying trade has been consummated.
Brokerage fees	Invoices are issued to broker based on annual/daily subscription and are payable on presentation. Brokerage revenue comprises of various license and services provided to the broker.	Revenue is recognised at the time when the broker utilises the services provided by DFM. i.e over the period of the annual subscriptions. Revenue for one-time services are recognised at the time when the service is provided to the broker.
Listing and Market Data Fees	Listing fee is charged to companies that list their stocks on DFM. Market Data Fees is charged for the use of DFM's market data. The listing and market data fee is applicable for one year or monthly basis and is payable on presentation of the invoice.	Revenue is recognised over the period of the listing and the period for which the customer has access to the market data feed as per the contract period.

4. Summary of significant accounting policies (continued)

4.12 Revenue recognition (continued)

Performance obligations and revenue recognition policies (continued)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Clearing, Depository and Settlement Fees	These services are subscribed by a customer on daily/annual basis which is payable on presentation of the invoice.	Revenue is recognised at the time when the underlying service is provided to the customer/company.
Other fees	Invoices are issued based on customer/companies request and are payable on presentation of the invoice.	Revenue is recognised at the time when the underlying service is provided to the customer/company.

4.13 Foreign currency transactions

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 statement of income.

4.14 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

4. Summary of significant accounting policies (continued)

4.14 Leases (continued)

i. As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property and equipment' and non-current lease liabilities in in the statement of financial position and current lease liability in payables and accrued expenses.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5. Critical accounting estimates and judgments

In the application of the Group's accounting policies, which are described in Note 4 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, net asset value of the investee company / funds or other valuation models.

Estimated useful lives of other intangible assets

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

Impairment for goodwill and other intangible assets

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Refer to note 6 for estimates and judgments.

On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the recoverable amount using higher of fair value less costs to sell or value in use of the cash generating units to which the goodwill is allocated. The Group has considered DFM as a single cash generating unit ("CGU") for impairment testing purposes considering it is managed as one unit which is engaged in a single segment of operating stock exchanges and related clearing house. Estimating the fair value less costs to sell requires the Group to make an estimate for the control premium in order to calculate the fair value less costs to sell. Estimating the value in use requires the Group to make an estimate for expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

5. Critical accounting estimates and judgments (continued)

Impairment of land

On an annual basis, the Group determines whether land is impaired. This requires an estimation of the recoverable amount using higher of fair value less costs to sell or value in use of the land. The fair value less costs to sell of the land is estimated using an independent third party valuer. The value in use calculation requires the Group to make an estimate of the expected future cash flows from the land and the discount rate to be used to calculate the present value of those cash flows.

Depreciation of property and equipment

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

Impairment loss on trade receivables

At each reporting date, the management uses an allowance matrix to measure the Expected Credit Loss (ECL) of trade receivables. Impairment loss on trade receivables is recognised based on ECL.

Provision for end of service benefits

The Group provides end of service benefits for its expatriate employees in accordance with U.A.E. Labour Law. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

6. Goodwill and other intangible assets

	Goodwill AED'000	License to operate as a stock exchange AED'000
Cost		
At 1 January 2019 and 2020	2,878,874	2,824,455
Amortisation		
At 1 January 2020	-	734,357
Charge for the year	-	56,489
At 31 December 2020	**-**	**790,846**
At 1 January 2019	-	677,868
Charge for the year	-	56,489
At 31 December 2019	-	734,357
Carrying amount		
At 31 December 2020	**2,878,874**	**2,033,609**
At 31 December 2019	2,878,874	2,090,098

Impairment testing of Goodwill

Determining whether goodwill is impaired requires an estimation of recoverable amount of the cash generating units to which goodwill has been allocated. DFM as a standalone market institution is considered a single cash generating unit ("CGU") for impairment testing purposes. Management assessed the recoverable amount for the CGU using both value in use ("VIU") model and fair value less costs to sell. They concluded the fair value less costs to sell was greater (2019: fair value less costs to sell was greater). To arrive at the fair value less costs to sell for the CGU to which goodwill is allocated, the management has used the closing quoted market price as at 31 December 2020 (2019: volume weighted 3 month average quoted market price and closing quoted market price including a control premium)) and a control premium (net of costs to sell) of 15% to calculate the recoverable amount.

The estimated recoverable amount of the CGU as at 31 December 2020 exceeds its carrying amount by approximately AED 756 million (2019: AED 404 million). Management of the Group does not believe that there is any impairment of Goodwill as at the reporting date.

The following key assumptions were used in 2020:

Closing quoted market price as at 31 December 2020	**AED 0.93 / share**
Control premium - net of costs to sell	**15%**

6. Goodwill and other intangible assets (continued)

Impairment testing of Goodwill (continued)

The following key assumptions were used in the model in 2020: (continued)

Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these three assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal recoverable amount
	(In percent)
Closing quoted market price as at 31 December 2020	**8.6%**
Control premium - net of costs to sell	**66.7%**

The Board of the Group believe that the key assumptions are appropriate as at 31 December 2020 and there is no impairment of the goodwill.

7. Property and equipment

	Computers and information systems AED'000	Right-of-use Assets AED'000	Leasehold improvement AED'000	Furniture and office equipment AED'000	Motor vehicles AED'000	Capital work-in-progress: Others AED'000	Capital work-in-progress: Building under construction AED'000	Land AED'000	Total AED'000
Cost									
At 31 December 2018	122,793	-	23,017	27,894	137	15,282	13,505	231,306	433,934
Additions	1,886	47,005	55	256	-	3,066	19,828	-	72,096
Disposals	(95)	-	-	(79)	-	-	-	-	(174)
Transfers	1,409	-	180	562	-	(2,151)	-	-	-
At 31 December 2019	125,993	47,005	23,252	28,633	137	16,197	33,333	231,306	505,856
Additions	658	-	91	212	-	7,592	22,587	-	31,140
Disposals	(123)	-	(501)	(9)	-	-	-	-	(633)
Transfers	23,064	-	1	21	-	(23,086)	-	-	-
At 31 December 2020	**149,592**	**47,005**	**22,843**	**28,857**	**137**	**703**	**55,920**	**231,306**	**536,363**
Accumulated depreciation									
At 31 December 2018	109,664	-	14,765	14,960	100	-	-	-	139,489
Charge for the year	6,575	9,719	1,701	3,590	19	-	-	-	21,604
Disposals	(74)	-	-	(26)	-	-	-	-	(100)
At 31 December 2019	116,165	9,719	16,466	18,524	119	-	-	-	160,993
Charge for the year	8,925	9,719	1,624	2,868	18	-	-	-	23,154
Disposals	(123)	-	(209)	(8)	-	-	-	-	(340)
Adjustment	698	-	-	-	-	-	-	-	698
At 31 December 2020	**125,665**	**19,438**	**17,881**	**21,384**	**137**	-	**-**	-	**184,505**
Carrying Amount									
At 31 December 2020	**23,927**	**27,567**	**4,962**	**7,473**	**-**	**703**	**55,920**	**231,306**	**351,858**
At 31 December 2019	9,828	37,286	6,786	10,109	18	16,197	33,333	231,306	344,863

8. Financial assets measured at fair value through other comprehensive income (FVOCI)

	2020 AED'000	2019 AED'000
Designated as equity instruments		
Investment in equity securities	**199,194**	267,342
Managed funds – Note 8.1	**241,321**	275,735
Investment in sukuk– Note 8.2	**360,120**	307,121
	800,635	850,198

The Group has made an irrevocable election to designate investment in equity securities, managed funds and investment in sukuks as FVOCI at initial recognition as per IFRS 9 and subsequent changes in fair value are presented in OCI.

Investments by geographic concentration are as follows:

	2020 AED'000	2019 AED'000
- Within U.A.E.	**773,619**	821,208
- Outside U.A.E.	**27,016**	28,990
	800,635	850,198

8.1. Managed funds include funds of AED 218 million (2019: AED 258 million) (Note 15) managed by a shareholder of the parent.

8.2. The investment in sukuk are perpetual instruments, callable at the option of the issuers and are measured at fair value through other comprehensive income. The sukuk carries profit rates ranging from 4.625% to 6.75% per annum (2019: 6.04% to 6.75% per annum), which are payable at the discretion of the issuers.

9. Investment at amortised cost

	2020 AED'000	2019 AED'000
Investment in sukuk	**166,075**	175,489

Investment in sukuk in the U.A.E matures in 2-8 years and carry a fixed profit rates ranging from 4.50% - 5.112% per annum (2019: 4.50% - 5.112%) per annum.

10. Investment deposits

	2020 AED'000	2019 AED'000
Current:		
Investment deposits maturing in less than 3 months	**186,730**	186,730
Investment deposits maturing up to 1 year but more than 3 months	**2,664,771**	2,604,392
	2,851,501	2,791,122
Non-current:		
Investment deposits maturing after 1 year	**241,054**	257,311
	3,092,555	3,048,433

10.1. Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging from 1.50% to 2.90% (2019: 2.45% to 4.1%) per annum.

10.2. Investment deposits of AED 136.73 million (2019: AED 136.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.

10.3. Dividends received from and payable on behalf of companies listed on DFM for the investors in DFM myAccount and iVESTOR Card balances aggregates to AED 1,357 million (2019: AED 1,109 million) out of which AED 1,050 million (2019: AED 1,000 million) have been invested in short term deposits, AED 37 million have been invested in investment at amortised cost (2019: AED 40 million) and AED 270 million in the bank's mudarabah and current accounts (2019: AED 69 million).

10.4. Dividend declared and payable by Group to Parent Company amounting to AED 467 million (31 December 2019: AED 467 million) has been invested in investment deposits by the Company.

11. Prepaid expenses and other receivables

	2020 AED'000	2019 AED'000
Accrued income on investment deposits	**34,606**	57,095
Central counterparty balances (Note 11.1)	**109,815**	14,497
Prepaid expenses	**5,883**	5,941
Accrued trading commission fees	**1,062**	1,644
Other receivables	**3,005**	2,561
Due from brokers	**738**	703
VAT receivable on capital expenditure	**2,634**	1,507
	157,743	83,948
Less: allowance for doubtful debts	**(738)**	(93)
	157,005	83,855

11. Prepaid expenses and other receivables (continued)

Net movement in allowance for doubtful debts:

	2020 AED'000	2019 AED'000
Opening balance	**93**	67
Provision for the year	**645**	26
Closing balance	**738**	93

11.1. These balances relate to Dubai Clear Central LLC and Nasdaq Dubai Limited which act as central counterparties for all trades which are usually settled on a T+2 basis.

11.2 The Company does not hold any collateral over prepaid expenses and other receivables.

12. Cash and cash equivalents

	2020 AED'000	2019 AED'000
Cash on hand	**148**	189
Bank balances:		
Current accounts	**209,694**	72,575
Savings accounts (Note 12.1)	**10**	18,559
Mudarabah accounts (Note 10.3 & 12.2)	**112,823**	42,688
	322,675	134,011
Add : Investment deposits with original maturities not exceeding three months	**98,000**	75,090
Cash and cash equivalents	**420,675**	209,101

12.1. The average rate of return on savings accounts is 0.40% per annum (2019: 1.55% per annum).

12.2. The average rate of return on mudarabah account is 0.35% per annum (2019: 0.56% per annum).

12.3. At 31 December 2020, the Group has assessed the recoverability of its cash and cash equivalents and considered provision for expected credit loss to be immaterial.

13. Share capital

	2020 **AED'000**	2019 AED'000
Authorised, issued and paid up share capital: 8,000,000,000 shares (2019: 8,000,000,000 shares) of AED 1 each (2019: AED 1 each)	**8,000,000**	8,000,000

The Company has declared dividends of AED 200 million, including Non-sharia compliant income of AED 22.5 million for the year ended 31 December 2019 and AED 24.8 million for the year ended 31 December 2018 (Note 24), representing AED 0.025 per share. The dividends of AED 152 million for 2019 (2018: AED Nil) and distribution of non- sharia compliant income of AED 22.5 million for 2019 (2018: AED 24.8 million) were approved by the shareholders at the Annual General Meeting held on 25 March 2020.

14. Reserves

Statutory reserve

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

	Statutory reserve **AED'000**
Balance as of 31 December 2018	442,211
Transfer from net profit for the year 2019	12,061
Balance as of 31 December 2019	454,272
Transfer from net profit for the year 2020	13,790
Balance as of 31 December 2020	**468,062**

Investments revaluation reserve - FVOCI

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

15. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

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

Transactions during the year	**2020** **AED'000**	2019 AED'000
Fellow subsidiaries and associates of the Group		
Investment income	**50,570**	54,749
Interest expense	**1,392**	1,268
Other fees	**-**	159
Dividend income	**8,754**	8,754
Rent and other fees	**8,951**	9,034
Interest on lease	**1,676**	2,042

Compensation of key management personnel

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

Salaries and short-term benefits	**8,470**	8,700
General pension and social security	**960**	960
Board of Directors		
- Remuneration to the Nasdaq Dubai Board	**907**	1,206
- Meeting allowance for the Group	**634**	809
- DFM board remuneration	**2,100**	2,100

Balances

Other related parties		
Managed funds managed by a shareholder of the Parent (Note 8)	**218,271**	258,008
Other financial assets measured at FVOCI (Note 8)	**372,521**	342,004
Investment at amortised cost (Note 9)	**116,283**	125,695
Cash and bank balances (Note 12)	**321,691**	103,356
Investment deposits (Note 10)	**1,212,771**	1,065,140

Investment deposits include AED 100 million (31 December 2019: AED 100 million) placed as collateral with related parties.

15. Related party transactions and balances (continued)

	2020 AED'000	2019 AED'000
Due to related parties		
Dubai World Trade Centre – lease liability	**21,457**	30,252
Parent		
Expenses paid on behalf of the Group	**12,404**	5,966
Subordinated loan	**30,490**	29,098
Dividends payable	**466,500**	466,500

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

The parent has agreed not to call for the subordinated loan from its subsidiary for at least 1 year from the date of signing the financial statements for the year ended 31 December 2020.

The Group has not provided any loans to its directors during the year ended 31 December 2020 and 2019.

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

The Group has applied partial exemption allowed under IAS 24 to Government owned entities and has disclosed the nature and amount of each individually significant transaction and for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. The ultimate parent and controlling party is the Government of Dubai which owns 80.66% (2019: 80.66%) of Dubai Financial Market P.J.S.C. through Investment Corporation of Dubai, a Government of Dubai entity. The Group in the usual course of operating Dubai stock exchange incur expenses and receives fees based on the standard terms applicable in the market from Government related entities. In addition the Group carries out investment activities with Government related entities on its own behalf.

16. Leases

A. Leases as lessee (IFRS 16)

The Group leases office premises. The leases typically run for a period of 3-5 years, with an option to renew the lease after that date. Lease payments are renegotiated every 3-5 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The property leases were entered into many years ago as combined leases and renewed on a yearly basis.

Information about leases for which the Group is a lessee is presented below.

16. Leases (continued)

A. Leases as lessee (IFRS 16) (continued)

i. Right-of-use assets

Right-of-use assets related to leased properties are presented in property and equipment (Note7).

ii. Lease liability

	2020 AED'000	2019 AED'000
Non-current lease liability	**17,156**	26,656
Current lease liability	**8,470**	11,094
	25,626	37,750

iii. Amounts recognised in consolidated statement of income

	2020 AED'000	2019 AED'000
Interest on lease liabilities	**2,060**	2,276

iv. Amounts recognised in consolidated statement of cash flows

	2020 AED'000	2019 AED'000
Total cash outflow for leases	**14,184**	11,530

17. Provision for employees' end of service benefits

	2020 AED'000	2019 AED'000
Balance at the beginning of the year	**23,200**	21,388
Charged during the year	**2,449**	2,512
Paid during the year	**(104)**	(700)
Balance at the end of the year	**25,545**	23,200

18. Payables and accrued expenses

	2020 AED'000	2019 AED'000
Dividends payable on behalf of companies listed on the DFM ("MyAccount") (Note 18.1)	**1,004,189**	808,238
iVESTOR cards (Note 18.1)	**352,374**	300,627
Members' margin deposits	**18,572**	20,206
Non sharia compliant income	**-**	24,801
Brokers' retention	**22,573**	24,304
Accrued expenses and other payables	**18,650**	20,422
Central counterparty balances (Note 11.1)	**109,815**	14,497
Due to U.A.E. Securities and Commodities Authority	**6,071**	4,672
Unearned revenue	**2,567**	3,746
Zakat	**1,012**	977
Lease liabilities (Note 16)	**8,470**	11,094
VAT Payable	**1,268**	1,453
	1,545,561	1,235,037

18.1. Dividends received from and payable on behalf of companies listed on DFM for the investors in DFM myAccount and iVESTOR card balances as at 31 December 2020 aggregates to AED 1,357 million (2019: AED 1,109 million) out of which AED 1,050 million (2019: AED 1,000 million) have been invested in short term deposits, AED 37 million have been invested in investment at amortised cost (2019: AED 40 million) and AED 270 million in the Group's mudarabah and current accounts (2019: AED 69 million).

19. Dividends payable

19.1 The Company has not declared any dividends for the year ended 31 December 2020. Dividends declared for the year ended 31 December 2019 were AED 200 million, including Non-sharia compliant income of AED 22.5 million, representing AED 0.025 per share.

19.2 Unpaid dividends for shareholders other than related party is AED 3 million (2019: AED 3 million).

20. Investment income

	2020 AED'000	2019 AED'000
Return on investment deposits	**104,870**	127,348
Dividends	**9,998**	12,885
	114,868	140,233

21. General and administrative expenses

	2020	2019
	AED'000	AED'000
Payroll and other benefits	**90,142**	88,671
Depreciation	**23,154**	21,604
Maintenance expenses	**11,023**	10,531
Telecommunication expenses	**7,217**	8,408
Professional expenses	**5,529**	2,988
iVESTOR expenses	**2,803**	2,609
Other expenses	**9,424**	10,215
	149,292	145,026

22. Earnings per share

	2020	2019
Net profit for the year attributable to the owners of the Company (AED'000)	**137,900**	120,609
Authorised, issued and paid up share capital ('000)	**8,000,000**	8,000,000
Less: Treasury shares ('000)	**(4,237)**	(4,237)
Number of shares issued ('000)	**7,995,763**	7,995,763
Earnings per share - AED	**0.017**	0.015

23. Commitments

	2020	2019
	AED'000	AED'000
Commitments for the purchase of property and equipment	**11,848**	36,205

In 2010, the Company entered into an agreement with Borse Dubai Limited to acquire the remaining 33% (2019: 33%) shareholding of Nasdaq Dubai Limited against a consideration of AED 148 million (2019: AED 148 million). The exercise and completion of this acquisition is contingent upon the mutual agreement of the Company and Borse Dubai Limited and on a date to be mutually agreed between the Company and Borse Dubai Limited.

24. Non sharia compliant income

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

Year	AED'000
2017	35,999
2018	24,801
2019	22,539

Non-Sharia compliant income of AED 22.5 million relating to 2019 (2019: AED 24.8 million relating to 2018) has been appropriated after approval by the Company's Sharia and Fatwa Supervisory Board.

25. Financial risk management objectives

25.1 Financial risk factors

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

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

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

25. Financial risk management objectives (continued)

25.2 Market risk

(a) Foreign exchange risk

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

(b) Price risk

The Group is exposed to equity price risks arising from equity investments. The Group does not actively trade in these investments. The Group as at 31 December 2020 has an equity investment portfolio measured at FVOCI amounting to AED 801 million (2019: AED 850 million).

Equity price sensitivity analysis

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

If equity prices had been 5% higher/lower:

- Investment revaluation reserve would increase/decrease by AED 40 million (2019: AED 43 million) as a result of the changes in fair value of the investments.

(c) Profit rate risk

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

Financial assets which potentially subject the Group to profit rate risk consist principally of investment deposits, balances with banks and other financial institutions, Sukuks measured at amortized cost and Sukuk measured at FVTOCI. A shift of +/- 50bps in the yield curve would result in an increase/ decrease in investment income and equity by AED 17.4 million (2019: AED 17.5 million).

25. Financial risk management objectives (continued)

25.3 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 investment deposits, investment at amortised cost, balances with banks and other financial institutions and other receivables.

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

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

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

	2020 **AED'000**	2019 AED'000
Financial assets		
Investment at amortised cost (Note 9)	**166,075**	175,489
Investment deposits (Note 10)	**3,092,555**	3,048,433
Other receivables (Note 11)	**148,488**	76,407
Cash and cash equivalents (Note 12)	**420,675**	209,101
Total financial assets	**3,827,793**	3,509,430

The Group has made a provision of AED 738 thousand (2019: AED 93 thousand) against its doubtful receivables as at 31 December 2020. The remaining receivables were neither past due nor impaired at the consolidated statement of financial position date.

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

	2020 **AED'000**	2019 AED'000
Bank Rating		
P1	**36,730**	1,219,982
P2	**3,085,151**	1,580,049
Unrated	**150,000**	200,003
Total	**3,271,881**	3,000,034

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

25. **Financial risk management objectives** (continued)
25.3 **Credit risk** (continued)

Loss rates are based on actual credit loss experience over the past two years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Debt securities at amortised cost

The Group limits its exposure to credit risk by investing only in debt securities issued by reputed UAE financial institutions, government owned entities and other UAE based entities which are unrated.

For rated entities, the Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings by supplementing it with the with available press and regulatory information about issuers. For unrated entities the Group evaluates the financial performance of the issuers periodically to monitor changes in credit risk and further supplements with available press and regulatory information about issuers.

12-month and lifetime probabilities of default are based on historical data supplied by Moody's and Fitch ratings. Loss Given Eefault (LGD) parameters generally reflect an assumed recovery rate of 27% for reputed UAE financial institutions and 40% for other entities except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

25. Financial risk management objectives (continued)

25.3 Credit risk (continued)

Debt securities at amortised cost (continued)

The following table presents an analysis of the credit quality of debt securities classified as investment at amortised cost and long term investment deposits with counterparties other than banks. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

Credit rating		**At amortised cost 31 December 2020**	
In thousands of AED	**12-month ECL**	**Lifetime ECL – not credit-impaired**	**Lifetime ECL - credit-impaired**
Gross carrying amounts (amortised cost before impairment)	116,195	267,764	284,847
Impairment	-	(9,195)	(252,067)
Loss allowance	-	(451)	(52)
Carrying amount	116,195	258,118	32,728

Credit rating		**At amortised cost 31 December 2019**	
In thousands of AED	**12-month ECL**	**Lifetime ECL – not credit-impaired**	**Lifetime ECL - credit-impaired**
Gross carrying amounts (amortised cost before impairment)	125,694	271,950	281,970
Impairment	-	-	(246,312)
Loss allowance	-	(447)	(57)
Carrying amount	125,694	271,503	35,601

The Group did not have any debt securities that were past due but not impaired at 31 December 2020 and as at 31 December 2019.

The Group has no collateral in respect of these investments.

Cash and cash equivalents

The Group held cash and cash equivalents of AED 421 million as at 31 December 2020 (2019: AED 209 million), short term investment deposits of AED 2,851 million (2019: AED 2,791 million) and long term investment deposits of AED 241 million (2019: AED 257 million) with bank and financial institution counterparties, which are rated P1 or P2, based on Moody's and Fitch ratings or are unrated.

25. Financial risk management objectives (continued)

25.3 Credit risk (continued)

Cash and cash equivalents (continued)

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore no ECL has been recognised.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

The amount of impairment allowance at 31 December 2020 for long term investment deposit and investment at amortized cost is AED 504 thousand (2019: AED 504 thousand).

25.4 Liquidity risk

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

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

31 December 2020	**Within 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 Years**	**Over 5 years**	**Total**
Financial liabilities						
Payables and accrued expenses	**1,542,994**	**-**	**-**	**17,156**	**-**	**1,560,150**
Subordinated loan	**-**	**-**	**-**	**30,490**	**-**	**30,490**
Due to a related party	**-**	**-**	**12,404**	**-**	**-**	**12,404**
Dividend payable	**-**	**469,588**	**-**	**-**	**-**	**469,588**
Total financial liabilities	**1,542,994**	**469,588**	**12,404**	**47,646**	**-**	**2,072,632**

31 December 2019	**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	1,231,291	-	-	26,656	-	1,257,947
Subordinated loan	-	-	-	29,098	-	29,098
Due to a related party	-	-	5,966	-	-	5,966
Dividends payable	-	469,588	-	-	-	469,588
Total financial liabilities	1,231,291	469,588	5,966	55,754	-	1,762,599

25. Financial risk management objectives (continued)

25.5 Fair value of financial instruments

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The Group's financial assets and financial liabilities comprise of cash and bank balances, investment at amortized cost, financials assets recognized at fair value though other comprehensive income, investment deposits, subordinated loan, dividend payable, receivables and payables whose maturity is short term. Long term investment deposits carry market rates of return. Consequently, their fair value approximates the carrying value, after taking into account impairment, stated in the consolidated statement of financial position.

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1. Instruments included in level 1 comprise primarily of 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 inputs where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. These investments comprise funds, the fair values of which are based on the net asset value provided by the fund managers.

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

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

25. Financial risk management objectives (continued)

25.5 Fair value of financial instruments (continued)

There were no changes in valuation techniques during the year.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2019 and 2020.

	31 December 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Financial assets measured at fair value through other comprehensive income				
- Equities	**193,872**	**5,322**	**-**	**199,194**
- Managed funds	**-**	**241,321**	**-**	**241,321**
- Investments in Sukuk	**360,120**	**-**	**-**	**360,120**
Total	**553,992**	**246,643**	**-**	**800,635**

	31 December 2019			
	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
Financial assets measured at fair value through other comprehensive income				
- Equities	261,379	5,963	-	267,342
- Managed funds	-	275,735	-	275,735
- Investments in Sukuk	307,121	-	-	307,121
Total	568,500	281,698	-	850,198

There are no transfers between Level 1 and Level 2 during the year ended 31 December 2020 (2019: AED Nil).

The Group has not purchased shares during the year ended 31 December 2020 (2019: AED Nil).

Reconciliation of Level 3 fair value measurements of financial assets

	Measured at FVOCI Unquoted equities	
	2020	2019
	AED'000	AED'000
Opening balance	**-**	22,940
Transfer from level 3 to level 2	**-**	(5,963)
Disposal during the year		-
Fair value changes	**-**	(16,977)
Closing balance	**-**	-

25. Financial risk management objectives (continued)

25.5 Fair value of financial instruments (continued)

The fair value of the following financial assets and liabilities approximate their carrying amount: cash and cash equivalents, investment deposits, accrued income on investment deposits, accrued trading commission fees, central counterparty balances, 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.

The following table summarises the amortised cost and fair value of the sukuk at 31 December 2020, all of which are classified as level 2 in fair value hierarchy:

	Carrying amount	**Fair value**
	AED'000	**AED'000**
Investment at amortised cost		
Investment in sukuk	**166,075**	**168,734**

The following table summarises the amortised cost and fair value of the Sukuk at 31 December 2019:

	Carrying amount	Fair value
	AED'000	AED'000
Investment at amortised cost		
Investment in sukuk	175,489	177,563

26. Financial assets and liabilities

Financial assets by category

	2020 AED'000	2019 AED'000
Assets as per consolidated statement of financial position		
Financial assets measured at fair value through other comprehensive income (FVOCI)	**800,635**	850,198
Amortised cost		
Cash and cash equivalents (Note 12)	**420,675**	209,101
Investment deposits (Note 10)	**3,092,555**	3,048,433
Investment at amortised cost (Note 9)	**166,075**	175,489
Other receivables (Note 25.3)	**148,488**	76,407
	3,827,793	3,509,430

Financial liabilities by category

	2020 AED'000	2019 AED'000
Liabilities as per consolidated statement of financial position		
Other financial liabilities at amortised cost		
Payables and accrued expenses	**1,560,150**	1,257,947
Subordinated loan	**30,490**	29,098
Due to a related party	**12,404**	5,966
Dividend payable	**469,588**	469,588
	2,072,632	1,762,599

27. Capital risk management

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

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

28. 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 stock exchanges and related clearing house.

29. Social contributions

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

30. Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2020.