# Dubai Financial Market P.J.S.C.

## Condensed consolidated interim financial information

*for the six month period ended 30 June 2018*

**Dubai Financial Market P.J.S.C.**

**Condensed consolidated interim financial information (Un-audited)**

*for the six month period ended 30 June 2018*


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**Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information**

The Shareholders

Dubai Financial Market P.J.S.C.

*Introduction*

We have reviewed the accompanying 30 June 2018 condensed consolidated interim financial information of Dubai Financial Market P.J.S.C. ("the Company") and its subsidiaries (together referred to as "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2018;
- the condensed consolidated interim statement of income for the three month and six month periods ended 30 June 2018;
- the condensed consolidated interim statement of comprehensive income for the three month and six month periods ended 30 June 2018;
- the condensed consolidated interim statement of changes in equity for the six month period ended 30 June 2018;
- the condensed consolidated interim statement of cash flows for the six month period ended 30 June 2018; and
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.



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*Scope of Review*

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

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2018 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

*Other Matter*

The condensed consolidated interim financial information for the three month and six month periods ended 30 June 2017 and the consolidated financial statements for the year ended 31 December 2017 were reviewed and audited, respectively by another auditor who expressed an unmodified review conclusion on the condensed consolidated interim financial information for the three month and six month periods ended 30 June 2017 on 24 July 2017 and an unmodified audit opinion on the consolidated financial statements for the year ended 31 December 2017 on 31 January 2018.

KPMG Lower Gulf Limited

Vijendra Nath Malhotra
Registration No.: 48
Dubai, United Arab Emirates
Date: 23 JUL 2018



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## Condensed consolidated interim statement of financial position

*as at 30 June 2018*

| | Note | As at 30 June 2018 AED'000 (Un-audited) | As at 31 December 2017 AED'000 (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 6 | **2,878,874** | 2,878,874 |
| Other intangible assets | 6 | **2,174,832** | 2,203,076 |
| Property and equipment | | **288,358** | 275,245 |
| Other financial assets measured at fair value through other comprehensive income (FVOCI) | 7 | **810,990** | 856,546 |
| Investment at amortised cost | 8 | **194,953** | 94,756 |
| Investment deposits | 9 | **266,674** | 292,213 |
| **Total non-current assets** | | **6,614,681** | 6,600,710 |
| **Current assets** | | | |
| Prepaid expenses and other receivables | 11 | **64,909** | 63,021 |
| Investment deposits | 9 | **2,580,148** | 2,290,148 |
| Cash and cash equivalents | 12 | **389,826** | 473,609 |
| **Total current assets** | | **3,034,883** | 2,826,778 |
| **Total assets** | | **9,649,564** | 9,427,488 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 13 | **8,000,000** | 8,000,000 |
| Treasury shares | | **(4,364)** | (4,364) |
| | | **7,995,636** | 7,995,636 |
| Investment revaluation reserve – FVOCI | 14 | **(778,523)** | (702,860) |
| Statutory reserve | 14 | **429,664** | 429,664 |
| Retained earnings | | **128,853** | 419,182 |
| **Equity attributable to the owners of the Company** | | **7,775,630** | 8,141,622 |
| Non-controlling interest | | **19,423** | 19,091 |
| **Net equity** | | **7,795,053** | 8,160,713 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Subordinated loan | 10 | **27,211** | 26,616 |
| Provision for employees' end of service benefit | | **20,160** | 18,913 |
| **Total non-current liabilities** | | **47,371** | 45,529 |
| **Current liabilities** | | | |
| Payables and accrued expenses | 15 | **1,281,399** | 852,695 |
| Dividends payable | | **517,091** | 352,378 |
| Due to related parties | 10 | **8,650** | 16,173 |
| **Total current liabilities** | | **1,807,140** | 1,221,246 |
| **Total liabilities** | | **1,854,511** | 1,266,775 |
| **Total equity and liabilities** | | **9,649,564** | 9,427,488 |

.....
Chairman

The accompanying notes on pages 8 to 23 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 and 2.

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

| | Note | 3 months period ended 30 June | | 6 months period ended 30 June | |
|---|---|---|---|---|---|
| | | **2018** | 2017 | **2018** | 2017 |
| | | **AED'000** | AED'000 | **AED'000** | AED'000 |
| **Revenue** | | | | | |
| Trading commission fees | | **37,448** | 49,380 | **83,634** | 154,368 |
| Brokerage fees | | **5,107** | 5,125 | **10,800** | 10,248 |
| Clearing settlement and depositary fee | | **7,108** | 6,194 | **13,286** | 16,551 |
| Listing and market data fee | | **2,315** | 2,305 | **4,825** | 5,144 |
| Other fees | | **3,393** | 3,034 | **4,303** | 4,157 |
| **Operating revenues** | | **55,371** | 66,038 | **116,848** | 190,468 |
| Investment revenues | | **30,390** | 26,130 | **69,097** | 53,722 |
| Other income | | **82** | - | **1,478** | - |
| **Total revenues** | | **85,843** | 92,168 | **187,423** | 244,190 |
| **Expenses** | | | | | |
| General and administrative expenses | | **(37,444)** | (34,526) | **(75,462)** | (69,455) |
| Amortisation of intangible assets | | **(14,122)** | (14,122) | **(28,244)** | (28,244) |
| Interest expense | 10 | **(301)** | (288) | **(595)** | (569) |
| **Operating expenses** | | **(51,867)** | (48,936) | **(104,301)** | (98,268) |
| **Net profit for the period** | | **33,976** | 43,232 | **83,122** | 145,922 |
| **Attributable to:** | | | | | |
| Owners of the Company | | **33,886** | 43,256 | **82,790** | 145,597 |
| Non-controlling interest | | **90** | (24) | **332** | 325 |
| | | **33,976** | 43,232 | **83,122** | 145,922 |
| **Basic/diluted earnings per share - AED** | 16 | **0.004** | 0.005 | **0.010** | 0.018 |

The accompanying notes on pages 8 to 23 form an integral part of this condensed consolidated interim financial information.

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

| | 3 months period ended 30 June | | 6 months period ended 30 June | |
|---|---|---|---|---|
| | **2018 AED'000** | 2017 AED'000 | **2018 AED'000** | 2017 AED'000 |
| **Net profit for the period** | **33,976** | 43,232 | **83,122** | 145,922 |
| ***Other comprehensive income*** | | | | |
| **Items that will not be re-classified to profit or loss** | | | | |
| Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI) | **(19,588)** | 2,247 | **(77,237)** | 23,657 |
| **Total comprehensive income for the period** | **14,388** | 45,479 | **5,885** | 169,579 |
| **Attributable to:** | | | | |
| Owners of the Company | **14,298** | 45,503 | **5,553** | 169,254 |
| Non-controlling interest | **90** | (24) | **332** | 325 |
| **Total comprehensive income for the period** | **14,388** | 45,479 | **5,885** | 169,579 |

The accompanying notes on pages 8 to 23 form an integral part of this condensed consolidated interim financial information.

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**Condensed consolidated interim statement of changes in equity (Un-audited)**
*for the six month period ended 30 June 2018*

| | Share capital AED'000 | Treasury shares AED'000 | Investments revaluation reserve - FVOCI AED'000 | Statutory reserve AED'000 | Retained earnings AED'000 | Attributable to owners of the company AED'000 | Non-controlling interest AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|---|
| As at 1 January 2017 | 8,000,000 | (4,364) | (738,272) | 406,377 | 237,902 | 7,901,643 | 18,499 | 7,920,142 |
| Net profit for the period | | | | | 145,597 | 145,597 | 325 | 145,922 |
| Other comprehensive income for the period | - | - | 23,657 | - | - | 23,657 | - | 23,657 |
| Total comprehensive income for the period | - | - | 23,657 | - | 145,597 | 169,254 | 325 | 169,579 |
| Dividends approved, net of appropriation of non-sharia compliant income (Note 13) | - | - | - | - | - | - | - | - |
| Appropriation of non-sharia compliant income (Note 19) | - | - | - | - | (28,281) | (28,281) | - | (28,281) |
| Zakat | - | - | - | - | (30) | (30) | - | (30) |
| As at 30 June 2017 | 8,000,000 | (4,364) | (714,615) | 406,377 | 355,188 | 8,042,586 | 18,824 | 8,061,410 |
| **As at 1 January 2018** | **8,000,000** | **(4,364)** | **(702,860)** | **429,664** | **419,182** | **8,141,622** | **19,091** | **8,160,713** |
| Net profit for the period | - | - | - | - | 82,790 | 82,790 | 332 | 83,122 |
| Other comprehensive loss for the period | - | - | (77,237) | - | - | (77,237) | - | (77,237) |
| Total comprehensive (loss)/income for the period | - | - | (77,237) | - | 82,790 | 5,553 | 332 | 5,885 |
| Dividends approved, net of appropriation of non-sharia compliant income (Note 13) | - | - | - | - | (335,508) | (335,508) | - | (335,508) |
| Appropriation of non-sharia compliant income (Note 19) | - | - | - | - | (35,999) | (35,999) | - | (35,999) |
| Realised loss on disposal of investment | - | - | 1,574 | - | (1,574) | - | - | - |
| Zakat | - | - | - | - | (38) | (38) | - | (38) |
| **As at 30 June 2018** | **8,000,000** | **(4,364)** | **(778,523)** | **429,664** | **128,853** | **7,775,630** | **19,423** | **7,795,053** |

The accompanying notes on pages 8 to 23 form an integral part of this condensed consolidated interim financial information.

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

| | Note | Six month period ended 30 June 2018 AED'000 | 2017 AED'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the period | | **83,122** | 145,922 |
| **Adjustments for:** | | | |
| Depreciation of property and equipment | | **5,726** | 5,102 |
| Provision for employees' end of service benefit | | **1,247** | 1,231 |
| Amortisation of intangible assets | *6* | **28,244** | 28,244 |
| Interest expense | *10* | **595** | 569 |
| Revenues from investment deposits | | **(49,368)** | (41,153) |
| Dividends revenues | | **(19,729)** | (12,569) |
| **Operating cash flows before changes in operating assets and liabilities** | | **49,837** | 127,346 |
| Increase in prepaid expenses and other receivables | | **(575)** | (14,469) |
| Movement in due from related party | | **(7,523)** | (1,296) |
| Increase in payables and accrued expenses | | **456,946** | 542,775 |
| | | **498,685** | 654,356 |
| Employees' end of service benefit paid | | **-** | (126) |
| **Net cash generated from operating activities** | | **498,685** | 654,230 |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | | **(18,840)** | (6,351) |
| Net investment deposits | | **(290,000)** | (380,000) |
| Redemption of investments at amortised cost | | **25,879** | 12,042 |
| Investment deposit revenue received | | **46,855** | 38,745 |
| Investments in sukuk and other financial assets measured at FVOCI | | **(131,016)** | (94,730) |
| Dividend received | | **19,729** | 12,569 |
| **Net cash used in investing activities** | | **(347,393)** | (417,725) |
| **Cash flows from financing activities** | | | |
| Dividends paid to shareholders | | **(235,075)** | (5,254) |
| **Net cash used in financing activities** | | **(235,075)** | (5,254) |
| **Net (decrease) / increase in cash and cash equivalents** | | **(83,783)** | 231,251 |
| Cash and cash equivalents at the beginning of the period | | **473,609** | 370,843 |
| **Cash and cash equivalents at the end of the period** | *12* | **389,826** | 602,094 |

The accompanying notes on pages 8 to 23 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on review of condensed consolidated interim financial information is set out on pages 1 and 2.

**Notes to the condensed consolidated interim financial information**

*for the six month period ended 30 June 2018*

## 1 Establishment and operations

Dubai Financial Market (DFM) - P.J.S.C. (the "Company") is a public joint stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on February 6, 2007, and is subject to the provisions of the U.A.E. Federal law No. 2 of 2015 ("Companies law"). The Company received its registration under Federal Law No. 4 of 2000 with the Emirates Securities and Commodities Authority ('ESCA') on November 4, 2000.

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

The Company's shares are listed on the Dubai Financial Market ("DFM").

The Company currently operates the Dubai stock exchange, related clearing house and carries out investment activities on its own behalf.

The registered address of the Company is Dubai World Trade Center, Sheikh Zayed Road, P.O. Box 9700, Dubai, United Arab Emirates.

The ultimate parent and controlling party is the Government of Dubai which owns 79.63 % of DFM through Borse Dubai Limited (the "parent"), a Government of Dubai entity.

The condensed consolidated interim financial information incorporate the financial information of Dubai Financial Market (DFM) – P.J.S.C. and its subsidiaries (together the "Group"). Details of the subsidiaries are as follows:

| Company name | Activity | Country of incorporation | Ownership held |
|---|---|---|---|
| Nasdaq Dubai Limited* | Electronic Financial Market | UAE | 67% |

Nasdaq Dubai Limited has the following subsidiary:

| Company name | Activity | Country of incorporation | Ownership held |
|---|---|---|---|
| Nasdaq Dubai Guardian Limited | Bare nominee solely on behalf of Nasdaq Dubai Limited | UAE | 100% |

* The remaining 33% is held by Borse Dubai Limited (Note 17).

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

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

This condensed consolidated interim financial information does not include all the information required for full annual financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2017. In addition, results for the six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Except as described in note 2.2, 'Changes in significant accounting policies', the accounting policies applied in this condensed consolidated interim financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

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

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

UAE Federal Law No. 2 of 2015 (Companies Law) which is applicable to the Group has come into effect from 1 July 2015. The Group has assessed and evaluated the provisions of the Companies Law and has ensured its compliance.

### 2.2 Changes in significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017, except for changes resulting from adoption of the following:

a) IFRS 9 – Financial Instruments

b) IFRS 15 – Revenue from Contracts with Customers

#### *IFRS 9 Financial Instruments*

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of initial application of 1 January 2018. The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

#### *Impairment*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

## 2 Summary of significant accounting policies *(continued)*

### 2.2 Changes in significant accounting policies *(continued)*

***IFRS 9 Financial Instruments*** *(continued)*

**Impairment** *(continued)*

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

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

- the borrower / issuer of a debt security is unlikely to pay its credit obligations to the Group in full, without resource by the Group to actions such as realising security (if any held); or

- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

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

*Measurement of ECLs*
ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

***Stage 1***
Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

***Stage 2***
When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

***Stage 3***
Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

## 2 Summary of significant accounting policies *(continued)*

### 2.2 Changes in significant accounting policies *(continued)*

***IFRS 9 Financial Instruments*** *(continued)*

**Impairment** *(continued)*

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD), which is an estimate of the likelihood of default over a given time horizon ;
- loss given default (LGD), which is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date;
- exposure at default (EAD), which is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender / investor would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

*Forward-looking information*

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

*Assessment of significant increase in credit risk*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

***Presentation of allowance for ECL in the statement of financial position***

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

## 2.2 Changes in significant accounting policies *(continued)*

***IFRS 9 Financial Instruments*** *(continued)*

***Transition***

Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has taken an exemption not to restate comparative information for the periods with respect to impairment requirements. The information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition. This assessment has been made on the basis of the facts and circumstances that existed at the date of initial application.

***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces *IAS 18 Revenue, IAS 11 Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgment.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The core principle of the new standard is that entities should recognize revenue to depict the transfer of promised goods or services to customers. Depending on whether certain criteria are met, revenue is recognized over time or at a point in time, when control of the goods or services or underlying assets in case of the Group is transferred to the customer.

Based on the assessment performed, management considers that the IFRS 15 did not have a material impact on the Group's accounting policies.

## 2.3 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards relevant for preparing these condensed interim consolidated financial statements.

***IFRS 16 Leases***

IFRS 16, published in January 2016, replaces the existing IAS 17 *Leases*, IFRC 4 *Determining whether an Arrangement contains a lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

## 2 Summary of significant accounting policies *(continued)*

### 2.3 New standards and interpretations not yet adopted *(continued)*

***IFRS 16 Leases (continued)***

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low value items. Lessor accounting remains similar to current standard i.e. lessor accounting to classify leases as finance or operating leases.

The Standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16. The Group is currently assessing the impact of this standard on its condensed interim consolidated financial statements.

## 3 Basis of consolidation

The condensed consolidated interim financial information incorporates the interim financial information of the Company and the entities controlled by the Group (its subsidiaries) (together the "Group"). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

## 4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2017, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 9 and IFRS 15, which are disclosed in Note 2.

## 5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2017.

## 6 Goodwill and other intangible assets

| | Goodwill AED'000 | License to operate as a stock exchange AED'000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2017 and 2018 | 2,878,874 | 2,824,455 |
| **At 30 June 2017 and 2018** | **2,878,874** | **2,824,455** |
| **Amortization** | | |
| At 1 January 2018 | - | 621,379 |
| Charge for the period | - | 28,244 |
| **At 30 June 2018** | **-** | **649,623** |
| At 1 January 2017 | - | 564,890 |
| Charge for the period | - | 28,244 |
| At 30 June 2017 | - | 593,134 |
| **Carrying amount** | | |
| **At 30 June 2018** | **2,878,874** | **2,174,832** |
| At 30 June 2017 | 2,878,874 | 2,231,321 |
| At 31 December 2017 | 2,878,874 | 2,203,076 |

There was no evidence of impairment of the goodwill at 30 June 2018 on the basis that the fair value of the business, based on the Company's quoted market price at 30 June 2018 was in excess of its net assets at that date. DFM as an entity is considered a single cash generating unit for impairment testing purpose.

## 7 Other financial assets measured at fair value through other comprehensive income

| | 30 June 2018 AED'000 (Un-audited) | 31 December 2017 AED'000 (Audited) |
|---|---|---|
| Investment in equity securities | **330,408** | 377,035 |
| Managed funds – Note (a) | **280,456** | 275,851 |
| Investment in sukuk – Note (b) | **200,126** | 203,660 |
| | **810,990** | 856,546 |

*(a)* Managed funds include funds of AED 257.50 million (31 December 2017: AED 245.29 million) managed by a shareholder of the parent (Note 10).

*(b)* The investment in sukuk is a perpetual instrument, callable at the option of the issuer and measured at fair value through other comprehensive income. The sukuk carries a profit rate ranging from 6.04% to 6.75% per annum. (2017: 6.04% to 6.75%), which is payable at the discretion of the issuer.

*(c)* As of 30 June 2018, the Group does not have any investments in or other exposure to Abraaj Holdings, its subsidiaries or any of the funds managed by Abraaj Holdings or any of its subsidiaries (31 Dec 2017 : Nil).

Investments by geographic concentration are as follows:

| | 30 June 2018 AED'000 (Un-audited) | 31 December 2017 AED'000 (Audited) |
|---|---|---|
| - Within U.A.E. | **778,502** | 817,136 |
| - Outside U.A.E. | **32,488** | 39,410 |
| | **810,990** | 856,546 |

## 8 Investment at amortised cost

| | 30 June 2018 AED'000 (Un-audited) | 31 December 2017 AED'000 (Audited) |
|---|---|---|
| Investment in Sukuk – Note (a) | **194,953** | 94,756 |
| | **194,953** | 94,756 |

*(a)* Investment in sukuk in the U.A.E will mature in 4-10 years and carries a fixed profit rate of 4.50% - 5.112% per annum.

## 9 Investment deposits

| | 30 June 2018 AED'000 (Un-audited) | 31 December 2017 AED'000 (Audited) |
|---|---|---|
| **Current:** | | |
| Investment deposits maturing in less than 3 months | **600,000** | 486,730 |
| Investment deposits maturing up to 1 year but more than 3 months – Note (a) | **1,980,148** | 1,803,418 |
| | **2,580,148** | 2,290,148 |
| **Non-current:** | | |
| Investment deposits maturing above 1 year | **266,674** | 292,213 |
| | **2,846,822** | 2,582,361 |

(a) Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging 2.3% to 3.9% (31 December 2017: 2% to 3%) per annum.

(b) Investment deposits of AED 136.73 million (31 December 2017: AED 136.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.

(c) Dividends received from and payable on behalf of companies listed on DFM and Ivestor card balances amounting to AED 850 million (31 December 2017: AED 550 million) have been invested in investment deposits by the Company.

(d) Dividend declared and payable by the Group amounting to AED 517 million (31 December 2017: AED 352 million) has been invested in investment deposits by the Company.

## 10 Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include associates, joint ventures, holding company, ultimate parent, subsidiaries and key management personnel (KMP) or close family members. The transactions with related parties and balances arising from these transactions are as follows:

| **Transactions during the period** | Six month period ended 30 June | |
|---|---|---|
| | **2018 AED'000 (Un-audited)** | 2017 AED'000 (Un-audited) |
| Investment revenues | **24,498** | 23,751 |
| Interest expense | **595** | 569 |
| Mortgage fees | **719** | 678 |
| Dividend revenues | **8,441** | 8,441 |
| Rent – Dubai World Trade Centre | **4,847** | 4,842 |

## 10 Related party transactions and balances (continued)

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

| | Six month period ended 30 June | |
|---|---|---|
| **Compensation of key management personnel** | **2018 AED'000 (Un-audited)** | 2017 AED'000 (Un-audited) |
| Short-term benefits | **5,106** | 5,043 |
| General pension and social security | **470** | 446 |
| Board of Directors | | |
| - Remuneration to the Nasdaq Dubai Board | **588** | 635 |
| - Remuneration to the DFM Board | **2,100** | 1,800 |
| - Meeting allowance for the Group | **667** | 481 |

| **Balances** | **30 June 2018 AED'000 (Un-audited)** | 31 December 2017 AED'000 (Audited) |
|---|---|---|
| *(a) Other related parties* | | |
| Managed funds (Note 7) | **257,499** | 245,287 |
| Financial assets at FVOCI | **321,931** | 319,775 |
| Investment at amortised cost | **44,934** | 44,952 |
| Cash and bank balances | **170,382** | 119,370 |
| Investment deposits | **1,260,389** | 1,215,768 |
| *(b) Due to related parties* | | |
| **Parent** | | |
| Expenses paid on behalf of the Group | **8,650** | 16,173 |
| Subordinated loan (Note i) | **27,211** | 26,616 |
| Dividends payable | **487,000** | 318,500 |

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

## 11 Prepaid expenses and other receivables

| | 30 June 2018 AED'000 (Un-audited) | 31 December 2017 AED'000 (Audited) |
|---|---|---|
| Accrued income on investment deposits | **34,651** | 33,338 |
| Accrued trading commission fees | **2,076** | 4,242 |
| Due from brokers | **3,150** | 2,055 |
| Prepaid expenses | **13,084** | 9,043 |
| Other receivables | **6,676** | 3,011 |
| Central counterparty balances – Note (a) | **5,613** | 11,649 |
| | **65,250** | 63,338 |
| Less: allowance for doubtful debts | **(341)** | (317) |
| | **64,909** | 63,021 |

**Net movement in allowance for doubtful debts:**

| | | |
|---|---|---|
| Opening balance | **317** | 348 |
| Charge/(reversal) for the period/year | **24** | (31) |
| Closing balance | **341** | 317 |

(a) These balances relate to Nasdaq Dubai Limited which acts as a central counterparty for the trades done on Nasdaq Dubai Limited and are usually settled on T+2 basis. The balance represents receivable from brokers against unsettled trades at reporting period end. The corresponding payable balance of the same amount has been recorded as a liability as at period end (note 15).

## 12 Cash and cash equivalents

| | 30 June 2018 AED'000 (Un-audited) | 31 December 2017 AED'000 (Audited) |
|---|---|---|
| Cash on hand | **272** | 207 |
| Bank balances: | | |
| Current accounts | **47,672** | 41,357 |
| Savings accounts (i) | **2,120** | 1 |
| Mudarabah accounts (ii) | **142,712** | 141,005 |
| | **192,776** | 182,570 |
| Investment deposits with original maturities not exceeding three months | **197,050** | 291,039 |
| Cash and cash equivalents | **389,826** | 473,609 |

(i) The rate of return on the savings and mudarabah accounts is 0.21% to 0.55% per annum (31 December 2017: 0.17% to 0.44% per annum).

(ii) Dividends received from and payable on behalf of companies listed on DFM and Ivestor Card balances amounting to AED 343 million (2017 : AED 180 million) have been kept in mudarabah accounts and investment deposits by the Company.

## 13 Share capital

| | 30 June 2018 AED'000 (Un-audited) | 31 December 2017 AED'000 (Audited) |
|---|---|---|
| Authorised, issued and paid up share capital: | | |
| 8,000,000,000 shares (31 December 2017: 8,000,000,000 shares) of AED 1 each (31 December 2017: AED 1 each) | **8,000,000** | 8,000,000 |

The Company has declared dividends of AED 399.8 million, including Non-sharia compliant income of AED 35.9 million for the year ended 31 December 2017 and AED 28.3 million for the year ended 31 December 2016 (Note 19), representing AED 0.05 per share. The dividends were approved by the shareholders at the Annual General Meeting held on 28 March 2018.

## 14 Reserves

*(a) Statutory reserve*

In accordance with the U.A.E. Federal Commercial Companies Law No. 2 of 2015, as amended, the Group has established a statutory reserve by appropriation of 10% of the Company's net profit for each year which will be increased until the reserve equals 50% of the share capital. This reserve is not available for distribution, except as stipulated by the Law. No allocation to the statutory reserve has been made for the six month period ended 30 June 2018, as this will be affected at the year-end based on the Company's results for the year ending 31 December 2018.

*(b) Investments revaluation reserve*

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

## 15 Payables and accrued expenses

| | 30 June 2018 AED'000 (Un-audited) | 31 December 2017 AED'000 (Audited) |
|---|---|---|
| Dividends payable on behalf of companies listed on the DFM (Note 12) | **784,680** | 498,650 |
| Ivestor cards (Note 12) | **408,722** | 231,612 |
| Members' margin deposits | **26,269** | 38,841 |
| Accrued expenses and other payables | **16,929** | 14,352 |
| Central counterparty balances (Note 11) | **5,613** | 11,649 |
| Unearned revenue | **14,858** | 3,285 |
| Brokers' retention | **16,534** | 16,485 |
| Due to U.A.E Securities and Commodities Authority | **6,292** | 8,635 |
| Zakat | **943** | 905 |
| VAT Payable (Note a) | **559** | - |
| Non Sharia compliant income (Note 19) | - | 28,281 |
| | **1,281,399** | 852,695 |

(a) From 1 January 2018, under Federal Decree – Law No. 8 of 2017, value added tax (VAT) has been levied in the United Arab Emirates. The Group complies with the executive regulations. DFM is required to file monthly VAT returns and Nasdaq Dubai is required to file quarterly VAT returns.

## 16 Earnings per share

| | 3 months ended 30-June | | 6 months ended 30-June | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| Net profit for the period attributable to owners of the Company (AED '000) | **33,886** | 43,256 | **82,790** | 145,597 |
| Authorised, issued and paid up share capital - ('000) | **8,000,000** | 8,000,000 | **8,000,000** | 8,000,000 |
| Less: Treasury shares ('000) | **(4,237)** | (4,237) | **(4,237)** | (4,237) |
| | **7,995,763** | 7,995,763 | **7,995,763** | 7,995,763 |
| Earnings per share – AED | **0.004** | 0.005 | **0.010** | 0.018 |

## 17 Commitments

| | 30 June 2018 AED'000 (Un-audited) | 31 December 2017 AED'000 (Audited) |
|---|---|---|
| Commitments for the purchase of property and equipment | **24,324** | 31,107 |

The Company also has a commitment of AED 148 million to acquire the remaining 33% stake of Nasdaq Dubai Limited which is required to be settled on the completion of the acquisition on a date to be mutually agreed with Borse Dubai Limited.

## 18 Segment reporting

Following the management approach to IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. The Group is managed as one unit and therefore the Board of Directors are of the opinion that the Group is engaged in a single segment of operating a stock exchange and related clearing house.

## 19 Non Sharia compliant income

Non Sharia compliant income of AED 35.9 million relating to 2017 (2017: AED 28.3 million relating to 2016) as approved by the Company's Sharia and Fatwa Supervisory Board, has been appropriated from retained earnings during the period ended 30 June 2018 and will be distributed by the Group to its shareholders towards disbursement by the shareholders for charitable purposes. Based on the ruling of the Sharia and Fatwa Supervisory Board, it is the sole responsibility of the individual shareholders to donate their respective shares of this amount for charitable purposes.

## 20 Fair value of financial instruments

The Group's financial assets and financial liabilities comprise of cash and bank balances, investment deposits, receivables and payables whose maturity is short term. Long term investment deposits carry market rates of return. Consequently their fair value approximates the carrying value stated in the condensed consolidated interim statement of financial position.

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

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as fair value through other comprehensive income.

## 20 Fair value of financial instruments (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. These investments comprise funds the fair values of which are based on the net asset value provided by the fund managers.

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

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

There were no changes in valuation techniques during the period.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2018 and 31 December 2017.

| | **30 June 2018 (Un-audited)** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | AED'000 | AED'000 | AED'000 | AED'000 |
| **Financial assets at fair value through other comprehensive income** | | | | |
| - Equities | **294,676** | - | **35,732** | **330,408** |
| - Managed funds | - | **280,456** | - | **280,456** |
| - Investment in sukuk | **200,126** | - | - | **200,126** |
| **Total** | **494,802** | **280,456** | **35,732** | **810,990** |

| | 31 December 2017 (Audited) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | AED'000 | AED'000 | AED'000 | AED'000 |
| Financial assets at fair value through other comprehensive income | | | | |
| - Equities | 333,618 | - | 43,417 | 377,035 |
| - Managed funds | - | 275,681 | 170 | 275,851 |
| - Investment in sukuk | 203,660 | - | - | 203,660 |
| Total | 537,278 | 275,681 | 43,587 | 856,546 |

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

## 20 Fair value of financial instruments (continued)

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

| | Measured at FVOCI | |
|---|---|---|
| | Unquoted equities | |
| | **30 June 2018** | 31 December 2017 |
| | **AED'000** | AED'000 |
| Opening balance | **43,587** | 48,403 |
| Write-off / redemption during the period / year | **(1,714)** | (4,005) |
| Unrealised losses | **(6,141)** | (811) |
| Closing balance | **35,732** | 43,587 |

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

The Company has acquired an investment in sukuk (note 8) which is measured at amortised cost in the condensed consolidated interim statement of financial position. The following table summarises the amortized cost and fair value of the sukuk 30 June 2018:

| | **Carrying amount** | **Fair value** |
|---|---|---|
| | **AED'000** | **AED'000** |
| **Investment at amortised cost** | | |
| Investment in sukuk | **194,953** | **192,837** |

## 21 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information for the six month period ended 30 June 2018 have been approved by the Board of Directors and authorized for issue on 23 July 2018.