DUBAI FINANCIAL MARKET (DFM) - PJSC

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

Dubai Financial Market (DFM) - PJSC

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Deloitte.

Deloitte & Touche (M.E.)
1001 City Tower 2
Sheikh Zayed Road
P.O. Box 4254
Dubai, United Arab Emirates

Tel: +971(0) 4 331 3211
Fax:+971(0) 4 331 4178
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Dubai Financial Market (DFM) - PJSC
Dubai
United Arab Emirates

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Dubai Financial Market (DFM) - PJSC (the "Company"), and it's subsidiaries (together the "Group") Dubai, United Arab Emirates, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Cont'd...

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dubai Financial Market (DFM) - PJSC, Dubai, United Arab Emirates and it's subsidiaries as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw your attention to the following:

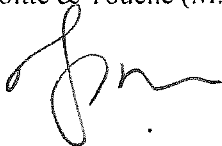
1) Note 11 to the consolidated financial statements "Due from financial institution" regarding the Group's deposit with a financial institution.

2) The matters described in Note 4 "Critical accounting judgements and key sources of estimation uncertainty", Note 9 "Goodwill and intangible assets" are of a judgemental nature and the outcome of certain estimates and assumptions described in these Notes could have a material effect on the amounts recorded in the consolidated statement of financial position and the consolidated statement of comprehensive income of the Group.

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 and its subsidiaries 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
Registration Number 521
26 February 2012

Dubai Financial Market (DFM) - PJSC

Consolidated statement of financial position as of 31 December 2011

	Notes	2011 AED'000	2010 AED'000
ASSETS			
Non-current assets			
Investment deposits	5	**810,000**	810,000
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	7	**456,400**	515,407
Due from a financial institution	11	**257,260**	257,260
Property and equipment	8	**21,889**	40,006
Intangible assets	9	**2,571,384**	2,647,238
Goodwill	9	**2,878,874**	2,878,874
Total non-current assets		**6,995,807**	7,148,785
Current assets			
Cash and bank balances	10	**50,980**	247,980
Other financial assets measured at fair value through profit and loss (FVTPL)	6	**-**	9,777
Investment deposits	5	**631,426**	482,150
Prepaid expenses and other receivables	12	**19,164**	23,674
Due from a related party	20	**917**	2,618
Total current assets		**702,487**	766,199
Total Assets		**7,698,294**	7,914,984
EQUITY AND LIABILITIES			
Equity			
Share capital	13 (a)	**8,000,000**	8,000,000
Treasury shares	13 (b)	**(4,364)**	(4,364)
		7,995,636	7,995,636
Net initial public offering surplus	14	**-**	31,608
Investments revaluation reserve - FVTOCI	15	**(981,821)**	(944,741)
Statutory and other reserves	15	**247,016**	247,016
Retained earnings		**218,190**	375,634
Capital reserve	14,16		(181,950)
Equity attributable to owners of the company		**7,479,021**	7,523,203
Non-controlling interest		**23,511**	31,370
Total equity		**7,502,532**	7,554,573
Non-current liabilities			
Provision for employees' end of service indemnity	18	**6,717**	6,065
Subordinated loan	20	**20,366**	58,414
Total non-current liabilities		**27,083**	64,479
Current liabilities			
Payables and accrued expenses	19	**100,108**	41,022
Dividends payable	17	**20,071**	206,410
Due to a related party	20	**48,500**	48,500
Total current liabilities		**168,679**	295,932
Total Liabilities		**195,762**	360,411
Total Equity and Liabilities		**7,698,294**	7,914,984

Chairman

Managing Director & CEO

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

Consolidated income statement
for the year ended 31 December 2011

	Notes	2011 AED'000	2010 AED'000
Revenues			
Trading commission fees		**76,795**	158,725
Brokerage fees		**18,082**	20,838
Ownership transfer and mortgage fees		**19,251**	6,867
Other fees		**9,776**	3,218
Operating income		**123,904**	189,648
Net investment revenue	21	**54,555**	73,168
Other income		**4,724**	975
Change in fair value of financial assets measured at fair value through profit and loss (FVTPL)		**(405)**	984
General and administrative expenses	22	**(113,755)**	(113,922)
Property and equipment write-off	8	**(6,173)**	-
Amortization of intangible assets	9	**(75,854)**	(75,854)
Interest expense		**(1,715)**	(1,536)
Net (loss) / profit for the year		**(14,719)**	73,463
Attributable to :			
Owners of the company		**(6,860)**	78,961
Non-controlling interest		**(7,859)**	(5,498)
		(14,719)	73,463
(Loss) / earnings per share – AED	23	**(0.001)**	0.010

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

Consolidated statement of comprehensive income
for the year ended 31 December 2011

	2011 AED'000	2010 AED'000
Net (loss) / profit for the year	**(14,719)**	73,463
Other comprehensive loss		
Net loss on revaluation of investments measured at FVTOCI	**(37,322)**	(51,252)
Other comprehensive loss for the year	**(37,322)**	(51,252)
Total comprehensive (loss) / income for the year	**(52,041)**	22,211
Total comprehensive (loss) / income attributable to:		
Owners of the Company	**(44,182)**	27,709
Non-controlling interest	**(7,859)**	(5,498)
	(52,041)	22,211

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

Dubai Financial Market (DFM) - PJSC

Consolidated statement of changes in equity for the year ended 31 December 2011

	Share capital AED'000	Treasury shares AED'000	Net initial public offering surplus AED'000	Investments revaluation reserve FVTOCI AED'000	Capital reserve AED'000	Statutory and other reserves AED'000	Retained earnings AED'000	Attributable to owners of the company AED'000	Non-controlling interest AED'000	Total AED'000
Balance at 31 December 2009	8,000,000	(55,864)	31,608	(1,163,469)	-	239,120	971,837	8,023,232	-	8,023,232
Net profit for the year	-	-	-	-	-	-	78,961	78,961	(5,498)	73,463
Other comprehensive loss for the year	-	-	-	(51,252)	-	-	-	(51,252)	-	(51,252)
Total comprehensive income for the year	-	-	-	(51,252)	-	-	78,961	27,709	(5,498)	22,211
Arising on acquisition of a subsidiary (Note 16)	-	-	-	-	(181,950)	-	-	(181,950)	36,868	(145,082)
Transfer to statutory reserve	-	-	-	-	-	7,896	(7,896)	-	-	-
Transfer to retained earnings on disposal of FVTOCI investments	-	-	-	269,980	-	-	(269,980)	-	-	-
Dividends (Note 17)	-	-	-	-	-	-	(397,288)	(397,288)	-	(397,288)
Transfer of treasury shares on acquisition of a subsidiary (Note 13b)	-	51,500	-	-	-	-	-	51,500	-	51,500
Balance at 31 December 2010	8,000,000	(4,364)	31,608	(944,741)	(181,950)	247,016	375,634	7,523,203	31,370	7,554,573
Net loss for the year	-	-	-	-	-	-	(6,860)	(6,860)	(7,859)	(14,719)
Other comprehensive loss for the year	-	-	-	(37,322)	-	-	-	(37,322)	-	(37,322)
Total comprehensive loss for the year	-	-	-	(37,322)	-	-	(6,860)	(44,182)	(7,859)	(52,041)
Transfer to retained earnings (Note 14)	-	-	(31,608)	-	181,950	-	(150,342)	-	-	-
Transfer to retained earnings on disposal of FVTOCI investments	-	-	-	242	-	-	(242)	-	-	-
Balance at 31 December 2011	**8,000,000**	**(4,364)**	**-**	**(981,821)**	**-**	**247,016**	**218,190**	**7,479,021**	**23,511**	**7,502,532**

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

Consolidated statement of cash flows for the year ended 31 December 2011

	2011 AED'000	2010 AED'000
Cash flows from operating activities		
Net (loss)/profit for the year	(14,719)	73,463
Adjustments for:		
Depreciation of property and equipment	16,733	17,212
Provision for employees' end of service indemnity	1,239	1,475
Amortization of intangible assets	75,854	75,854
(Reversal) / provision for doubtful accounts expense	(329)	560
Change in fair value of FVTPL investments	405	(984)
Property and equipment write-off	6,173	-
Interest expense	1,715	1,536
Islamic investment deposits profit	(51,046)	(69,647)
Dividend income	(3,509)	(3,521)
Loss on disposal of property and equipment	11	-
Operating profit before changes in operating assets and liabilities	32,527	95,948
Decrease in prepaid expenses and other receivables	6,518	52,371
Decrease in due from a related party	1,701	1,296
Increase/(decrease) in payables and accrued expenses	59,086	(42,444)
Cash generated from operations	99,832	107,171
Employees' end of service indemnity paid	(587)	(298)
Net cash generated from operating activities	99,245	106,873
Cash flows from investing activities		
Proceeds from redemption of financial assets measured at FVTOCI	21,715	437,134
Proceeds from redemption of investment measured at FVTPL	9,342	-
Acquisition of a subsidiary, net of cash acquired	-	(140, 410)
Purchase of property and equipment	(4,908)	(11,389)
Proceeds from sale of property and equipment	108	-
Net investment deposits	(34,470)	(13,775)
Revenue received from investments deposits	49,367	69,647
Dividend received	3,509	3,521
Net cash generated from investing activities	44,663	344,728
Cash flows from financing activities		
Dividends paid to shareholders	(186,339)	(314,018)
Net cash used in financing activities	(186,339)	(314,018)
Net (decrease) / increase in cash and cash equivalents	(42,431)	137,583
Cash and cash equivalents, beginning of the year	476,827	339,244
Cash and cash equivalents, end of the year (Note 10)	434,396	476,827

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

Notes to the consolidated financial statements
for the year ended 31 December 2011

1. Establishment and operations

Dubai Financial Market (DFM) - PJSC (the "Company" or "DFM") 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 U.A.E. Federal law No. 8 for the year 1984 and its amendments.

The licensed activities of the Company are trading in financial instruments, acting as 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 funds in accordance with these provisions.

The Company's shares are listed on Dubai Stock Exchange.

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 Centre, Sheikh Zayed Road, P.O. Box 9700, Dubai.

The ultimate parent and controlling party is the Government of Dubai.

The shares owned by Dubai Government are registered in the name of Borse Dubai Limited, (the "Parent Company").

On 24 May 2010, the Company acquired 67% of NASDAQ Dubai share capital for an amount of AED 204 million as cash consideration and 50 million treasury shares valued at AED 92 million whereby 33% of the residual share capital of NASDAQ Dubai is owned by the Parent Company (Note 16).

2. Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 New and revised International Financial Reporting Standards (IFRSs) adopted with no material effect on the consolidated financial statements

The following new and revised IFRSs have been adopted in these consolidated financial statements. The adoption of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

New and revised IFRSs	*Effective for annual periods beginning on or after*
Amendments to IFRS 1 relating to *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*	1 July 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
IAS 24 *Related Party Disclosures* (revised in 2009)	1 January 2011
Amendments to IFRIC 14 relating to Prepayments of a Minimum Funding Requirement	1 January 2011

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2011

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

2.1 New and revised International Financial Reporting Standards (IFRSs) adopted with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	*Effective for annual periods beginning on or after*
Improvements to IFRSs issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13	1 January 2011, except IFRS 3 and IAS 27 which are effective from 1 July 2010
Amendment to IAS 32 *Financial Instruments: Presentation*, relating to Classification of Rights Issues	1 February 2010

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted

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

New and revised IFRSs	*Effective for annual periods beginning on or after*
Amendments to IAS 1 *Presentation of Financial Statements:* relating to grouping items recognised in other comprehensive income.	1 July 2012
Amendments to IAS 12: *Income Taxes* relating to Deferred Tax: Recovery of Underlying Assets	1 January 2012
IAS 19 *Employee Benefits* (revised 2011)	1 January 2013
IAS 27 *Separate Financial Statements* (revised in 2011)*	1 January 2013
IAS 28 *Investments in Associates and Joint Ventures* (revised in 2011)*	1 January 2013
Amendments to IFRS 1 *Removal of Fixed Dates for First-Time Adopter*	1 July 2011
Amendments to IFRS 1 *Severe Hyperinflation*	1 July 2011
Amendments to IFRS 7 *Financial Instruments: Disclosures*, relating to Disclosures on Transfers of Financial Assets	1 July 2011
IFRS 10 *Consolidated Financial Statements**	1 January 2013
IFRS 11 *Joint Arrangements**	1 January 2013
IFRS 12 *Disclosure of Interests in Other Entities**	1 January 2013
IFRS 13 *Fair Value Measurement*	1 January 2013

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

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	*Effective for annual periods beginning on or after*
IFRS 7 *Financial Instruments: Disclosures*- amendments enhancing disclosures about offsetting of financial assets and financial liabilities	1 January 2013 and interim periods within those periods
IFRS 7 *Financial Instruments: Disclosures*- amendments requiring disclosures about the initial application of IFRS 9	1 January 2015 (or otherwise when IFRS 9 is first adopted)
IAS 32 *Financial Instruments: Presentation*- amendments to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2012 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies are set below.

3. Significant accounting policies (continued)

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its Subsidiaries (together the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Details of the Subsidiaries are as follows:

Company name	Activity	Country of incorporation	Ownership held %
NASDAQ Dubai	Electronic Financial Market	U.A.E.	67%

NASDAQ Dubai has the following subsidiary:

Company name	Activity	Country of incorporation	Ownership held %
NASDAQ Dubai Guardian Limited	Bare nominee solely on behalf of NASDAQ Dubai Limited	U.A.E.	100%

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

3.4 Business combination

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.

3. Significant accounting policies (continued)

3.5 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

3.6 Goodwill

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 Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised subsequently measured at cost less any accumulated impairment losses. If, after reassessment, the Group'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 consolidated income statement.

For the purpose of impairment testing, goodwill is allocated to each of the Group'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.

3.7 Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated income statement at the fair value of the consideration received or receivable as follows:

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.

3. Significant accounting policies (continued)

3.7 Revenue recognition (continued)

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.

3.8 Leasing

Leases are classified as finance leases, where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.9 Foreign currency transactions

For the purpose of these consolidated financial statements UAE Dirhams (AED) is the functional and the presentation currency of the Group.

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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.

3. Significant accounting policies (continued)

3.10 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any identified impairment loss. The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement when incurred.

Depreciation is calculated using the straight-line method to allocate the assets' cost to their residual values over their estimated useful lives as follows:

	Years
Leasehold improvements	4
Computers and information system	3-5
Furniture and office equipment	3-10
Motor vehicles	4

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal 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 and is recognised in the profit or loss.

3.11 Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group 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 Group 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 group 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.

3. Significant accounting policies (continued)

3.11 Impairment of tangible and intangible assets excluding goodwill (continued)

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 consolidated 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 consolidated 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.

3.12 Employees' benefits

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

U.A.E. National employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per Federal Labour Law No. 7 of 1999, the Group is required to contribute 15% of the "contribution calculation salary" of U.A.E. payroll costs to the retirement benefit scheme to fund the benefits.

The employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated income statement for the year.

3.13 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

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

3. Significant accounting policies (continued)

3.14 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.15 Financial assets

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

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

Classification of financial assets

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

- 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.

All other financial assets are subsequently measured at fair value.

Amortised cost and effective interest method

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

Income and expenses are recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income and expense are recognised in profit or loss and is included in the "net investment revenue" line item.

3. Significant accounting policies (continued)

3.15 Financial assets (continued)

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

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in profit or loss and are included in the 'net investment revenue' (Note 21).

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

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

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re measurement recognised in profit or loss. Fair value is determined in the manner described in Note 26.

3. Significant accounting policies (continued)

3.15 Financial assets (continued)

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

Interest income on debt instruments as at FVTPL is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the net gain or loss described above.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the consolidated income statement.

Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

3. Significant accounting policies (continued)

3.15 Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

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

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

3.16 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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 Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

3. Significant accounting policies (continued)

3.16 Financial liabilities and equity instruments (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalised as part of costs of an asset is included in the 'interest expense' line item.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to the consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying Group'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 Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

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

Critical judgments in applying Group's accounting policies (continued)

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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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 useful lives of the intangible assets based on analysis of relevant factors relating to the expected period over which the intangible assets are expected to generate cash inflows to the Group in the foreseeable future.

Impairment of goodwill

Impairment of goodwill is tested annually (as of December 31) and when circumstances indicate the carrying value may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the estimation of the future cash flows expected to arise from the cash-generating unit, a suitable growth rate and a suitable discount rate in order to calculate present value. It is reasonably possible on the basis of existing knowledge that outcomes within the next financial year that are different from estimates made could require material adjustment to the carrying amount of the goodwill.

The key assumptions used to determine the recoverable amount for the cash generating unit are further explained in note 9 to the financial statements.

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.

Allowance for doubtful debts

At each reporting 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.

Dubai Financial Market (DFM) - PJSC

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2011

5. Investment deposits

	2011 **AED'000**	2010 AED'000
Current:		
Islamic investment deposits maturing in less than 3 months from the date of deposit (Note 10)	**383,416**	228,847
Islamic investment deposits maturing in more than 3 months from the date of deposit but before 31 December 2012	**187,862**	123,532
Investment deposit maturing in more than 3 months from the date of deposit but before 31 December 2012	**60,148**	129,771
	631,426	482,150
Non-current:		
Islamic investment deposits maturing after 31 December 2012	**810,000**	810,000
	1,441,426	1,292,150

As per the deposit agreements, returns on these investments range from 0.6% to 4.2% (2010: 3.00% to 6.50% per annum).

The Group's subsidiary NASDAQ has obtained AED 36.70 million (US$ 10 million) (2010: AED 91.75 million – US$ 25 million) overdraft line for working capital purposes, which remains unutilized. This facility is fully collateralised by a fixed deposit of AED 36.70 million (US$ 10 million) (2010: AED 91.75 million – US$ 25 million).

6. Other financial assets measured at fair value through profit and loss (FVTPL)

	2011 **AED'000**	2010 AED'000
Al Islamic Capital Protected CROCI	-	9,777

The Al Islamic Capital Protected CROCI investment was a capital guaranteed investment product that provided exposure to international stock markets. The product had 5 years of capital protection till July 2011 and had a fortnightly redemption facility. During July 2011 the Group redeemed this investment.

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2011

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

	2011 AED'000	2010 AED'000
Investment in equity securities	**150,515**	181,704
Managed funds	**305,885**	333,703
	456,400	515,407

Investments by geographic concentration are as follows:

	2011 AED'000	2010 AED'000
- Within U.A.E.	**384,971**	435,181
- Outside U.A.E.	**71,429**	80,226
	456,400	515,407

8. Property and equipment

	Computers and information system AED'000	Leasehold improvement AED'000	Furniture and office equipment AED'000	Motor vehicles AED'000	Work-in-progress AED'000	Total AED'000
Cost						
At 31 December 2009	67,461	11,266	10,598	252	9,354	98,931
Acquisition of a Subsidiary (Note 16)	45,186	-	15,200	-	-	60,386
Additions	966	-	141	-	10,282	11,389
Transfers	10,285	-	-	-	(10,285)	-
At 31 December 2010	123,898	11,266	25,939	252	9,351	170,706
Additions	500	-	1,851	-	2,557	4,908
Transfers	10,071	-	863	-	(10,934)	-
Write-off	-	-	(13,447)	-	-	(13,447)
Disposal	(2,098)	-	(1,655)	-	-	(3,753)
At 31 December 2011	**132,371**	**11,266**	**13,551**	**252**	**974**	**158,414**
Accumulated depreciation						
At 31 December 2009	48,814	10,280	9,653	252	-	68,999
Acquisition of a Subsidiary (Note 16)	37,238	-	7,251	-	-	44,489
Charge for the year	15,246	500	1,466	-	-	17,212
At 31 December 2010	101,298	10,780	18,370	252	-	130,700
Charge for the year	14,436	486	1,811	-	-	16,733
Write-off	-	-	(7,274)	-	-	(7,274)
Disposal	(2,094)	-	(1,540)	-	-	(3,634)
At 31 December 2011	**113,640**	**11,266**	**11,367**	**252**	-	**136,525**
Carrying amount						
At 31 December 2011	**18,731**	-	**2,184**	-	**974**	**21,889**
At 31 December 2010	22,600	486	7,569	-	9,351	40,006

During the year the subsidiary wrote-off assets in the amount of AED 13 million with accumulated depreciation of AED 7 million which resulted a loss of AED 6 million.

9. Goodwill and intangible assets

9.1 Intangible assets

	License to operate as a Stock Exchange AED'000	Relationships with market participants (Brokers) AED'000	Historical trading database AED'000	Total AED'000
Cost				
As at 31 December 2009	2,824,455	58,744	67,455	2,950,654
As at 31 December 2010	2,824,455	58,744	67,455	2,950,654
As at 31 December 2011	**2,824,455**	**58,744**	**67,455**	**2,950,654**
Amortization				
As at 31 December 2009	169,467	17,622	40,473	227,562
Charge for the year	56,489	5,874	13,491	75,854
As at 31 December 2010	225,956	23,496	53,964	303,416
Charge for the year	56,489	5,874	13,491	75,854
As at 31 December 2011	**282,445**	**29,370**	**67,455**	**379,270**
Carrying amount				
At 31 December 2011	**2,542,010**	**29,374**	**-**	**2,571,384**
At 31 December 2010	2,598,499	35,248	13,491	2,647,238

9.2 Impairment testing 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, Dubai Financial Market's only cash generating unit is at the Group level, and to arrive at the value in use ("VIU") for the cash generating unit ("CGU") the management used discounted cash flows ("DCF") to calculate the recoverable amount to which goodwill is allocated. The following key assumptions were used in the model:

1- The only cash generating unit is at the Group level to which goodwill has been allocated;
2- Cash flows used in determining VIU were projected for five years based on historical experience; cash flows beyond that five years period have been extrapolated using a steady growth rate of 4.5%per annum which is the projected GDP rate for the U.A.E..
3- Discount rate of 12% was used to discount the cash flows projected which was estimated based on the current risk free rate, current market risk premium, and the beta coefficient related to the Group.

Any material adverse change in these key assumptions would result in an impairment loss. The Board of the Group believes that the key assumptions are appropriate and as at December 31, 2011 there is no impairment of the goodwill.

10. Cash and bank balances

	2011 AED'000	2010 AED'000
Cash on hand	**267**	304
Bank balances:		
Current accounts	**30,409**	17,901
Saving accounts	**11,954**	231
Mudarabah accounts	**8,350**	229,544
	50,980	247,980
Add: Islamic investment deposit maturing in less than 3 months from the date of deposit (Note 5)	**383,416**	228,847
Cash and cash equivalents	**434,396**	476,827

The rate of return on the Mudarabah accounts are between 0.50% and 1% (2010: 1.50% to 1.68%) per annum.

Members margin deposits are included in current account as clearing members are required to provide margin in respect of their clearing and settlement obligations to the NASDAQ Dubai. Margins are held in a segregated account in the name of NASDAQ Dubai at a clearing bank. Margins provided by a clearing member are used by the NASDAQ Dubai towards discharging the clearing members' obligations to NASDAQ Dubai (if any) following a declared default by that clearing member.

11. Due from a financial institution

The balance represents an Islamic investment deposit amounting to AED 257 million, held with a financial institution which is under restructuring. This deposit matured during the year ended December 31, 2010 but was neither withdrawn nor reinvested with the said financial institution as at the year ended December 31, 2011. The Group's management is not in a position to assess its investment for any impairment pending consideration of the outcomes of the restructuring.

12. Prepaid expenses and other receivables

	2011 AED'000	2010 AED'000
Accrued profit on Islamic investment deposits	**8,262**	9,941
Accrued trading commission fees	**471**	751
Due from brokers	**2,894**	5,461
Prepaid expenses	**5,371**	5,601
Other receivables	**4,656**	4,739
	21,654	26,493
Less: Allowance for doubtful debts	**(2,490)**	(2,819)
	19,164	23,674

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.

12. Prepaid expenses and other receivables (continued)

Movement in allowance for doubtful debts:

	2011	2010
	AED'000	AED'000
Opening balance	**2,819**	2,259
(Write back) / charge during the year	**(329)**	560
Ending balance	**2,490**	2,819

13. Share capital

a) The Company's share capital of AED 8 billion is divided into 8 billion shares of AED 1 per share.

The Company has one class of ordinary share which carries no right of fixed income.

b) As part of the acquisition of NASDAQ Dubai (Note 16), the Company transferred 50 million of its treasury shares to NASDAQ OMX.

14. Transfers to retained earnings

The Board of Directors on their meeting held on 14 March 2011 proposed to transfer the capital reserve and the net initial public offering surplus to retained earnings. This proposal was ratified by the shareholders during the Ordinary General Assembly Meeting held on 24 April 2011.

15. Statutory and other reserves

	Statutory reserve AED'000
Balance as of 31 December 2009	239,120
Transfer from net income for the year	7,896
Balance as of 31 December 2010	247,016
Transfer from net income for the year	-
Balance as of 31 December 2011	**247,016**

15. Statutory and other reserves (continued)

Statutory reserve

In accordance with U.A.E. Federal Companies Law Number 8 of 1984, as amended, the Group 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 original Articles of Association, 10% of the Group's annual net profit is to be allocated to special reserve until this reserve reaches 50% of the paid up capital.

During 2009, the shareholders resolved to stop allocation to the special reserve and to transfer the accumulated balance to retained earnings.

General reserve

As per the Company's original Articles of Association, 10% of the Group's annual net profit is to be allocated to general reserve until this reserve reaches 20% of the paid up capital. During 2009, the shareholders resolved to stop allocation to the general reserve and to transfer the accumulated balance to retained earnings.

Investments revaluation reserve - FVTOCI

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

16. Acquisition of NASDAQ Dubai Limited

On 22 December 2009, DFM announced that it had made an offer to Borse Dubai and The NASDAQ OMX Group Inc. ("NASDAQ OMX") to acquire 100% of NASDAQ Dubai.

The offer, which was approved by Borse Dubai and NASDAQ OMX, was valued at AED 445 million and comprised of AED 353 million in cash and 50 million DFM shares. The transaction was endorsed by DFM's Board of Directors on Monday December 21, 2009 and was subject to certain closing conditions. On 2 March 2010 the parties signed the share sale and purchase agreement, which was conditional upon satisfaction of certain conditions.

On completion of the transaction NASDAQ OMX will become a shareholder of DFM through a minority stake of 1%. 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 50 million shares will be transferred from DFM and an additional 30 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 (67% and 33% shareholding respectively). The total consideration for the transaction due from DFM will amount to AED 445 million to be paid as follows:

1. First completion, which was executed on 24 May 2010 by transferring 50 million DFM treasury shares to NASDAQ OMX and paying a cash consideration of AED 56 million to Borse Dubai to transfer 30 million of DFM shares to NASDAQ OMX in order to acquire 5 million shares of NASDAQ Dubai.
2. Second completion, which was executed on 24 May 2010 by paying cash consideration of AED 148 million to Borse Dubai to acquire additional 5 million shares of NASDAQ Dubai.
3. Third completion, related to the transfer of the last 5 million shares of NASDAQ Dubai to DFM for a cash consideration of AED 148 million from Borse Dubai, shall take place on a date no later than 31 December 2010 (or such other date as may agreed by DFM and Borse Dubai), at such place and time as agreed by DFM and Borse Dubai. The Board of Directors of Dubai Financial Market held a meeting on 8 January 2011 and resolved to postpone the execution of the third completion to a date that will be mutually agreed with Borse Dubai.

After completing the first and second completion, NASDAQ Dubai is currently 67% owned by DFM and 33% by Borse Dubai.

The consolidated financial statement for the year ended 31 December 2011 includes total assets of AED 168 million (2010: AED 182 million) , total liabilities of AED 98 million (2010 AED88 million) and a net loss of AED 23.6 million (2010 AED 16 million) as a result of the consolidation of NASDAQ Dubai. The book value of assets and liabilities acquired at 24 May 2010 were as follows:

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2011

16. Acquisition of NASDAQ Dubai Limited (continued)

	24 May 2010 AED'000
Net assets acquired at book value	
Property and equipment	15,897
Investments in securities	8,792
Fixed deposit	91,750
Cash and cash equivalents	63,782
Other assets	5,872
Current accounts - margin deposits	44,051
Payables and accrued expenses	(17,022)
Due to members	(44,021)
Subordinated loan	(56,878)
Provision for employees' end of service indemnity	(1,609)
	110,614
Less: Non-controlling interest	(36,868)
Net assets acquired	73,746
Purchase consideration	(296,779)
Excess of purchase consideration over net assets acquired	(223,033)
Capital reserve:	
Excess of purchase consideration over net assets acquired	(223,033)
Premium arising on transfer of 50 million treasury share to NASDAQ OMX	41,083
	(181,950)
Net cash outflow arising on acquisition	
Cash consideration paid	(204,192)
Cash and cash equivalent acquired	63,782
	(140,410)

17. Dividends Payables

During 2011 the Group did not declared any dividends, and during 2010 the Board of directors proposed in their meeting held on 2 March 2010 a cash dividend of 5% of issued share capital, the proposal was ratified by the shareholders during their annual general assembly meeting held on 21 April 2010.

18. Provision for employees' end of service indemnity

	2011 AED'000	2010 AED'000
Balance at the beginning of the year	**6,065**	3,279
Acquisition of a Subsidiary (Note 16)	-	1,609
Charged during the year	**1,239**	1,475
Paid during the year	**(587)**	(298)
Balance at the end of the year	**6,717**	6,065

19. Payables and accrued expenses

	2011 AED'000	2010 AED'000
Brokers' deposits	**8,030**	-
Due to U.A.E. Securities and Commodities Authority	**1,452**	1,496
Unearned revenue	**6,790**	5,368
Accrued expenses and other payables	**15,984**	14,266
Dividends payable on behalf of other companies	**26,636**	-
Members margin deposits	**21,192**	11,205
Ivestor Cards	**19,424**	8,687
Provision for board and committees meeting allowance "DFM"	**600**	-
	100,108	41,022

Members' margin deposits represent amounts received from the clearing members in respect of their clearing and settlement obligations to the NASDAQ Dubai. Margins are held in a segregated account in the name of the NASDAQ Dubai at a clearing bank (Note 10).

During the year the Group launched a new service to manage the distribution of dividends on behalf of companies listed in the market , the funds received from these companies towards these dividends are included as part of account payables and amounted to AED 26.6 million (2010: nil).

20. Related party transactions

The Group 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 reporting date, due from a related party was as follows:

	2011 AED'000	2010 AED'000
Due from a related party		
Parent company		
Borse Dubai Limited - Islamic investment deposits	**134,728**	149,882
Borse Dubai Limited - current account	**917**	2,618
Borse Dubai Limited - Accrued profit	**3,094**	4,893

20. Related party transactions (continued)

At the reporting date, due to related parties were as follows:

	2011	2010
	AED'000	AED'000
Due to related parties		
Ultimate controlling party		
Dubai Government	**48,500**	48,500
Parent company		
Borse Dubai Limited - dividends payable	-	164,000
Borse Dubai Limited - subordinated loan	**20,366**	58,414

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 of which AED 48.5 million remains as due to the Dubai Government.

The subordinated loan has been provided by the parent company, Borse Dubai Ltd. to the Group. The subordinated loan is unsecured, has no fixed repayment date and bears interest rate of 12 month LIBOR plus 3.25% on the outstanding balance. The subordinated loan is classified as non-current because the parent company has confirmed that it will not seek repayment.

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

	2011	2010
	AED'000	AED'000
Profit on investment deposits	**7,268**	9,463
Pledging fee	**15,543**	-
Rent and service expense	**10,146**	9,030
Interest expense	**1,715**	1,536

Compensation of key management personnel

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

	2011	2010
	AED'000	AED'000
Short-term benefits	**7,267**	8,632
General pension and social security	**577**	569
Board remuneration (NASDAQ Dubai)	**3,739**	1,401
Board and committees meeting allowance "DFM"	**600**	-

Dubai Financial Market (DFM) - PJSC

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2011

21. Net investment revenue

	2011	2010
	AED'000	AED'000
Return on Islamic investment deposits	51,046	69,647
Dividends	3,509	3,521
	54,555	73,168

22. General and administrative expenses

	2011	2010
	AED'000	AED'000
Payroll and other benefits	56,649	57,226
Rent	9,202	9,030
Depreciation	16,733	17,212
Professional expenses	1,619	1,889
Maintenance expenses	9,531	13,911
Other	20,021	14,654
	113,755	113,922

23. (Loss) / earning per share

	2011	2010
	AED'000	AED'000
Net (loss) / profit for the year attributable to the owner of the company (AED'000)	(6,860)	78,961
Authorized share capital ('000)	8,000,000	8,000,000
Less: Treasury shares ('000)	(4,237)	(4,237)
Number of shares issued ('000)	7,995,763	7,995,763
Weighted average number of shares ('000)	7,995,763	7,976,037
(Loss) / earning per share - AED	(0.001)	0.010

Basic (loss) / earnings per share are calculated by dividing the net (loss) / profit for the year attributable to the shareholders of the Group by the number of weighted average outstanding as of the reporting date.

24. Commitments

	2011	2010
	AED'000	AED'000
Commitments for the purchase of property and equipment	**465**	5,177

The commitment to acquire the remaining 33% of NASDAQ Dubai is required to be settled on the completion of the acquisition for AED 148 million. The carrying value of the 33% non-controlling interest of NASDAQ Dubai at 31 December 2011 is AED 23 million.

25. Capital risk management

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

26. 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 consolidated financial statements.

Financial risk management objectives

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

Currency risk

The Group'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.

Interest rate risk management

The Group's exposure to interest rate risk relates to its subordinated loan and bank fixed deposits.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities (subordinated loan), the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by AED 101,830. (2010: AED 292,070).

26. Financial instruments (continued)

Price risks

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

Equity price sensitivity analysis

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

If equity prices had been 5% higher/lower:

- Net profit for the year ended 31 December 2011 would have been increase/decrease AED nil (2010: AED 488,850) relating to change of the prices of the financial assets through profit and loss.
- Investment revaluation reserves would increase/decrease by AED 23 million (2010: AED 26 million) as a result of the changes in fair value of the investments.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group only transact with licensed brokers. The credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

Although the Group'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 Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Notes to the consolidated financial statements (continued)
for the year ended 31 December 2011

26. Financial instruments (continued)

Liquidity risk management - continued

The liquidity profile of financial assets and financial liabilities were as follows:

31 December 2011	Within 3 months AED'000	3 to 6 months AED'000	6 to 12 months AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
FINANCIAL ASSETS						
Cash and bank balances	50,980	-	-	-	-	50,980
Investment deposits	383,416	248,010	-	810,000	-	1,441,426
Other financial assets FVTOCI	-	-	-	456,400	-	456,400
Due from a related party	-	-	917	-	-	917
Due from financial institution	-	-	-	257,260	-	257,260
Other receivables	16,283	-	-	-	-	16,283
Total financial assets	450,679	248,010	917	1,523,660	-	2,223,266
FINANCIAL LIABILITIES						
Payables and accrued expenses	113,389	-	-	-	6,717	120,106
Subordinated loan	-	-	-	20,366	-	20,366
Due to a related party	-	-	48,500	-	-	48,500
Total financial liabilities	113,389	-	48,500	20,366	6,717	188,972
31 December 2010						
FINANCIAL ASSETS						
Cash and bank balances	247,980	-	-	-	-	247,980
Investment deposits	228,847	1,850	251,453	810,000	-	1,292,150
Other financial assets FVTOCI	-	-	-	515,407	-	515,407
Due from a related party	-	-	2,618	-	-	2,618
Due from financial institution	-	-	-	257,260	-	257,260
Other financial assets measured at fair value FVTPL	-	-	9,777	-	-	9,777
Other receivables	20,892	-	-	-	-	20,892
Total financial assets	497,719	1,850	263,848	1,582,667	-	2,346,084
FINANCIAL LIABILITIES						
Payables and accrued expenses	235,997	-	-	-	6,065	242,062
Subordinated loan	-	-	-	58,414	-	58,414
Due to a related party	-	-	48,500	-	-	48,500
Total financial liabilities	235,997	-	48,500	58,414	6,065	348,976

26. 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 Group 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).

26. Financial instruments (continued)

Fair value of financial instruments - continued

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

	31 December 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Financial assets at fair value through other comprehensive income				
- Equities	140,633	-	9,881	150,514
- Managed funds	-	246,359	59,527	305,886
Total	**140,633**	**246,359**	**69,408**	**456,400**

	31 December 2010			
	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	171,190	-	10,514	181,704
- Managed funds	-	267,541	66,162	333,703
Total	171,190	267,541	76,676	515,407
Financial assets at fair value through profit and loss				
Debt instrument	-	9,777	-	9,777
	-	9,777	-	9,777

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

Reconciliation of Level 3 fair value measurements of financial assets

	Measured at FVTOCI Unquoted equities	
	2011	2010
	AED'000	AED'000
Opening balance	**76,676**	114,028
Disposal during the year	-	(19,151)
In other comprehensive loss	**(7,268)**	(18,201)
Closing balance	**69,408**	76,676

27. Comparatives

Acquisition of NASDAQ Dubai during 2010

The figures in consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are not comparable as the previous period figures do not include the full year operational results of the subsidiary acquired (Note 16) during the year ended December 31, 2010.

28. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2011 were approved by the Board of Directors and authorized for issue on 26 February 2012.