

**DUBAI FINANCIAL MARKET (DFM) - PJSC  
DUBAI - UNITED ARAB EMIRATES**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Dubai Financial Market (DFM) - PJSC**  
**Dubai - United Arab Emirates**

**Financial Statements and Independent Auditor's Report**  
**For the Year Ended December 31, 2009**

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Ref.:10343FS09-Dec

## **Independent Auditor's Report**

### **The Shareholders**

### **Dubai Financial Market (DFM) - PJSC**

### **Dubai**

### **United Arab Emirates**

## **Report on the Financial Statements**

We have audited the accompanying financial statements of **Dubai Financial Market (DFM) - PJSC**, (the "Company"), **Dubai, United Arab Emirates**, which comprise the statement of financial position as at December 31, 2009, and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Independent Auditor's Report to the Shareholders of Dubai Financial Market (DFM) - PJSC, Dubai - (page 2 of 2)**

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Dubai Financial Market (DFM) - PJSC, Dubai, United Arab Emirates** as of December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Report on Other Legal and Regulatory Requirements**

Also, in our opinion, the Company has maintained proper books of account. We obtained all the information and explanations which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the UAE Federal Commercial Companies Law No. 8 of 1984, as amended, or of the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations for the year.

**Deloitte & Touche (M.E.)**



**Anis F. Sadek**  
**(Reg. No. 521)**

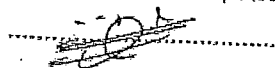
**Dubai**  
**March 2, 2010**

Statement of Financial Position  
As of December 31, 2009  
(In Thousand Arab Emirates Dirhams)

|                                                                                           | Note    | 2009             | 2008             |
|-------------------------------------------------------------------------------------------|---------|------------------|------------------|
| <b>ASSETS</b>                                                                             |         |                  |                  |
| <b>Current assets</b>                                                                     |         |                  |                  |
| Cash and bank balances                                                                    | 5       | 33,462           | 95,547           |
| Islamic investment deposits                                                               | 6&13    | 1,482,292        | 1,572,049        |
| Prepaid expenses and other receivables                                                    | 7       | 26,680           | 33,644           |
| Due from a related party                                                                  | 13      | 3,914            | 4,551            |
| <b>Total current assets</b>                                                               |         | <b>1,546,348</b> | <b>1,705,791</b> |
| <b>Non-current assets</b>                                                                 |         |                  |                  |
| Islamic investment deposits                                                               | 6       | 38,527           | -                |
| Other financial assets - Available for sale (AFS)                                         | 8 & 2   | -                | 944,366          |
| Other financial assets measured at fair value through other comprehensive income (FVTOCI) | 8 & 2   | 1,003,793        | -                |
| Property and equipment                                                                    | 9       | 29,932           | 308,377          |
| Intangible assets                                                                         | 10      | 2,723,092        | 2,798,946        |
| Goodwill                                                                                  | 11      | 2,878,874        | 2,878,874        |
| <b>Total non-current assets</b>                                                           |         | <b>6,674,218</b> | <b>6,930,563</b> |
| <b>Total Assets</b>                                                                       |         | <b>8,220,566</b> | <b>8,636,354</b> |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                                               |         |                  |                  |
| <b>Current liabilities</b>                                                                |         |                  |                  |
| Payables and accrued expenses                                                             | 12      | 22,415           | 34,119           |
| Dividends payable                                                                         | 13 & 18 | 123,140          | 20,165           |
| Due to a related party                                                                    | 13      | 48,500           | 48,500           |
| <b>Total current liabilities</b>                                                          |         | <b>194,055</b>   | <b>102,784</b>   |
| <b>Non-current liabilities</b>                                                            |         |                  |                  |
| Provision for employees' end of service indemnity                                         | 14      | 3,279            | 2,578            |
| Deferred income - Government grant                                                        | 9 & 13  | -                | 280,000          |
| <b>Total non-current liabilities</b>                                                      |         | <b>3,279</b>     | <b>282,578</b>   |
| <b>Total Liabilities</b>                                                                  |         | <b>197,334</b>   | <b>385,362</b>   |
| <b>Shareholders' Equity</b>                                                               |         |                  |                  |
| Share capital                                                                             | 15 (a)  | 8,000,000        | 8,000,000        |
| Treasury shares                                                                           | 15 (b)  | (55,864)         | (55,864)         |
|                                                                                           |         | 7,944,136        | 7,944,136        |
| Net initial public offering surplus                                                       | 16      | 31,608           | 31,608           |
| Investments revaluation reserve - AFS                                                     | 17      | -                | (974,754)        |
| Investments revaluation reserve - FVTOCI                                                  | 17      | (1,163,469)      | -                |
| Statutory and other reserves                                                              | 17      | 239,120          | 613,374          |
| Retained earnings                                                                         |         | 971,837          | 636,628          |
| <b>Total Shareholders' Equity</b>                                                         |         | <b>8,023,232</b> | <b>8,250,992</b> |
| <b>Total Liabilities and Shareholders' Equity</b>                                         |         | <b>8,220,566</b> | <b>8,636,354</b> |

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

The financial statements on pages 3 to 46 were approved and signed by the Chairman, on behalf of the Board of Directors, on March 2, 2010.



**Income Statement**

**For the year ended December 31, 2009**

**(In Thousand Arab Emirates Dirhams)**

|                                                                                | <u>Note</u> | <u>2009</u>    | <u>2008</u>       |
|--------------------------------------------------------------------------------|-------------|----------------|-------------------|
| <b>Revenues</b>                                                                |             |                |                   |
| Trading commission fees                                                        |             | 374,738        | 640,209           |
| Brokerage fees                                                                 |             | 20,785         | 21,018            |
| Ownership transfer and mortgage fees                                           |             | 5,672          | 20,538            |
| Other fees                                                                     |             | <u>4,683</u>   | <u>7,111</u>      |
| <b>Operating income</b>                                                        |             | <b>405,878</b> | <b>688,876</b>    |
| Net investment revenue                                                         | 19          | 91,510         | 263,214           |
| Other income                                                                   |             | 5,541          | -                 |
| Gain from revaluation of investments in marketable securities held for trading |             | -              | 61,044            |
| General and administrative expenses                                            | 20          | ( 80,460)      | ( 82,309)         |
| Amortization of intangible assets                                              | 10          | ( 75,854)      | ( 75,854)         |
| Impairment loss for available for sale investments                             |             | <u>-</u>       | <u>( 250,000)</u> |
| <b>Net profit for the year</b>                                                 |             | <b>346,615</b> | <b>604,971</b>    |
| Earning per share - AED                                                        | 21          | <u>0.04</u>    | <u>0.08</u>       |

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

**Statement of Comprehensive Income**  
**For the year ended December 31, 2009**  
**(In Thousand Arab Emirates Dirhams)**

|                                                                  | <u>Note</u> | <u>2009</u>                  | <u>2008</u>                     |
|------------------------------------------------------------------|-------------|------------------------------|---------------------------------|
| <b>Net profit for the year</b>                                   |             | <b><u>346,615</u></b>        | <b><u>604,971</u></b>           |
| <b><i>Other comprehensive income</i></b>                         |             |                              |                                 |
| Gain on revaluation of<br>investments measured at FVTOCI         |             | <b>61,285</b>                | -                               |
| Loss on revaluation of<br>AFS investments                        |             | -                            | ( 1,265,720)                    |
| Impairment of AFS investments<br>transferred to income statement |             | -                            | 250,000                         |
| Transfer out from reserve of sales of<br>AFS investments         |             | <u>-</u>                     | ( 147,587)                      |
| <b>Other comprehensive income/(loss) for the year</b>            |             | <b><u>61,285</u></b>         | <b>( 1,163,307)</b>             |
| <b>Total comprehensive income/(loss) for the year</b>            |             | <b><u><u>407,900</u></u></b> | <b><u><u>( 558,336)</u></u></b> |

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

**Statement of Changes in Shareholders' Equity**  
**For the year ended December 31, 2009**  
**(In Thousand Arab Emirates Dirhams)**

|                                                                                                                    | Share capital    | Treasury shares  | Net initial public offering surplus | Investments revaluation reserve AFS | Investments revaluation reserve FVTOCI | Statutory and other reserves | Retained earnings | Total            |
|--------------------------------------------------------------------------------------------------------------------|------------------|------------------|-------------------------------------|-------------------------------------|----------------------------------------|------------------------------|-------------------|------------------|
| Balance at December 31, 2007                                                                                       | 8,000,000        | ( 55,864)        | 31,608                              | 188,553                             | -                                      | 431,883                      | 1,007,724         | 9,603,904        |
| Net profit for the year                                                                                            | -                | -                | -                                   | -                                   | -                                      | -                            | 604,971           | 604,971          |
| Other comprehensive income for the year                                                                            | -                | -                | -                                   | (1,163,307)                         | -                                      | -                            | -                 | (1,163,307)      |
| Total comprehensive loss for the year                                                                              | -                | -                | -                                   | (1,163,307)                         | -                                      | -                            | 604,971           | ( 558,336)       |
| Transfer to statutory and other reserves (Note 17)                                                                 | -                | -                | -                                   | -                                   | -                                      | 181,491                      | ( 181,491)        | -                |
| Dividends declared                                                                                                 | -                | -                | -                                   | -                                   | -                                      | -                            | ( 794,576)        | ( 794,576)       |
| Balance at December 31, 2008                                                                                       | 8,000,000        | ( 55,864)        | 31,608                              | ( 974,754)                          | -                                      | 613,374                      | 636,628           | 8,250,992        |
| Effect of the change in accounting policy for classification and measurement of financial assets - IFRS 9 (Note 2) | -                | -                | -                                   | 974,754                             | (1,224,754)                            | -                            | 250,000           | -                |
| Balance at January 1, 2009 - restated                                                                              | 8,000,000        | ( 55,864)        | 31,608                              | -                                   | (1,224,754)                            | 613,374                      | 886,628           | 8,250,992        |
| Net profit for the year                                                                                            | -                | -                | -                                   | -                                   | -                                      | -                            | 346,615           | 346,615          |
| Other comprehensive income for the year                                                                            | -                | -                | -                                   | -                                   | 61,285                                 | -                            | -                 | 61,285           |
| Total comprehensive income for the year                                                                            | -                | -                | -                                   | -                                   | 61,285                                 | -                            | 346,615           | 407,900          |
| Transfer to statutory reserve                                                                                      | -                | -                | -                                   | -                                   | -                                      | 34,662                       | ( 34,662)         | -                |
| Dividends declared (Note 18)                                                                                       | -                | -                | -                                   | -                                   | -                                      | -                            | ( 635,660)        | ( 635,660)       |
| Transfer of reserves to retained earnings (Note 18)                                                                | -                | -                | -                                   | -                                   | -                                      | ( 408,916)                   | 408,916           | -                |
| <b>Balance at December 31, 2009</b>                                                                                | <b>8,000,000</b> | <b>( 55,864)</b> | <b>31,608</b>                       | <b>-</b>                            | <b>(1,163,469)</b>                     | <b>239,120</b>               | <b>971,837</b>    | <b>8,023,232</b> |

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

**Statement of Cash Flows**

**For the year ended December 31, 2009**

**(In Thousand Arab Emirates Dirhams)**

|                                                                               | <u>2009</u>           | <u>2008</u>             |
|-------------------------------------------------------------------------------|-----------------------|-------------------------|
| <b>Cash flows from operating activities</b>                                   |                       |                         |
| Net profit for the year                                                       | 346,615               | 604,971                 |
| Adjustments for:                                                              |                       |                         |
| Depreciation of property and equipment                                        | 11,327                | 12,877                  |
| Provision for employees' end of service indemnity                             | 957                   | 735                     |
| Amortization of intangible assets                                             | 75,854                | 75,854                  |
| Impairment loss of available for sale investment                              | -                     | 250,000                 |
| Provision for doubtful accounts expense                                       | 237                   | 2,022                   |
| Gain on sale of available for sale investments                                | ( 688)                | ( 130,465)              |
| Gain from revaluation of investment in marketable securities held for trading | -                     | ( 61,044)               |
| Gain on disposal of property and equipment                                    | -                     | ( 5)                    |
| Return on Islamic investment deposits                                         | ( 85,205)             | ( 104,656)              |
| Dividend income                                                               | ( 5,600)              | ( 28,093)               |
| <b>Operating profit before changes in operating assets and liabilities</b>    | 343,497               | 622,196                 |
| (Increase)/decrease in prepaid expenses and other receivables                 | ( 1,736)              | 13,649                  |
| Decrease/(increase) in due from a related party                               | 637                   | ( 2,313)                |
| Decrease in payables and accrued expenses                                     | ( 11,704)             | ( 254,713)              |
| <b>Cash generated from operations</b>                                         | 330,694               | 378,819                 |
| Employees' end of service indemnity paid                                      | ( 256)                | ( 115)                  |
| <b>Net cash generated from operating activities</b>                           | <u>330,438</u>        | <u>378,704</u>          |
| <b>Cash flows from investing activities</b>                                   |                       |                         |
| Proceeds from sale of other financial assets                                  | 2,546                 | 976,645                 |
| Proceeds from disposal of property and equipment                              | -                     | 5                       |
| Purchases of other financial assets                                           | -                     | ( 1,355,905)            |
| Purchase of property and equipment                                            | ( 12,882)             | ( 10,266)               |
| Net Islamic investment (deposits)/proceeds                                    | ( 652,988)            | 437,753                 |
| Revenue received from Islamic investments deposits                            | 93,154                | 112,068                 |
| Dividend received                                                             | 6,114                 | 27,580                  |
| <b>Net cash (used in)/ generated from investing activities</b>                | <u>( 564,056)</u>     | <u>187,880</u>          |
| <b>Cash flows from financing activities</b>                                   |                       |                         |
| Dividends paid to shareholders                                                | ( 532,685)            | ( 774,411)              |
| <b>Net cash used in financing activities</b>                                  | <u>( 532,685)</u>     | <u>( 774,411)</u>       |
| <b>Net decrease in cash and cash equivalents</b>                              | ( 766,303)            | ( 207,827)              |
| Cash and cash equivalents, beginning of the year                              | <u>1,105,547</u>      | <u>1,313,374</u>        |
| <b>Cash and cash equivalents, end of the year (Note 22)</b>                   | <u><u>339,244</u></u> | <u><u>1,105,547</u></u> |

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

**Notes to the financial statements**  
**For the year ended December 31, 2009**

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**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 issued by the Ministry of Economy on February 6, 2007, and is subject to the provisions of the UAE Federal law No. 8 for the year 1984 and its amendments.

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

The Company currently operates the Dubai stock exchange (DFM), 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 Government of Dubai.

The shares owned by Dubai Government are registered in the name of Borse Dubai Limited, the parent company.

**2. Adoption of new and revised International Financial Reporting Standards**

***Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)***

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the disclosure in these financial statements.

IAS 1 (as revised)  
*Presentation of Financial Statements*

IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

*Improving Disclosures about Financial Instruments* (IFRS 7 Financial Instruments: Disclosures)

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

Notes to the financial statements - continued  
For the year ended December 31, 2009

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**2. Adoption of new and revised International Financial Reporting Standards**  
(continued)

*Standards and Interpretations affecting amounts reported in the current period (and/or prior periods) - continued*

*IFRS 9 Financial Instruments*

The Company has adopted IFRS 9 Financial Instruments (IFRS 9) in 2009 in advance of its effective date. The Company has chosen December 31, 2009 as its date of initial application (i.e. the date on which the Company has assessed its existing financial assets) as this is the first reporting period end since the Standard was issued on November 12, 2009. The Standard has been applied retrospectively and the Company has chosen the limited exemption not to restate comparative information in the year of initial application which resulted to:

- Comparative information for prior periods was not restated. The classification and measurement requirements previously applied in accordance with IAS 39 and disclosures required in the IFRS 7 *Financial Instruments: Disclosures* were retained.
- The Company disclosed the accounting policies for both periods, one applying IFRS 9 (current period) and one applying IAS 39 (prior periods).
- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application were recognised in the opening retained earnings (or other component of equity, as appropriate).

IFRS 9 specifies how Company should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortised cost or fair value.

Debt instruments are measured at amortised cost only if:

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

If either of the two criteria is not met the financial instrument is classified as at fair value through profit or loss (FVTPL). Additionally, even if the asset meets the amortised cost criteria the Company may choose at initial recognition to designate the financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**2. Adoption of new and revised International Financial Reporting Standards**  
(continued)

*Standards and Interpretations affecting amounts reported in the current period (and/or prior periods) - continued*

*IFRS 9 Financial Instruments (continued)*

Only financial assets that are classified as measured at amortised cost are tested for impairment.

Investments in equity instruments are classified and measured as at fair value through profit or loss except if the equity investment is not held for trading and is designated by the Company as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at fair value through other comprehensive income, all gains and losses, except for dividend income recognised in accordance with IAS 18 Revenue, are recognised in other comprehensive income and are not subsequently reclassified to income statement.

The directors have reviewed and assessed all of the Company's existing financial assets as at the date of initial application of IFRS 9. As a result:

- all of the Company's equity investments have been designated as at FVTOCI.

The impact of adopting IFRS 9 has been a reversal of unrealized losses from investment revaluation reserve - AFS to investment revaluation reserve - FVTOCI of AED 974 million as result of reclassifying as at January 1, 2009 available for sale investments to financial assets measured at fair value through other comprehensive income. This reclassification has also resulted in a reversal of impairment losses, previously recognized in the income statement from retained earnings to investment revaluation reserve - FVTOCI for an amount of AED 250 million.

As IFRS 9 was early adopted this year, the cumulative changes in fair value of available for sale investments of AED 1,163 million was not tested for impairment but transferred to investment revaluation reserve - other comprehensive income as allowed by IFRS9.

Notes to the financial statements - continued  
For the year ended December 31, 2009

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2. Adoption of new and revised International Financial Reporting Standards  
(continued)

*Standards and Interpretations adopted with no effect on the financial statements*

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported or the disclosure in these financial statements but may affect the accounting for future transactions or arrangements.

|                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Amendments to IFRS 1<br><i>First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements</i> (Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate) | The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.                                                                                                           |
| Amendments to IFRS 2<br><i>Share-based Payment</i> (Vesting Conditions and Cancellations)                                                                                                                                                   | The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.                                                                                                                                                                                          |
| IFRS 8<br><i>Operating Segments</i> (as revised in 2007)                                                                                                                                                                                    | This standard requires disclosure of information about the Company's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company.                                                                                                                                                                        |
| IAS 23 (as revised in 2007) <i>Borrowing Costs</i>                                                                                                                                                                                          | The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements.                                                                                                                                                                                                                 |
| IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>                                                                                                                                                      | IAS 20 has been amended to require that the benefit of a government loan at a below-market rate of interest be treated as a government grant. This change has had no impact on these financial statements.                                                                                                                                                                                  |
| Amendments to IAS 32<br><i>Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements</i> (Puttable Financial Instruments and Obligations Arising on Liquidation)                                                   | The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met. |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**2. Adoption of new and revised International Financial Reporting Standards**  
(continued)

*Standards and Interpretations adopted with no effect on the financial statements - continued*

|                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IAS 40 <i>Investment property</i>                                                                                                        | IAS 40 has been amended to include within its scope investment property in the course of construction.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| IAS 38 <i>Intangible Assets</i>                                                                                                          | IAS 38 has been amended to state that an entity is permitted to recognise a prepayment asset for advertising or promotional expenditure only up to the point at which the entity has the right to access the goods purchased or up to the point of receipt of services. These amendments have no effect on entity's financial performance or financial position.                                                                                                                                                                                                                                                                                                                |
| IFRIC 9 <i>Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement</i> (Embedded Derivatives) | Amendments to IFRIC 9 and IAS 39 require entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The amendments to IFRIC 9 require an assessment to be made either when the entity first became party to the contract or when a change in the terms of the contract significantly modifies expected cash flows. The amendments are applicable for annual periods ending on or after 31 December 2009. The application of the amendment is not expected to have a significant impact on the Company's financial statements. |
| IFRIC 13 <i>Customer Loyalty Programmes</i>                                                                                              | The application of the amendment is not expected to have a significant impact on the Company's financial statements as the Company has no customer loyalty programmes.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| IFRIC 15 <i>Agreements for the Construction of Real Estate</i>                                                                           | The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognised. The requirements have not affected the accounting for the Company's construction activities.                                                                                                                                                                                                                                                                                                             |
| IFRIC 16 <i>Hedges of a Net Investment in a Foreign Operation</i>                                                                        | The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**2. Adoption of new and revised International Financial Reporting Standards**  
(continued)

*Standards and Interpretations in issue not yet adopted*

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

|                                                                                                                               |                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| IFRS 3 <i>Business Combinations</i>                                                                                           | Effective for annual periods beginning on or after July 1, 2009    |
| IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>                                                    | Effective for annual periods beginning on or after January 1, 2010 |
| IAS 7 <i>Statement of Cash Flows</i>                                                                                          | Effective for annual periods beginning on or after January 1, 2010 |
| IAS 17 <i>Leases</i>                                                                                                          | Effective for annual periods beginning on or after January 1, 2010 |
| IAS 27 <i>Consolidated and Separate Financial Statements</i>                                                                  | Effective for annual periods beginning on or after July 1, 2009    |
| IAS 28 <i>Investments in Associates</i>                                                                                       | Effective for annual periods beginning on or after July 1, 2009    |
| IFRIC 17 <i>Distributions of Non-cash Assets to Owners</i>                                                                    | Effective for annual periods beginning on or after July 1, 2009    |
| IFRIC 18 <i>Transfers of Assets from Customers</i>                                                                            | Effective for annual periods beginning on or after July 1, 2009    |
| IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>                                                  | Effective for annual periods beginning on or after July 1, 2010    |
| Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i> | Effective for annual periods beginning on or after January 1, 2011 |

The directors anticipate that the adoption of these Standards and Interpretations will not have a significant impact on the presentation and disclosures of the Company's financial statements.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies**

**Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards.

**Basis of preparation**

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments at fair value. The principal accounting policies are set below:

**Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

**Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised so as to write off their cost over their estimated useful lives, using the straight-line method as follows:

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

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Goodwill**

Goodwill arising on the acquisition of a company or any entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Trading commission fees, ownership transfer and mortgage fees are recognized on the date of transaction in the market.

Brokers' license fees are recognised on the date of granting the license and are recognised on a life time proportion basis.

*Dividend*

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

*Return on Islamic investment deposits*

Return on Islamic investment deposits are recognised based on the expected minimum rate of return specified in the investment agreement on time proportion basis, and reconciled to actual on maturity date.

**Operating leases**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognized as an integral part of the total lease expenses over the term of the lease.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Foreign currency transactions**

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to borrowing costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related building cost.

**Property and equipment**

Property and equipment are stated at cost, except for land which is stated at fair value, less accumulated depreciation and any accumulated impairment loss.

Depreciation is charged so as to write off the cost of assets other than work-in-progress and land, over their estimated useful lives, using the straight-line method.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Provision for employees' end of service indemnity**

Provision for expatriates employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current basic remuneration and cumulative years of service at the balance sheet date.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Defined contribution plan**

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 Company is required to contribute 15% of the “contribution calculation salary” of U.A.E. payroll costs to the retirement benefit scheme to fund the benefits. The employees are also required to contribute 5% of the “contribution calculation salary” to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the income statement for the period.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Financial instruments (applying IFRS 9 – current period)**

**Initial recognition and subsequent measurement**

*Date of recognition*

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

*Classification and initial measurement of financial instruments*

For the purposes of classifying financial assets an instrument is an ‘equity instrument’ if it is a non-derivative and meets the definition of ‘equity’ for the issuer (under IAS 32 Financial Instruments: Presentation). All other non-derivative financial assets are ‘debt instruments’.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Financial instruments (applying IFRS 9 – current period) - continued**

**Initial recognition and subsequent measurement (continued)**

*Classification and initial measurement of financial instruments (continued)*

Financial assets are classified into the following categories: ‘financial assets measured at amortized cost’, ‘financial assets measured at fair value through profit or loss’, and ‘financial assets measured at fair value through other comprehensive income’.

All the financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

*Financial assets at amortized cost and the effective interest method*

Debt instruments are measured at amortised cost if both of the following conditions are met:

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

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at fair value through profit or loss – see below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see below), with interest revenue recognised on an effective yield basis in interest income.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortised cost to fair value through profit or loss, if the objective of the business model changes so that the amortised cost criteria are no longer met.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at fair value through profit or loss, if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Financial instruments (applying IFRS 9 – current period) - continued**

**Initial recognition and subsequent measurement (continued)**

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

Debt instrument financial assets that do not meet the amortised cost criteria described above, or that meet the criteria but the entity has chosen to designate as at fair value through profit or loss at initial recognition, are measured at fair value through profit or loss. The Company has not designated a debt instrument financial asset as financial assets at fair value through profit or loss.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from fair value through profit or loss to amortised cost if the objective of the business model changes so that the amortised cost criteria starts to be met and the instrument's contractual cash flows meet the amortised cost criteria. Reclassification of debt instruments designated as at fair value through profit or loss at initial recognition is not permitted.

Investments in equity instruments are classified as at fair value through profit or loss, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) at initial recognition (see below).

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised in income statement. Fair value is determined in the manner described in Note 25.

Dividend income on investments in equity instruments at fair value through profit or loss is recognised in income statement when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue*.

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

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

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

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Financial instruments (applying IFRS 9 – current period) - continued**

**Initial recognition and subsequent measurement (continued)**

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

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Fair value is determined in the manner described in Note 25. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to income statement, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in income statement when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue*.

*Reclassification of financial assets*

The financial assets are required to be reclassified if the objective of the Company's business model for managing those financial assets changes. Such changes are expected to be very infrequent. The Company determines these changes by the Company's Board of Directors as a result of external or internal changes and must be significant to the Company's operations and demonstrable to external parties.

If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. Any previously recognised gains, losses or interest are not required to be restated.

If the Company reclassifies a financial asset so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in income statement.

If the Company reclassifies a financial asset so that it is measured at amortised cost, its fair value at the reclassification date becomes its new carrying amount.

The reclassification day is the first day of the first reporting period following the change in business model that results in an entity reclassifying financial assets.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Financial assets (applying IAS 39, before amendment to IFRS 9 relating to financial instruments)**

**Initial recognition and subsequent measurement**

*Date of recognition*

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

*Initial measurement of financial assets*

Financial assets are classified into the following specified categories: 'financial assets at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All the financial instruments are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

*Financial assets at fair value through profit or loss*

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

*Financial assets held for trading*

A financial asset is classified as held for trading if:

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

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Financial assets (applying IAS 39, before amendment to IFRS 9 relating to financial instruments) - continued**

**Initial recognition and subsequent measurement (continued)**

*Financial assets designated as at fair value through profit or loss*

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

*Held to maturity financial investments*

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Financial assets (applying IAS 39, before amendment to IFRS 9 relating to financial instruments) - continued**

**Initial recognition and subsequent measurement (continued)**

*Available for sale financial investments*

Listed shares and other securities held by the Company that are traded in an active market are classified as available for sale. After initial measurement, available for sale financial investments, are subsequently measured at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available for sale equity instruments are recognised in income statement when the Company's right to receive the dividends is established.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in income statement are determined based on the amortised cost of the monetary asset.

*Loans and receivables*

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and include cash and cash equivalents, Islamic deposits, other receivables and due from related parties.

After initial measurement, amounts are subsequently measured at amortised cost using the effective interest rate, less allowance for impairment.

*Impairment of financial assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**3. Significant accounting policies (continued)**

**Financial assets (applying IAS 39, before amendment to IFRS 9 relating to financial instruments) - continued**

*Impairment of financial assets (continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

*Available for sale financial investments*

When an available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to income statement in the period. Impairment losses in respect of available for sale equity securities, previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

**Financial liabilities and equity instruments issued by the Company**

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Other financial liabilities*

Other financial liabilities are initially measured at fair value net of transaction cost and subsequently measured at amortised cost.

*Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**4. Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in Note 3 to the 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.

*Critical judgments in applying Company's accounting policies*

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

*Classification of investments*

Upon adoption of IFRS 9, the Company's management has decided to reclassify the Company's investments into financial assets measured at fair value through other comprehensive income.

The management reclassified its available for sale investments in equity instruments to financial assets measured at fair value through other comprehensive income. Investments that were reclassified to financial assets measured at fair value through other comprehensive income are those considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading.

*Valuation of unquoted equity investments*

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

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**4. Critical accounting judgments and key sources of estimation uncertainty**  
(continued)

*Critical judgments in applying Company's accounting policies - continued*

*Impairment of assets values*

At each balance sheet date, the management reviews the assets' values to determine that their book values have not exceeded amounts recoverable from them. The management estimates the recoverable amount of various assets individually or based on the cash generating unit to which the individual asset belongs.

*Key sources of estimation uncertainty*

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Intangible assets*

Management has estimated the initial components of the intangible assets which arose from the business acquisition of Dubai Financial Market on January 1, 2007 based on an evaluation prepared by independent valuers. Management has estimated the useful lives of the intangible assets based on analysis of relevant factors relating to the expected period over which the intangible assets are expected to generate cash inflows to the company in the foreseeable future.

*Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. In management's view, as Dubai Financial Market's only cash generating unit is at the Company level, comparing the fair value minus cost to sell (Market Cap) of the Company to the carrying value of its net assets in total will provide a good indication of whether any impairment has occurred.

*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.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

**4. Critical accounting judgments and key sources of estimation uncertainty**  
(continued)

*Key sources of estimation uncertainty - continued*

*Allowance for doubtful debts*

At each balance sheet date, the management conducts a detailed review of receivable balances, an allowance for doubtful debts is established based on this review, management experience and prevailing economic conditions.

**5. Cash and bank balances**

|                    | <b>December 31,</b> |                |
|--------------------|---------------------|----------------|
|                    | <b>2009</b>         | <b>2008</b>    |
|                    | <b>AED'000</b>      | <b>AED'000</b> |
| Cash on hand       | 42                  | 28             |
| Bank balances:     |                     |                |
| Current accounts   | 1,075               | 661            |
| Saving accounts    | 2,505               | 1,401          |
| Mudarabah accounts | <u>29,840</u>       | <u>93,457</u>  |
|                    | <u>33,462</u>       | <u>95,547</u>  |

The rate of return on the Mudarabah accounts are between 1% and 2% (2008: 1.75% to 3%) per annum.

**6. Islamic investment deposits**

|                                                                                                                  | <b>December 31,</b> |                  |
|------------------------------------------------------------------------------------------------------------------|---------------------|------------------|
|                                                                                                                  | <b>2009</b>         | <b>2008</b>      |
|                                                                                                                  | <b>AED'000</b>      | <b>AED'000</b>   |
| Current:                                                                                                         |                     |                  |
| Islamic investment deposits (Mudarabah) maturing in less than 3 months from the date of deposit (Note 22)        | 305,782             | 1,010,000        |
| Islamic investment deposits maturing in more than 3 months from the date of deposit but before December 31, 2010 | <u>1,176,510</u>    | <u>562,049</u>   |
|                                                                                                                  | <u>1,482,292</u>    | <u>1,572,049</u> |
| Non-current:                                                                                                     |                     |                  |
| Islamic investment deposits maturing after December 31, 2010                                                     | <u>38,527</u>       | <u>-</u>         |
|                                                                                                                  | <u>1,520,819</u>    | <u>1,572,049</u> |

As per the investment agreements, returns on these investments range from 3.75% to 7% (2008: 6% to 7.75% per annum).

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

**7. Prepaid expenses and other receivables**

|                                                | <b>December 31,</b> |                |
|------------------------------------------------|---------------------|----------------|
|                                                | <b>2009</b>         | <b>2008</b>    |
|                                                | <b>AED'000</b>      | <b>AED'000</b> |
| Accrued revenue on Islamic investment deposits | 14,827              | 23,289         |
| Accrued trading commission fees                | 2,129               | 1,836          |
| Due from brokers                               | 5,467               | 4,556          |
| Prepaid expenses                               | 2,957               | 2,820          |
| Other receivables                              | 3,559               | 3,165          |
|                                                | <b>28,939</b>       | <b>35,666</b>  |
| Less: Allowance for doubtful debts             | (2,259)             | (2,022)        |
|                                                | <b>26,680</b>       | <b>33,644</b>  |

Accrued trading commission fees are collected within two working days from the trading date. Accrued revenue from Islamic investments deposits are collected on the due date of the profit as set in the contractual agreements with the financial institution.

**8. Other financial assets**

|                                              | <b>December 31,</b> |                |
|----------------------------------------------|---------------------|----------------|
|                                              | <b>2009</b>         | <b>2008</b>    |
|                                              | <b>AED'000</b>      | <b>AED'000</b> |
| <b>Financial assets - Available for sale</b> |                     |                |
| Managed funds                                | -                   | 700,917        |
| Investment in equity securities              | -                   | 243,449        |
|                                              | -                   | 944,366        |
| <b>Financial assets - FVTOCI</b>             |                     |                |
| Investment in equity securities              | 265,726             | -              |
| Managed funds                                | 738,067             | -              |
|                                              | <b>1,003,793</b>    | <b>-</b>       |
|                                              | <b>1,003,793</b>    | <b>944,366</b> |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**8. Other financial assets (continued)**

The Company has opted to early adopt IFRS 9 which has resulted in a change to the Company's accounting policy for its classification and measurement of financial instruments. This change in accounting policy has been applied retrospectively and as permitted by IFRS 9, the Company elected not to restate the comparative amounts (refer to Note 2).

Investments by geographic concentration are as follows:

|                  | <b>December 31,</b> |                |
|------------------|---------------------|----------------|
|                  | <b>2009</b>         | <b>2008</b>    |
|                  | <b>AED'000</b>      | <b>AED'000</b> |
| - Within U.A.E.  | <b>889,764</b>      | 830,200        |
| - Outside U.A.E. | <b>114,029</b>      | 114,166        |
|                  | <b>1,003,793</b>    | 944,366        |

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", issued in October 2008 by the International Accounting Standards Board (IASB), the Company reclassified certain Investments held for trading ("HFT") to available for sale ("AFS"). The Company identified assets, eligible under the amendments, for which at July 1, 2008, it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. Under IAS 39 as amended, the reclassifications were made with effect from July 1, 2008 at fair value at that date. As the Company has adopted IFRS 9 in 2009 and applied the standard retrospectively for classification and measurement of its financial assets, these amendments to IAS 39, do not apply to the Company.

Notes to the financial statements - continued  
For the year ended December 31, 2009

9. Property and equipment

|                                    | Land at<br>fair value<br>AED'000 | Computers<br>and information<br>system<br>AED'000 | Leasehold<br>improvements<br>AED'000 | Furniture<br>and office<br>equipment<br>AED'000 | Motor<br>vehicles<br>AED'000 | Work-in-<br>progress<br>AED'000 | Total<br>AED'000 |
|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------------------|-------------------------------------------------|------------------------------|---------------------------------|------------------|
| <b>Cost or fair value</b>          |                                  |                                                   |                                      |                                                 |                              |                                 |                  |
| At December 31, 2007               | 280,000                          | 51,914                                            | 10,702                               | 9,971                                           | 285                          | 5,788                           | 358,660          |
| Additions                          | -                                | 5,886                                             | 283                                  | 491                                             | -                            | 3,606                           | 10,266           |
| Disposals                          | -                                | ( 900)                                            | ( 1,438)                             | ( 506)                                          | ( 33)                        | -                               | ( 2,877)         |
| Transfers                          | -                                | 525                                               | 1,438                                | 177                                             | -                            | ( 2,140)                        | -                |
| At December 31, 2008               | 280,000                          | 57,425                                            | 10,985                               | 10,133                                          | 252                          | 7,254                           | 366,049          |
| Additions                          | -                                | 6,569                                             | 281                                  | 50                                              | -                            | 5,982                           | 12,882           |
| Transfers                          | -                                | 3,467                                             | -                                    | 415                                             | -                            | ( 3,882)                        | -                |
| Grant transferred back (see below) | ( 280,000)                       | -                                                 | -                                    | -                                               | -                            | -                               | ( 280,000)       |
| <b>At December 31, 2009</b>        | -                                | <b>67,461</b>                                     | <b>11,266</b>                        | <b>10,598</b>                                   | <b>252</b>                   | <b>9,354</b>                    | <b>98,931</b>    |
| <b>Accumulated depreciation</b>    |                                  |                                                   |                                      |                                                 |                              |                                 |                  |
| At December 31, 2007               | -                                | 30,449                                            | 8,571                                | 6,664                                           | 262                          | -                               | 45,946           |
| Charge for the year                | -                                | 9,807                                             | 1,106                                | 1,951                                           | 13                           | -                               | 12,877           |
| Eliminated on disposal             | -                                | ( 704)                                            | ( 269)                               | ( 144)                                          | ( 34)                        | -                               | ( 1,151)         |
| At December 31, 2008               | -                                | 39,552                                            | 9,408                                | 8,471                                           | 241                          | -                               | 57,672           |
| Charge for the year                | -                                | 9,262                                             | 872                                  | 1,182                                           | 11                           | -                               | 11,327           |
| <b>At December 31, 2009</b>        | -                                | <b>48,814</b>                                     | <b>10,280</b>                        | <b>9,653</b>                                    | <b>252</b>                   | -                               | <b>68,999</b>    |
| <b>Carrying amount</b>             |                                  |                                                   |                                      |                                                 |                              |                                 |                  |
| <b>At December 31, 2009</b>        | -                                | <b>18,647</b>                                     | <b>986</b>                           | <b>945</b>                                      | -                            | <b>9,354</b>                    | <b>29,932</b>    |
| At December 31, 2008               | 280,000                          | 17,873                                            | 1,577                                | 1,662                                           | 11                           | 7,254                           | 308,377          |

Property and equipment other than work-in-progress and land are depreciated over their estimated useful lives of 4 years.

In 2007, Government of Dubai (ultimate controlling party) granted the Company a plot of land to construct new premises. The land is not registered in the name of the Company and was recorded at its fair value. During the year ended December 31, 2009, management has confirmed that the conditions attached to the Government Grant have not been met and accordingly the recorded value of the land of AED 280 million and the related deferred income of AED 280 million were reversed.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

**10. Intangible assets**

|                                | <b>License<br/>to operate<br/>as a Stock<br/>Exchange<br/>AED'000</b> | <b>Relationships<br/>with market<br/>participants<br/>(Brokers)<br/>AED'000</b> | <b>Historical<br/>trading<br/>database<br/>AED'000</b> | <b>Total<br/>AED'000</b> |
|--------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------|
| <b>Fair value</b>              |                                                                       |                                                                                 |                                                        |                          |
| As at December 31, 2008        | <u>2,824,455</u>                                                      | <u>58,743</u>                                                                   | <u>67,456</u>                                          | <u>2,950,654</u>         |
| <b>As at December 31, 2009</b> | <b><u>2,824,455</u></b>                                               | <b><u>58,743</u></b>                                                            | <b><u>67,456</u></b>                                   | <b><u>2,950,654</u></b>  |
| <b>Amortization</b>            |                                                                       |                                                                                 |                                                        |                          |
| As at December 31, 2007        | 56,489                                                                | 5,874                                                                           | 13,491                                                 | 75,854                   |
| Charge for the year            | <u>56,489</u>                                                         | <u>5,874</u>                                                                    | <u>13,491</u>                                          | <u>75,854</u>            |
| As at December 31, 2008        | 112,978                                                               | 11,748                                                                          | 26,982                                                 | 151,708                  |
| Charge for the year            | <u>56,489</u>                                                         | <u>5,874</u>                                                                    | <u>13,491</u>                                          | <u>75,854</u>            |
| <b>As at December 31, 2009</b> | <b><u>169,467</u></b>                                                 | <b><u>17,622</u></b>                                                            | <b><u>40,473</u></b>                                   | <b><u>227,562</u></b>    |
| <b>Carrying amount</b>         |                                                                       |                                                                                 |                                                        |                          |
| <b>At December 31, 2009</b>    | <b><u>2,654,988</u></b>                                               | <b><u>41,121</u></b>                                                            | <b><u>26,983</u></b>                                   | <b><u>2,723,092</u></b>  |
| At December 31, 2008           | <u>2,711,477</u>                                                      | <u>46,995</u>                                                                   | <u>40,474</u>                                          | <u>2,798,946</u>         |

**11. Goodwill**

|                                               | <b>December 31,</b>     |                  |
|-----------------------------------------------|-------------------------|------------------|
|                                               | <b>2009</b>             | <b>2008</b>      |
|                                               | <b>AED'000</b>          | <b>AED'000</b>   |
| Cost of acquisition of Dubai Financial Market | <b>8,000,000</b>        | 8,000,000        |
| Fair value of assets acquired                 | <b>( 2,170,472)</b>     | ( 2,170,472)     |
| Fair value of identifiable intangible assets  | <b>( 2,950,654)</b>     | ( 2,950,654)     |
| Value of goodwill recognized                  | <b><u>2,878,874</u></b> | <u>2,878,874</u> |

Notes to the financial statements - continued  
For the year ended December 31, 2009

12. Payables and accrued expenses

|                                                    | December 31,  |               |
|----------------------------------------------------|---------------|---------------|
|                                                    | 2009          | 2008          |
|                                                    | AED'000       | AED'000       |
| Brokers' deposits                                  | 830           | 15,465        |
| Due to U.A.E. Securities and Commodities Authority | 6,464         | 2,166         |
| Unearned revenue                                   | 6,648         | 7,225         |
| Accrued expenses and other payables                | 8,473         | 9,263         |
|                                                    | <u>22,415</u> | <u>34,119</u> |

13. Related party transactions

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24: *Related Party Disclosures*. Related parties comprise companies under common ownership and/or common management and control and key management personnel.

At the balance sheet date, due from/to a related party were as follows:

|                                                                                          | December 31,   |                |
|------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                          | 2009           | 2008           |
|                                                                                          | AED'000        | AED'000        |
| <b>Due from a related party</b>                                                          |                |                |
| <i>Parent company</i>                                                                    |                |                |
| Borse Dubai Limited – Islamic investment deposits                                        | 140,000        | -              |
| Borse Dubai Limited - current account                                                    | 3,914          | 4,551          |
|                                                                                          | <u>143,914</u> | <u>4,551</u>   |
| <b>Due to a related party</b>                                                            |                |                |
| <i>Ultimate parent</i>                                                                   |                |                |
| Dubai Government                                                                         | 48,500         | 48,500         |
| Borse Dubai Limited - dividends payable                                                  | 99,000         | -              |
|                                                                                          | <u>147,500</u> | <u>48,500</u>  |
| Government grants at fair value booked as<br>deferred income - Government grant (Note 9) | -              | 280,000        |
|                                                                                          | <u>-</u>       | <u>280,000</u> |

As per the initial public offering prospectus, 20% of the share capital amounting to AED 1,600,000,000 was offered for public subscription for the credit of Dubai Government. This amount was deposited in the Company's bank accounts and subsequently transferred to Dubai Government, with the exception of the balance of AED 48.5 million which remains as due to the Dubai Government.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

**13. Related party transactions (continued)**

During the year 2007, Government of Dubai (ultimate controlling party) granted the Company a plot of land to construct new premises. Formal title of this land had not yet been transferred to the Company. The land was valued during the year 2007 for an amount of AED 280 million by Dubai Property L.L.C. which was treated as deferred income and was to be transferred to profit or loss on a systematic and rational basis over the useful lives of the related building cost. During the year ended December 31, 2009, management has confirmed that the conditions attached to the Government Grant have not been met and accordingly the value of the land of AED 280 million and related deferred income of AED 280 million were reversed.

The nature of significant related party transactions and amounts involved were as follows:

|                                                     | <b>Year ended December 31,</b> |                |
|-----------------------------------------------------|--------------------------------|----------------|
|                                                     | <b>2009</b>                    | <b>2008</b>    |
|                                                     | <b>AED'000</b>                 | <b>AED'000</b> |
| Profit on investment deposits - Borse Dubai Limited | <b>11,310</b>                  | -              |
| Rent and service expense - Dubai World Trade Center | <b>5,767</b>                   | 5,100          |
|                                                     | =====                          | =====          |

***Compensation of key management personnel***

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

|                                     | <b>Year ended December 31,</b> |                |
|-------------------------------------|--------------------------------|----------------|
|                                     | <b>2009</b>                    | <b>2008</b>    |
|                                     | <b>AED'000</b>                 | <b>AED'000</b> |
| Short-term benefits                 | <b>4,409</b>                   | 9,881          |
| General pension and social security | <b>568</b>                     | 552            |
| Board remuneration                  | -                              | 1,971          |
|                                     | =====                          | =====          |

**14. Provision for employees' end of service indemnity**

|                               | <b>2009</b>    | <b>2008</b>    |
|-------------------------------|----------------|----------------|
|                               | <b>AED'000</b> | <b>AED'000</b> |
| Balance beginning of the year | <b>2,578</b>   | 1,958          |
| Charged during the year       | <b>957</b>     | 735            |
| Paid during the year          | <b>(256)</b>   | (115)          |
| Balance at end of the year    | <b>3,279</b>   | 2,578          |
|                               | =====          | =====          |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

**15. Share capital**

- a) The Company's share capital comprises of 8 billion shares of AED 1 per share. The founding shareholder, the Dubai Government, subscribed in kind for all the 8 billion shares through transferring the ownership of the assets, liabilities and the operations, rights and obligations of Dubai Financial Market (a wholly owned entity of the Dubai Government), as a going concern, to the Company. The total value transferred was assessed by an independent valuer for a total amount ranging between AED 7.219 billion and AED 8.151 billion as of December 31, 2005.

Subsequently 20% of the Company's share capital was sold by the Dubai Government through a public offering of 1.6 billion shares.

- b) The Company subscribed for 54,236,831 shares of its own shares for a total cost of AED 1.03 per share which includes incorporation expenses. The Company is planning to use these shares to acquire NASDAQ OMX, Dubai (refer to Note 27).

The Company has one class of ordinary shares which carry no right for fixed income.

**16. Net initial public offering surplus**

|                                                                     | <u>AED'000</u> |
|---------------------------------------------------------------------|----------------|
| Initial public offering fees collected<br>(AED 0.03 for each share) | 48,000         |
| Less: Incorporation expenses incurred                               | ( 16,392)      |
| Surplus taken to equity during 2007                                 | <u>31,608</u>  |

**17. Statutory and other reserves**

|                                            | <u>Statutory<br/>reserve<br/>AED'000</u> | <u>Special<br/>reserve<br/>AED'000</u> | <u>General<br/>reserve<br/>AED'000</u> | <u>Total<br/>AED'000</u> |
|--------------------------------------------|------------------------------------------|----------------------------------------|----------------------------------------|--------------------------|
| Balance as of December 31, 2007            | 143,961                                  | 143,961                                | 143,961                                | 431,883                  |
| Transfer from net income<br>for the year   | <u>60,497</u>                            | <u>60,497</u>                          | <u>60,497</u>                          | <u>181,491</u>           |
| Balance as of December 31, 2008            | 204,458                                  | 204,458                                | 204,458                                | 613,374                  |
| Transfer from net income<br>for the year   | 34,662                                   | -                                      | -                                      | 34,662                   |
| Transfer to retained earnings<br>(Note 18) | <u>-</u>                                 | <u>( 204,458)</u>                      | <u>( 204,458)</u>                      | <u>( 408,916)</u>        |
| <b>Balance as of December 31,<br/>2009</b> | <u><b>239,120</b></u>                    | <u><b>-</b></u>                        | <u><b>-</b></u>                        | <u><b>239,120</b></u>    |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**17. Statutory and other reserves**

*Statutory reserve*

In accordance with UAE Federal Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of its net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution, except as stipulated by the Law.

*Special reserve*

As per the Company's Articles of Association, 10% of the Company's annual net profit is to be allocated to special reserve until this reserve reaches 50% of the paid up capital.

During the year, the shareholders resolved to stop allocation to the special reserve (refer to Note 18 for further details) and to transfer the accumulated balance to retained earnings.

*General reserve*

As per the Company's Articles of Association, 10% of the Company's annual net profit is to be allocated to general reserve until this reserve reaches 20% of the paid up capital.

This appropriation may be stopped by a Resolution of an Ordinary General Meeting in pursuance of the suggestion of the Board of Directors, or if it reaches the amount of 20% of the paid up capital of the Company. The reserve shall be utilized for purposes determined by the Ordinary General Meeting in pursuance of recommendations of Board of Directors.

During the year, the shareholders resolved to stop allocation to the general reserve (refer to Note 18 for further details) and to transfer the accumulated balance to retained earnings.

*Investments revaluation reserve*

*- Available for sale*

The investments revaluation reserve represents accumulated gains and losses arising on the revaluation of available for sale financial assets, net of amounts reclassified to consolidated income statement when those assets have been disposed of or are determined to be impaired.

*- Other comprehensive income*

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

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**18. Dividends**

Based on the results of the financial year ended December 31, 2008, the Board of Directors proposed a cash dividend of 8% of issued share capital, and also proposed to discontinue the allocation of the 10% of the Company's annual net profit to the general reserve and to transfer the general reserve to the retained earnings. These proposals were ratified by a resolution of the shareholders during the Ordinary General Assembly Meeting held on April 5, 2009.

In addition to the above, the Board of Directors proposed to discontinue the allocation of the 10% of the Company's annual net profit to the special reserve and to transfer the reserve to retained earnings. The proposal was ratified by a resolution of the shareholders during the extraordinary annual assembly meeting held on April 5, 2009.

**19. Net investment revenue**

|                                       | <b>Year ended December 31,</b> |                       |
|---------------------------------------|--------------------------------|-----------------------|
|                                       | <b>2009</b>                    | <b>2008</b>           |
|                                       | <b>AED'000</b>                 | <b>AED'000</b>        |
| Return on Islamic investment deposits | 85,205                         | 104,656               |
| Gain on sale of investment            | 705                            | 130,465               |
| Dividends                             | <u>5,600</u>                   | <u>28,093</u>         |
|                                       | <u><b>91,510</b></u>           | <u><b>263,214</b></u> |

**20. General and administrative expenses**

|                            | <b>Year ended December 31,</b> |                      |
|----------------------------|--------------------------------|----------------------|
|                            | <b>2009</b>                    | <b>2008</b>          |
|                            | <b>AED'000</b>                 | <b>AED'000</b>       |
| Payroll and other benefits | 43,141                         | 44,352               |
| Rent                       | 5,767                          | 5,100                |
| Depreciation               | 11,326                         | 12,877               |
| Professional expenses      | 1,478                          | 2,017                |
| Bonus                      | -                              | 2,015                |
| Other                      | <u>18,748</u>                  | <u>15,948</u>        |
|                            | <u><b>80,460</b></u>           | <u><b>82,309</b></u> |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

**21. Earning per share**

|                                          | <b>Year ended December 31,</b> |                |
|------------------------------------------|--------------------------------|----------------|
|                                          | <b>2009</b>                    | <b>2008</b>    |
|                                          | <b>AED'000</b>                 | <b>AED'000</b> |
| Net profit for the year (AED'000)        | <b>346,615</b>                 | 604,971        |
| Authorized share capital ('000)          | <b>8,000,000</b>               | 8,000,000      |
| Less: Treasury shares ('000)             | <b>( 54,236)</b>               | ( 54,236)      |
| Weighted average number of shares ('000) | <b>7,945,764</b>               | 7,945,764      |
| Earning per share - AED                  | <b>0.04</b>                    | 0.08           |

**22. Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks and investments in Islamic deposits maturing within three months from the date of the deposits. Cash and cash equivalent at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

|                                                                                              | <b>December 31,</b> |                |
|----------------------------------------------------------------------------------------------|---------------------|----------------|
|                                                                                              | <b>2009</b>         | <b>2008</b>    |
|                                                                                              | <b>AED'000</b>      | <b>AED'000</b> |
| Cash on hand                                                                                 | <b>42</b>           | 28             |
| Bank balances:                                                                               |                     |                |
| Current accounts                                                                             | <b>1,075</b>        | 661            |
| Saving accounts                                                                              | <b>2,505</b>        | 1,401          |
| Mudarabah accounts                                                                           | <b>29,840</b>       | 93,457         |
| Islamic investment deposits maturing in less than 3 months from the date of deposit (Note 6) | <b>305,782</b>      | 1,010,000      |
|                                                                                              | <b>339,244</b>      | 1,105,547      |

**23. Capital commitments**

|                                                        | <b>December 31,</b> |                |
|--------------------------------------------------------|---------------------|----------------|
|                                                        | <b>2009</b>         | <b>2008</b>    |
|                                                        | <b>AED'000</b>      | <b>AED'000</b> |
| Commitments for the purchase of property and equipment | <b>3,656</b>        | 2,966          |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**24. Capital risk management**

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders.

**25. Financial instruments**

**Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

**Financial risk management objectives**

The Company finance department monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, and price risk), credit risk and liquidity risk.

**Market risk**

The Company's activities are not exposed to the financial risks of changes in foreign currency exchange rates and interest rates because substantially all the financial assets and liabilities are denominated in United Arab Emirates Dirhams or US Dollars which Dirhams is fixed. The Company complies in all its activities and operations with the provisions of Islamic Sharia which are not subject to interest rate risk.

**Price risks**

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade in these investments.

*Equity price sensitivity analysis*

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

If equity prices had been 5% higher/lower:

- Net profit for the year ended December 31, 2009 would have been unaffected as the equity investments are classified as financial assets at fair value through other comprehensive income.
- Investment revaluation reserves would increase/decrease by AED 58 million (2008: AED 48 million) as a result of the changes in fair value of the investments.

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**25. Financial instruments (continued)**

**Credit risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transact with licensed brokers. The credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

Although the Company's credit exposure is to a group of counterparties having similar characteristics and industry, the credit risk is limited because the counterparties collateralized their debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**Liquidity risk management**

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 Company's short, medium and long-term funding and liquidity management requirements. The Company 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.

Notes to the financial statements - continued  
For the year ended December 31, 2009

25. Financial instruments (continued)

Liquidity risk management - continued

The liquidity profile of financial assets and financial liabilities as at December 31, 2009 were as follows:

|                                    | Within<br>3 months<br>AED'000 | 3 to 6<br>months<br>AED'000 | 6 to 12<br>months<br>AED'000 | 1 to 5<br>years<br>AED'000 | Over<br>5 years<br>AED'000 | Total<br>AED'000 |
|------------------------------------|-------------------------------|-----------------------------|------------------------------|----------------------------|----------------------------|------------------|
| <b>FINANCIAL ASSETS</b>            |                               |                             |                              |                            |                            |                  |
| Cash and bank balances             | 33,462                        | -                           | -                            | -                          | -                          | 33,462           |
| Islamic investment deposits        | 305,782                       | 196,895                     | 979,615                      | 38,527                     | -                          | 1,520,819        |
| Other financial assets             | -                             | -                           | -                            | 1,003,793                  | -                          | 1,003,793        |
| Due from a related party           | 3,914                         | -                           | -                            | -                          | -                          | 3,914            |
| Other receivables                  | 26,680                        | -                           | -                            | -                          | -                          | 26,680           |
| <b>Total financial assets</b>      | <b>369,838</b>                | <b>196,895</b>              | <b>979,615</b>               | <b>1,042,320</b>           | <b>-</b>                   | <b>2,588,668</b> |
| <b>FINANCIAL LIABILITIES</b>       |                               |                             |                              |                            |                            |                  |
| Payables and accrued expenses      | 39,907                        | 99,000                      | -                            | -                          | -                          | 138,907          |
| Due to a related party             | 48,500                        | -                           | -                            | -                          | -                          | 48,500           |
| <b>Total financial liabilities</b> | <b>88,407</b>                 | <b>99,000</b>               | <b>-</b>                     | <b>-</b>                   | <b>-</b>                   | <b>187,407</b>   |

Notes to the financial statements - continued  
For the year ended December 31, 2009

25. Financial instruments (continued)

Liquidity risk management - continued

The liquidity profile of financial assets and financial liabilities as at December 31, 2008 were as follows:

|                                    | Within<br>3 months<br>AED'000 | 3 to 6<br>months<br>AED'000 | 6 to 12<br>months<br>AED'000 | 1 to 5<br>years<br>AED'000 | Over<br>5 years<br>AED'000 | Total<br>AED'000 |
|------------------------------------|-------------------------------|-----------------------------|------------------------------|----------------------------|----------------------------|------------------|
| <b>FINANCIAL ASSETS</b>            |                               |                             |                              |                            |                            |                  |
| Cash and bank balances             | 95,547                        | -                           | -                            | -                          | -                          | 95,547           |
| Islamic investment deposits        | 1,010,000                     | 301,850                     | 260,199                      | -                          | -                          | 1,572,049        |
| Other financial assets             | -                             | -                           | -                            | 944,366                    | -                          | 944,366          |
| Due from a related party           | 4,551                         | -                           | -                            | -                          | -                          | 4,551            |
| Other receivables                  | 30,824                        | -                           | -                            | -                          | -                          | 30,824           |
| <b>Total financial assets</b>      | <u>1,140,922</u>              | <u>301,850</u>              | <u>260,199</u>               | <u>944,366</u>             | <u>-</u>                   | <u>2,647,337</u> |
| <b>FINANCIAL LIABILITIES</b>       |                               |                             |                              |                            |                            |                  |
| Payables and accrued expenses      | 47,059                        | -                           | -                            | -                          | -                          | 47,059           |
| Due to a related party             | <u>48,500</u>                 | <u>-</u>                    | <u>-</u>                     | <u>-</u>                   | <u>-</u>                   | <u>48,500</u>    |
| <b>Total financial liabilities</b> | <u>95,559</u>                 | <u>-</u>                    | <u>-</u>                     | <u>-</u>                   | <u>-</u>                   | <u>95,559</u>    |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**25. Financial instruments (continued)**

**Fair value of financial instruments**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

*Fair value of financial instruments carried at amortized cost*

The directors consider that the carrying amounts of financial assets and financial liabilities recognized at amortized cost in the consolidated financial statements approximate their fair values.

*Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

*Fair value measurements recognised in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

**25. Financial instruments (continued)**

**Fair value of financial instruments - continued**

*Fair value measurements recognised in the statement of financial position (continued)*

|                                                                                 | <b>December 31, 2009</b> |                |                |                  |
|---------------------------------------------------------------------------------|--------------------------|----------------|----------------|------------------|
|                                                                                 | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
|                                                                                 | <b>AED'000</b>           | <b>AED'000</b> | <b>AED'000</b> | <b>AED'000</b>   |
| <b><i>Financial assets at fair value through other comprehensive income</i></b> |                          |                |                |                  |
| - Equities                                                                      | 247,310                  | -              | 18,416         | 265,726          |
| - Managed funds                                                                 | -                        | 642,455        | 95,612         | 738,067          |
| <b>Total</b>                                                                    | <b>247,310</b>           | <b>642,455</b> | <b>114,028</b> | <b>1,003,793</b> |

Level 1 includes an amount of AED 99 million which represents investments in a listed company which was valued based on the last traded price before trading in its shares was suspended on the Dubai Financial Market in November 2008.

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

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

|                                                     | <b>Financial assets<br/>at FVTOCI<br/>Unquoted<br/>equities<br/>2009<br/>AED'000</b> |
|-----------------------------------------------------|--------------------------------------------------------------------------------------|
| Opening balance                                     | 114,166                                                                              |
| Disposal during the year                            | ( 1,842)                                                                             |
| In other comprehensive income - exchange difference | 1,704                                                                                |
| Closing balance                                     | <b>114,028</b>                                                                       |

The investments classified under level 3 categories have been carried at cost price. Cost is considered to be the best estimate of fair value as there are no indicators that the cost might not be representative of fair value for such unquoted equity instruments.

Notes to the financial statements - continued  
For the year ended December 31, 2009

26. Classification of financial assets and liabilities

Reclassification of financial assets at the date of initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, December 31, 2009.

|                               | Original measurement<br>category<br>(under IAS 39) | New measurement<br>category<br>(under IFRS 9) | Original<br>carrying<br>amount<br>AED'000 | New<br>carrying<br>amount<br>AED'000 |
|-------------------------------|----------------------------------------------------|-----------------------------------------------|-------------------------------------------|--------------------------------------|
| Investments in listed shares  | Available for sale                                 | Financial assets<br>at FV/TOCI                | 247,310                                   | 247,310                              |
| Investment in unlisted shares | Available for sale                                 | Financial assets<br>at FV/TOCI                | 18,416                                    | 18,416                               |
| Investment in managed funds   | Available for sale                                 | Financial assets<br>at FV/TOCI                | 738,067                                   | 738,067                              |
| Other financial assets        | Loans and receivables                              | Financial assets<br>at amortized cost         | 1,584,875                                 | 1,584,875                            |
| <b>Total</b>                  |                                                    |                                               | <b>2,588,668</b>                          | <b>2,588,668</b>                     |

**Notes to the financial statements - continued**  
**For the year ended December 31, 2009**

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**27. Major event during the year**

On December, 22 2009, Dubai Financial Market, PJSC (“DFM”) announced that it has made an offer to Borse Dubai Ltd. (“Borse Dubai”) and The NASDAQ OMX Group Inc. (“NASDAQ OMX”) to acquire 100% of NASDAQ Dubai.

The offer, which has been approved by Borse Dubai and NASDAQ OMX, is valued at USD 121 million (AED 445 million) and comprises USD 102 million (AED 375 million) in cash and 40 million of DFM shares. The transaction was endorsed by DFM’s Board of Directors on Monday December 21, 2009 and is subject to certain closing conditions, including the receipt of regulatory approvals.

On completion of the transaction NASDAQ OMX will become a shareholder of DFM through a minority stake of 1% (equating to 80 million shares, equivalent to USD 41 million). Meanwhile, NASDAQ OMX will continue to allow NASDAQ Dubai to use its brand and technology. The NASDAQ OMX stake in DFM will not require issuance of new shares as 40 million shares will be transferred from DFM’s existing treasury shares and an additional 40 million shares will be purchased from Borse Dubai.

As per the transaction term sheet, the parties agreed that DFM will acquire 100% of the share capital of NASDAQ Dubai from Borse Dubai and NASDAQ OMX (66.7% and 33.3% shareholding respectively). The total consideration for the transaction due from DFM will amount to USD 121,304,348 and be paid as follows:

- USD 80.8 million to be paid in cash to Borse Dubai;
- 40 million shares of DFM Company with a value of USD 20 million to be transferred to Borse Dubai on behalf of NASDAQ OMX; and
- USD 20 million in cash to Borse Dubai against the transfer of 40 million shares from Borse Dubai stake to NASDAQ OMX.