ANNUAL REPORT 2012

DFM
سوق دبي المالي

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Dubai Financial Market (PJSC)

Annual Report 2012

H.H. Sheikh Mohammed bin Rashid Al Maktoum
UAE Vice President, Prime Minister and Ruler of Dubai

“Each year should be better than the previous one... and each achievement stronger than the one that came before.”

iVESTOR Shabab Card

...Exclusively designed for the new generation of investors

iVESTOR Shabab card is exclusively designed for the young generation of investors. DFM has always been committed to developing the skills of the younger generations in the UAE. In addition to DFM's educational programme which includes the Stock Game, DFM has developed the iVESTOR Shabab card, a 'first of its kind' global youth service introduced by a Stock Market. The shari'a compliant card, enables young people to utilize their skills learnt and trade on the market in the long term as well as manage their spending responsibly. This is not only an official DFM member card automatically giving cardholders a dedicated DFM Investor Account, it is also a pre-paid card which provides the flexibility to make retail and online purchases and payments globally via any merchant accepting VISA.

Board of Directors

Abdul Jalil Yousuf Darwish
Chairman

Rashid Hamad Al Shamsi
Vice Chairman

Essa Abdulfattah Kazim
Managing Director & CEO

Mohammed Humaid Al Mari
Board Member

Ali Rashid Al Mazroei
Board Member

Mussabeh Mohammed Al Qaizi
Board Member

Adil Abdullah Al Fahim
Board Member

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Chairman's Statement

"The Company is heading into a new phase of development and growth."

Dear Shareholders,

On behalf of my fellow Board members, the senior management team and myself, I am pleased to present the sixth annual report of the Dubai Financial Market (PJSC). This report addresses the most important developments in your Company during 2012 and the financial statements of the Company for the year ended 31 December.

The Board of Directors efforts, supported by the senior executive management of the Dubai Financial Market (DFM), have focused on continuing the implementation of its strategy aimed at improving the Company's performance, upgrading its efficiency and enhancing the value of your investments. In order to achieve this strategic vision, the Company's efforts were focused on five main objectives:

1. Development of market participants' services to drive market activity
2. Monetization of financial products
3. Targeted focus on IPOs
4. Infrastructural advancements based on international best practices
5. Cost efficiency

The Company's achievements during 2012, as summarised below and detailed within the annual report, were merely a promising prelude of more achievements in the near future, God willing.

Chairman's Statement

1. The growing awareness on the part of various investor segments of the underlying value provided by the market through listed companies, as well as their positive recognition of the market's achievements in the previous period, was significantly reflected on the performance of the market. Dubai Financial Market has topped the best performing regional markets in 2012, with the growth rate of its index amounting to 20% and the value of total market trading increasing by 52% to reach AED 48.7 billion.

2. As part of the strategy to diversify sources of income and optimize the utilization of the Company's services and resources, the market signed 27 contracts for market data dissemination during 2012, marking an increase of 35% compared to 2011. The market data dissemination services were provided to news agencies, television networks and local, regional and international data providers. Therefore, the market's revenue from the sale of market data increased by 12% during 2012. The market seeks to improve revenues generated from the promotion of market data by increasing the number of data providers on an annual basis through marketing campaigns and co-operating with international companies.

3. Within the framework of providing high-value services to market participants, the market expanded during 2012 to provide a dividend distribution service on behalf of listed companies whereby cash dividends for 2011 were distributed on behalf of eight listed companies, with a total value of AED 1.35 billion, marking an increase of 21% compared to dividends distributed in the previous year. Also the number of investors who benefited from those profits increased by 83%, amounting to 130,000 investors compared to the previous year. The cash dividends were distributed via three payment methods: cheques, bank transfer and the iVESTOR card.

4. The DFM expanded its services to provide margin trading through brokerage firms operating in the market. Three new companies were licensed during 2012, compared to one company in 2011, increasing the number of companies licensed by DFM who provide this service to four. This will have a positive impact on the market activity, and thus on the Company's revenues in the upcoming phase, especially with the entry of more brokerage firms that have applied for the license to provide the service to their customers.

5. As part of its endeavor to maintain effective communication with customers and to meet their expectations, in March 2012 the DFM management implemented a series of surveys to measure satisfaction of all market participants including investors, listed companies, brokerage firms and others, and evaluate their feedback on ways to improve and develop new services. The surveys focused on four key topics: rules and regulations, market procedures, services provided by the market and staff conduct.

Your Company is heading into a new phase of development and growth, God willing, thanks to the booming economic climate in the Emirate of Dubai and the United Arab Emirates. The performance of the economy has recorded a remarkable and rapid improvement, with the majority of its sectors growing at high growth rates.

Moreover, the year 2012 witnessed the beginning of recovery by the real estate sector from a state of slowdown experienced within this sector, as well as the continued improvement in the performance of the banking sector. These two sectors, as you know, represent together the essential foundation for DFM. It is our belief that this positive environment will provide the sufficient ground to harvest the fruits of the growth strategy which the Board has developed, approved and strived to implement since we have had the honor to take the responsibility for your interests, which ultimately serves the interests of the economy of the Emirate of Dubai and the United Arab Emirates.

I, my fellow Board members and the senior executive management team promise you to always maintain our loyalty, dedication and aspiration to achieve the best, guided by the insightful vision of **His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai.**

Finally, I pray to God that our efforts will lead us to greater success, elevating the Dubai Financial Market to its rightful position as a leading market at both the regional and global level.

Best regards,

Abdul Jalil Yousuf Darwish
Chairman
Dubai Financial Market (PJSC)

Managing Director and CEO's Statement

"The Senior Executive Managment team has focused in 2012 on increasing the effectiveness of the capital market and promoting its role within the national economy."

H.E. Mr. Abdul Jalil Yousuf Darwish, Chairman,
Dear Members of the Board and Shareholders,

It is with great pleasure for my colleagues, members of the Senior Executive Management team at Dubai Financial Market Company (PJSC) and I, to present the Company's annual report for the year 2012. I am pleased at this stage to review the most important achievements and developments that the Company has experienced during 2012, which have contributed towards achieving the objectives of the growth strategy for Dubai Financial Market (DFM).

The Senior Executive Management team has focused in 2012 to accomplish the objectives and translate them into key deliverables through the development and launch of several initiatives. We have also engaged in intensive and constructive discussions with all stakeholders, including public and private entities, regulators, financial advisory firms and investment banks, with a view to increase the effectiveness of the capital market and promote its role within the national economy.

Overall, the DFM's efforts during 2012 can be summarized, and are not limited to the following five key areas:

1. The DFM focused its efforts during 2012 to attract new companies from unrepresented economic sectors of the market in order to diversify investment

Managing Director and CEO’s Statement

opportunities. Moreover, the DFM has worked on the diversification of asset classes by providing new financial instruments. Furthermore, in order to prepare small and medium-sized enterprises (SMEs) for future listing on the market, the DFM has cooperated with NASDAQ Dubai and the Mohammed bin Rashid Establishment for SME Development to highlight the benefits of utilizing capital markets to this important segment of companies.

2. In October 2012, the DFM launched the new Electronic Disclosure System “Efsah”, which is a sophisticated and secure online application that provides listed companies with the highest level of efficiency and speed in publishing their disclosures; hence, enhancing the level of transparency and promoting a trading environment that is continously based on fairness and equal opportunities for all participants.

3. During the last quarter of 2012, the DFM management started to prepare for the application of the new regulations recently approved by the Securities and Commodities Authority (SCA), including Market Maker, Securities Lending and Borrowing, Short Selling of Securities, and Liquidity Provider regulations. Our preparations in this regard include the modification of the existing working rules and approval by the regulatory authority, as well as effective communication with market participants to explain the new business model in order to ensure smooth implementation.

4. The DFM started with preparations to provide an electronic payment service. As such, an agreement was signed with the Dubai eGovernment that will allow the participants to pay transaction fees through its payment portal, either using credit cards or through direct debit from a bank account. The service is scheduled to launch in the second half of 2013, once all necessary technical preparations are completed.

5. In order to promote communication with all existing and potential participants, to support listed companies or those likely to be listed in the future and to further enhance best practices and interact more with the investment community, the DFM organized its second interactive workshop on “Achieving Good Investor Relations and Corporate Governance” in May 2012. The workshop was attended by 140 participants representing 80 companies, including many senior executives of listed, private and family companies, as well as senior consultants and experts.

With regards to the financial performance of your Company during 2012, the Company achieved a net profit of AED 35.2 million, compared to net loss of AED 6.9 million in 2011. Total revenues of the Company amounted to AED 191 million in 2012, compared to AED 176.5 million in 2011. The revenues are divided into AED 146.5 million from operational activities and AED 44.5 million from investments and other activities.

Finally, please allow me to extend sincere thanks and appreciation on behalf of the Company, to **His Highness Sheikh Mohammed bin Rashid Al Maktoum, the UAE Vice President, Prime Minister and Ruler of Dubai** for his unlimited support for the DFM. I would also like to thank the Shari’a and Fatwa Supervisory Board, all participants and the DFM staff for their efforts and dedication to achieve the desired objectives. Moreover, I would like to extend my sincere thanks and upmost gratitude to all shareholders for their ongoing support to the Company with its various development plans, which will serve as the key pillar for achieving more success in the near future, God willing.

Thank you,

Essa Abdulfattah Kazim
Managing Director and CEO
Dubai Financial Market (PJSC)

DFM PJSC Financial Performance Summary

The financial performance of the market in 2012 showed significant improvement despite the prevailing global economic conditions. It should be noted, however, that trading volumes have improved and increased for the first time since 2008. The trades value on the Dubai Financial Market rose during 2012 to AED 48.8 billion, an increase of 52% compared to the preceding year 2011, which affected the Company's financial performance for the year 2012 as described below:

Key financial indicators

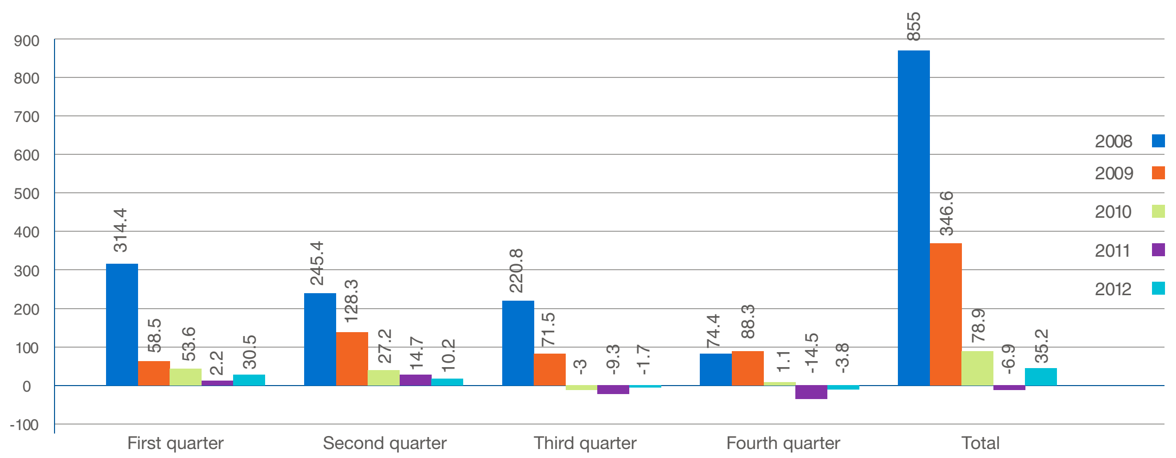
	2008	2009	2010	2011	2012	%
Total revenues (AED million)	1,013	502.9	260.5	176.5	191	8%
Total expenses (AED million)	158	156.3	181.6	183.4	155.8	-15%
Net profit (loss) (AED million)	855 *	346.6	78.9	-6.9	35.2	-610%
Net profit before depreciation, amortization and interest (AED million)	944	433.7	171	89.5	108.1	21%
Total assets (AED million)	8,636	8,220.5	7,914.9	7,698	7,711.6	0.2%
Total liabilities (AED million)	385	197.3	360.4	196	233.5	19%
Shareholders' equity without minority interest (AED million)	8,251	8,023.2	7,523.2	7,479	7,457.9	-0.3%
Share Price (AED)	1.25	1.88	1.51	0.84	1.02	21%
Earnings per share (AED)	0.11	0.04	0.01	-0.001	0.004	-500%
Return on average shareholders' equity	9.5%	4.3%	1%	-0.091%	0.47%	-616%
Return on average assets	9%	4.1%	0.98%	-0.088%	0.46%	-623%
Dividend payout	105%	115%	-	-	-	-

* The losses resulting from investment impairment in 2008 have been re-classified to profit in the amount of AED 250 million as a result of applying the International Financial Reporting Standard No. 9 (IFRS9).

1. Net profit

- DFM Group annual net profit for the financial year ending 31/12/2012 amounted to AED 35.2 million, compared to a loss of AED 6.9 million in 2011, marking an improvement of 610%.
- The DFM (without its subsidiaries) realized a net profit of AED 41.6 million in 2012, compared to a profit of AED 8.9 million in 2011, marking an increase of 367%.
- The reasons for the improvement in the financial performance of the Group in 2012 was due to the improvement in trading values, increase in the value of other new revenues streams, and low expenses, as well as lower losses incurred by subsidiaries (NASDAQ Dubai).

Historical net profit (loss) of the Group (AED million)

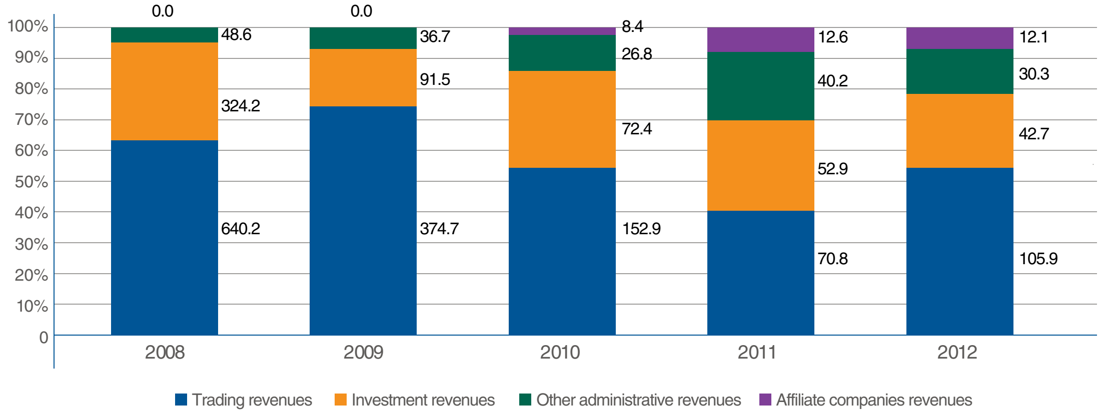


DFM PJSC Financial Performance Summary

2. Revenues

- The total revenue of the Group during 2012 amounted to AED 191 million, marking an increase of 8%, compared to 2011. It is worth noting that the reasons for the increase were due to the rise in the trading revenue and other new revenue streams. However, revenue from other sources continued to decline, notably revenue from broker fees as a result of the continued exit of brokers from the market, investment revenue as a result of continuing low rates of return prevailing in the market, as well as revenue from clearing and settlement services due to non-recurring transactions in 2011.
- Trading revenue accounted for 55.4% of the Company's total revenue during 2012, while investment revenue accounted for 22.4%. The contribution of the various administrative revenue resulting from the clearing, depository and settlement services, broker services and report fees, as well as a number of other new revenue streams in listings, selling of market data and others, all together accounted for 16%. The revenues of subsidiaries accounted for 6.2% of the total revenue.
- The value of new revenue streams for DFM without the contribution of subsidiaries in 2012 has increased. Such revenues resulted from listing fees, market data, advertising services on the DFM website and cash dividend distribution services, as well as safe custody services. These revenues accounted for 4% of the total revenue compared to 2.8% in 2011, marking a growth rate of 54%.

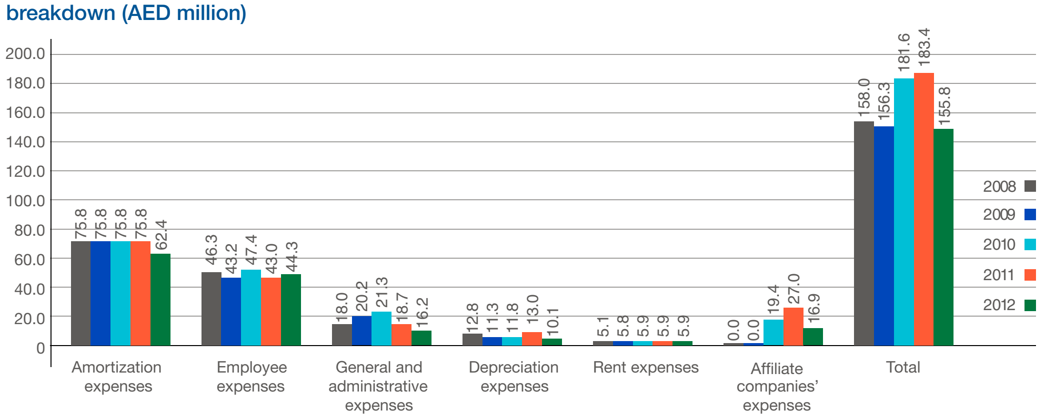
Revenue breakdown (AED million)



3. Expenses

- The total expenses of the Group amounted to AED 155.8 million in 2012 including subsidiaries' expenses in the amount of AED 16.9 million compared to AED 183.4 million in 2011, marking a decrease of 15%. This reduction in the expenses was a result of the policy adopted by the DFM management to reduce general and administrative expenses; lower annual amortization expenses resulting from amortizing all intangible assets of the historical trading database estimated at around AED 13.5 million a year; and some reduction of the subsidiaries' expenses such as the write-off expense of some fixed assets in 2011, in the amount of AED 6 million as a result of decreasing the leased office space, and therefore cutting the annual rental cost.
- The amortization expense of intangible assets accounted for AED 62.3 million, 40% of total expenses. Personnel expenses accounted for 28.4%, general and administrative expenses 10.3%, depreciation expenses of fixed assets 6.5% and rental expenses 3.8%, in addition to the subsidiaries expenses of 11%.

Expenses breakdown (AED million)



Macroeconomic Developments and Market Environment

The year 2012 was marked by unfavorable conditions for investment at the global level as a result of the overwhelming uncertainty and lack of a clear vision regarding the future performance of the global economy, especially the economies of developed countries. The main reason that contributed to the rise of such unfavorable conditions was the failure of economic policies in the developed countries to restore the general confidence of investors and consumers alike to satisfactory levels that help stimulate overall demand; and consequently support the economic growth rates in these countries and ensure their sustainability.

In the Euro Zone, uncertainty and skepticism continued to prevail with respect to the ability of authorities in countries facing critical fiscal positions to design and implement less stringent financial policies. The view was to stimulate economic growth without damaging the fiscal position of their budgets and worsening deficits to levels that threaten the financial stability of those countries in particular, and the Euro Zone as a whole.

In the United States, concerns over the consequences of the fiscal cliff* for the growth of the U.S. economy were dominant. The delay by U.S. authorities in reaching an agreement on an acceptable formula to ease the severity of such actions has led to the creation of a state of anticipation and hesitation among investors, not only in the U.S. market but at a global level, because of the high importance of the U.S. economy for global demand.

In light of the aforesaid unfavorable conditions, general confidence remained at its low levels that have prevailed over the past two years. Economic growth rates also remained weak and unemployment rates remained relatively high. Preliminary estimates by international organizations indicated a decline in the rate of global economic growth from 3.8% in 2011 to 3.3% in 2012. The slowdown in the economic growth rates between 2011 and 2012 was a common feature in both developed and developing countries alike with the exception of a limited number of countries, which were expected to record a slight increase in their economic growth rate.

The economic growth rate slowed within the group of advanced industrial countries from 1.6% to 1.3%. The United States was the only exception within this group where the growth rate was expected to slightly increase to 2.2% during 2012. For developing countries and emerging economies, estimates indicated that they collectively have recorded a slowdown in growth rate from 6.2% in 2011 to 5.3% in 2012. Such slowdown encompassed all countries of this group except the ASIAN-5 states, where growth rates are expected to increase from 4.5% to 5.4%, and the Middle East and North Africa (MENA) countries, which are expected to record a rise in their growth rate from 3.3% to 5.3%. It is worth mentioning that the expected improvement in the economic growth of the MENA countries is limited to oil-exporting countries that have benefited from high oil prices and maintained relatively high levels of expenditures, which reflected positively on the economic growth rate that was expected to rise from 4% in 2011 to 6.6% in 2012. The oil-importing countries in this group, however, have suffered during 2012 from political turmoil and weak external demand as a result of the slowdown in the economic growth of their main trading partners, which negatively reflected on their economic growth rate that was expected to decline from 1.4% to 1.2%.

As the financial markets are the sector most affected by the level of public confidence prevailing among customers and their future expectations, it was normal that the unfavorable conditions have negatively affected the performance of financial markets across various countries around the world. With the exception of a small number of stock exchanges, capital markets worldwide experienced a sharp decline in the value of shares traded during the year 2012, with the total value of shares traded in stock exchanges of the 53 members of the World Federation of Exchanges declining by 22.6%. This decline was a common feature among all major global stock exchanges. The value of shares traded on the NASDAQ OMX and NYSE Euronext exchanges in the U.S. declined 23% and 25% respectively. The decline in the London Stock Exchange was 21% and in the NYSE Euronext Europe exchange, 72%. In the Hong Kong and Tokyo exchanges, the decline was 23% and 14% respectively.

In the case of the United Arab Emirates, the economic and investment climate of 2012 remained much as it was in 2011. On the one hand, the high oil prices have helped the government to move forward with capital expenditures in accordance with plans and programs developed earlier, especially in the area of infrastructure projects. This trend has had a significant role in promoting confidence in the ability of the national economy to grow and maintain an attractive investment environment. On the other hand, the negative factors of continued political instability in a number of Arab countries and continuing frustration caused by the failure of advanced economies to achieve appropriate growth rates, gave rise to a further cause for doubt regarding external demand and the reason for disrupting the abovementioned positive climate, which created hesitation among investors. Despite the strength and significance of the abovementioned negative factors, the available indicators demonstrated that the positive 'push' factors were stronger in their impact on the national economy. The most recent available estimates indicated an increase in the real growth rate in non-oil sectors from 2.7% in 2011 to 3.5% in 2012.

For the Emirate of Dubai, where the oil sector contribution to the GDP of the Emirate averages 2%, the decline in the oil sector has not impacted the Emirate's GDP.

*The fiscal cliff is defined as the sharp decline in the budget deficit caused by large increases to tax revenues after the abolition of applicable tax exemptions on the one hand, and the planned cuts in expenditures to improve the budget position, on the other hand.

Macroeconomic Developments and Market Environment

Consequently, Dubai's GDP growth rate reflected the positive momentum that characterized the non-oil sectors. Although official data on the real GDP growth in the Emirate for 2012 is not available, observations on the ground made it possible to expect, with a high degree of confidence, that the real GDP growth in the Emirate of Dubai cannot be less than 5% in 2012, compared with a growth rate of 2.8% in 2011.

Among the observations that promoted such optimism about the expected growth rate in the Emirate of Dubai, was the continued significant activity in the service sectors in general, and the wholesale and retail trade, tourism, transportation, cargo and telecommunications sectors in particular. Also signs of a return of activity and recovery in the real estate sector, where real estate prices and rentals experienced some rise during 2012. The launch of several real estate projects was announced by a number of developers.

Despite the uncertainty and trend of decline in the value of trades that prevailed across various global financial markets, the performance of the financial markets in the UAE was in line with the optimistic expectations on the growth rate of the national economy. Following the sharp decline recorded in both the general index of the Dubai Financial Market and the value of shares traded during 2011, the general index of the market recorded an increase of 20% in 2012, while the value of traded shares recorded an increase of 52% to reach AED 48.8 billion. The index of Abu Dhabi Securities Exchange during 2012 rose 9.5%.

Outlook

The significant improvement in the performance of the Dubai Financial Market in 2012, which was distinct from the general trend in the performance of global financial markets, is the best evidence to show that the optimistic forecasts adopted by the DFM management at the beginning of the year were not 'out of the blue', and that the challenges which the market faced over the past years (and is still facing some of the consequences of), were only the result of transient conditions. While taking the challenges facing financial markets in general, and financial markets of the region in particular, very seriously, the DFM strides toward the future with great optimism. It continues to adopt initiatives that will pave the way to restore its activity to normal levels. Within this optimistic outlook, the DFM relies on a number of positive factors that are expected to contribute to stimulating the level of activity in the market, such as:

1. Estimates by international experts indicate that the national economy has the capacity to continue its growth, which will return to its upward trend in 2013 to one of the highest rates at both regional and international levels.

2. In the area of regulatory environment development, the Securities and Commodities Authority (SCA) approved late last year the "Market Maker" regulations along with three ancillary regulations: "Lending and Borrowing of Securities", "Short Selling of Securities" and "Liquidity Provider". Undoubtedly, the approval of these regulations is of high importance for the future of the UAE capital market and further enhances the attractiveness of the market for local and foreign investors, which will open up new possibilities to stimulate trading in these markets.

3. Internally, at the level of the Dubai Financial Market Company, a wide range of new strategic initiatives continued to be implemented in the DFM to enhance the structure of the market in order to meet international best practices and prepare the market to continue its activity and growth. The most prominent initiatives include:

a. DFM developed a new business model and amended operational procedures commensurate with the application of regulations and mechanisms adopted by the SCA. The amendments will be soon forwarded to the SCA for comments and approval in anticipation of their application.

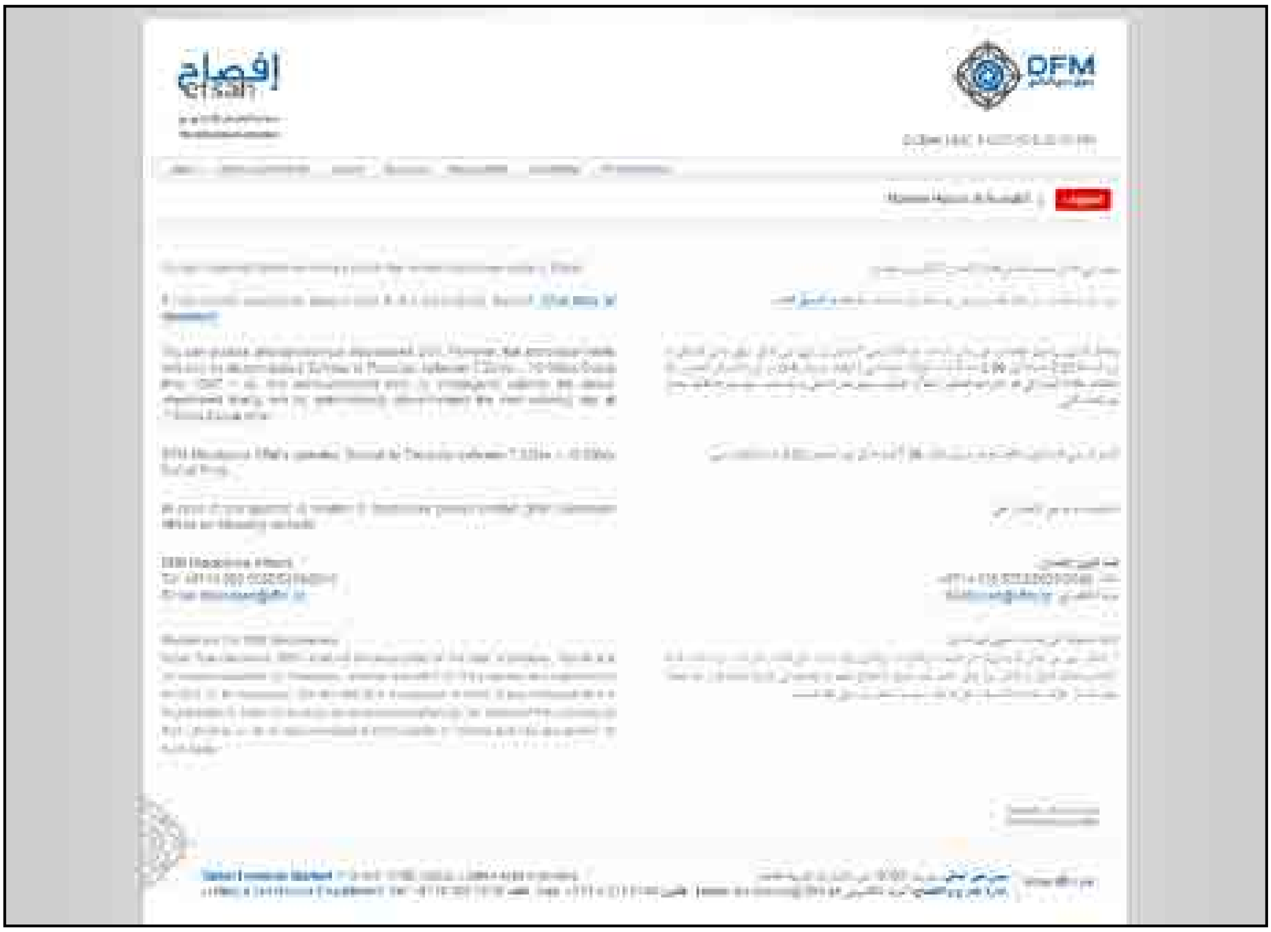
b. The DFM management developed the first phase of the operational rules for securities lending and borrowing and these will soon be forwarded to the SCA. Moreover, it is expected that a mechanism for lending and borrowing securities will be made available before the end of the first quarter of 2013.

c. The DFM continues its efforts to amend the current operational rules and will seek the regulator's approval to allow the introduction of Market Maker and Short-Selling systems at a later stage in 2013.

إفصاح efsah

نظام الإفصاح الإلكتروني

The eDisclosure solution



In October 2012, DFM launched the sophisticated solution for disclosures “Efsah”, a secure web-based application enabling listed companies to publish their disclosures swiftly and effectively.

Through a user name and password, the issuer can create and distribute regulatory disclosures immediately by completing a standard template online in both Arabic and English, and submit with the relevant documents in various formats.

A preview facility is offered for final checks before a disclosure is released. The application also enables listed companies to add their own list of recipients including investors, analysts and other stakeholders, who will instantly receive the disclosure. Additionally, the disclosing company can embargo a disclosure to be released at a later date or time.

DFM has successfully hosted 9 training sessions to educate 68 disclosure employees representing 43 UAE listed companies on the effective operation of this solution. The exchange plans to organize similar sessions for representatives of dual-listed companies in the near future.

DFM PJSC Strategy

In 2012, the Dubai Financial Market (DFM) maintained with determination its strategic objectives to meet evolving business challenges and investor and market participant needs, and its ongoing commitment to drive stakeholder value in all aspects of its business.

The DFM vision, mission and core values - integrity, efficiency, innovation, confidentiality and transparency - define the corporate culture of the DFM and support the DFM's overall strategic objectives.

Vision

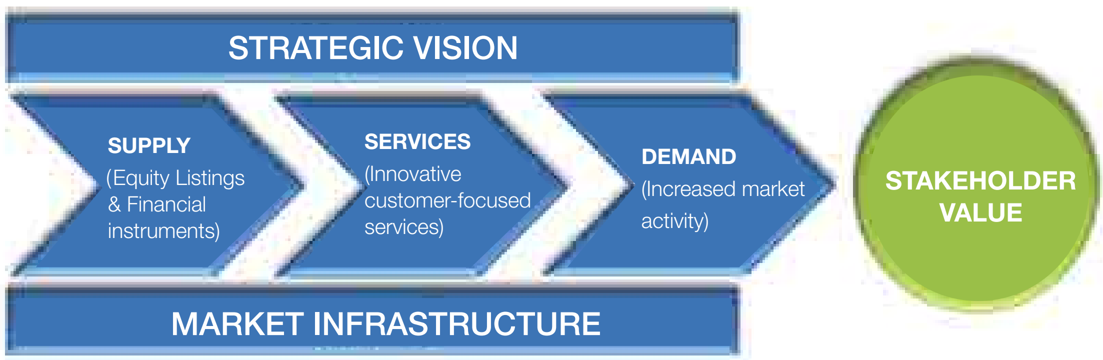
"The World Class Regional Marketplace"

Mission

"To provide stakeholders with innovative services in conducting trading, settlement and depository of securities, in an efficient, transparent and liquid environment".

Strategy

Our aim is to focus steadfastly on the strategy to diversify revenue streams and develop the supply of innovative products and services to increase market activity of members and participants, to generate stakeholder value, and ultimately drive strategic growth.



Firmly focused on realizing its strategic vision, Dubai Financial Market PJSC implemented five key objectives in 2012:

1. Development of market participants' services to drive market activity.
2. Monetization of financial products.
3. Targeted focus on IPOs.
4. Infrastructural advancements based on international best practices.
5. Cost efficiency.

The Dubai Financial Market's business activities, resources and capabilities have been strategically aligned to effectively implement developmental initiatives based on key performance indicators which were monitored throughout the year. This resulted in a record number of achievements for DFM in 2012, and overall the best performance of any exchange across the region.

DFM IR Workshop

The Dubai Financial Market (DFM) organized its second interactive workshop titled, “Achieving Good Investor Relations and Corporate Governance” on Thursday, May 8th 2012 at The Address Hotel, Downtown Dubai. This initiative is the latest of DFM’s continuous efforts to further promote the adoption of international best practices amongst its listed companies as well as potential issuers and encourages greater interaction between these companies and the investment community.

The event was organized in association with the Middle East Investor Relations Society (ME-IRS), and brought together senior delegates from listed companies, private and family businesses, advisors and analysts to discuss the latest techniques and effective strategies in Investor Relations and Corporate Governance. Over 140 delegates representing 80 companies attended the workshop.

DFM Achievements in 2012

Strategic Achievements

1. Converting products and services into new sources of income

a. **Increasing the number of data providers**

Within the framework of its strategy to diversify and increase its revenue sources, Dubai Financial Market (DFM) continued its efforts to increase the number of data providers on an annual basis to ensure its data is disseminated to the largest number of market participants through marketing campaigns and cooperation with international companies. In this context, DFM signed 27 contracts on data transmission during 2012 with various parties, including news agencies, television networks and data providers at the local, regional and international levels, which marked an increase of 35% compared to 2011. Therefore, DFM revenues from the sale of data recorded an increase of 12% during 2012.

b. **Management of dividends for listed companies**

During 2012, DFM distributed cash dividends for the year 2011, on behalf of eight listed companies. Total dividends distributed for those companies amounted to AED 1.35 billion, marking an increase of 21% compared to dividends distributed for the year 2010. The number of investors who received the dividends increased by 83% compared to the previous year, amounting to approximately 130,000 investors. The profits were distributed via three methods: iVESTOR Card, bank transfer into accounts and cheques.

2. Enhancing services to meet market participants' expectations and promote the market

As part of our ongoing commitment to meet the expectations of investors and provide high-class products and services within an efficient trading environment, DFM and NASDAQ Dubai organized "The UAE Investor Roadshow 2012" in association with the Deutsche Bank. The conference was attended by representatives of regional investment institutions and senior executives of companies listed on the two stock exchanges. The conference was part of a series of joint initiatives of DFM and NASDAQ Dubai to promote increased communication between companies listed on the exchanges, and local and regional investors. The event reinforced the leading role of the two exchanges in hosting conferences for international investors and encouraging listed companies to adopt best practices in investor relations.

Furthermore, DFM conducted several surveys to solicit feedback and comments from market participants, including investors, brokers and listed companies. The surveys aimed to identify the needs of all market participants; measure the level of their satisfaction with the services and procedures provided by the market; and gather their views and suggestions in order to stimulate the market and further enhance its efficiency.

In light of the survey findings and DFM's ongoing enhancements, the year 2012 witnessed the development of several services, notably:

a. **Electronic Disclosure System "EFSAH"**

As part of DFM's efforts to achieve the highest levels of transparency and disclosure; provide a secure investment environment; promote fairness and equal opportunities among investors; and protect their interests, DFM launched an Electronic Disclosure System "EFSAH" during 2012. The new system is a sophisticated and secure application that provides listed companies the highest efficiency and speed in publishing their disclosures online. The system contributes to increasing the effectiveness and speed of the disclosure process for the benefit of market participants thanks to the fast and easy input of information. DFM's streamlined procedures and its close cooperation with listed companies have contributed to maintaining high levels of compliance in disclosing quarterly and annual results, achieving 100% compliance in 2012.

The new system is seen as a quantum leap, compared to the older system which required listed companies to forward their disclosures to DFM, either via e-mail or fax, and the DFM disclosure team would then review and upload them onto the DFM website. The Electronic Disclosure System combines the two steps together. The company now completes a standard disclosure form, uploads all disclosure text in one batch and submits to DFM online. The disclosure is then reviewed and posted on the DFM website. The DFM management team organized 9 training sessions, during which 68 disclosure officials from 43 local listed companies were trained in how to use the system effectively.

b. **Electronic Payment Service**

To meet the growing demand of market participants for electronic services, DFM signed an agreement with the Dubai eGovernment to allow market participants to pay their transaction fees through Dubai eGovernment's e-payment portal. The portal is one of the most prominent initiatives from the Government of Dubai to facilitate transactions with government agencies through innovative, secure and efficient channels that save time and effort for customers.

DFM Achievements in 2012

The service allows the electronic payment of all fees, either by credit card or direct debit from the customer's account of participating banks via the electronic payment portal, including the Dubai Islamic Bank, Commercial Bank of Dubai, Abu Dhabi Commercial Bank, Abu Dhabi Islamic Bank and the Union National Bank.

3. Targeted focus on IPOs

a. **Preparing private companies to convert into public shareholding companies**
DFM continued to cooperate with government institutions in order to communicate with private companies and prepare them to convert into public shareholding companies, facilitate their access to sources of finance and introduce them to the rules and requirements of stock markets in the UAE. DFM and NASDAQ Dubai, in collaboration with the Mohammed Bin Rashid Foundation for the Development of Small and Medium-Sized Enterprises, organized a special workshop for the managers of the top 100 small and medium-sized companies (SMEs) in the Emirate of Dubai. The workshop generally aimed to identify the companies qualified for listing and provide the necessary infrastructure to attract such companies.

The workshop focused on introducing the owners of SMEs to growth financing opportunities and capital raising mechanisms. In this regard, the workshop reviewed the experience of Drake & Scull (DSI) International PJSC, which was listed on DFM in 2009. Through such events, DFM and NASDAQ Dubai seek to explain the advantages of various finance options, and prepare the companies which have the potential to convert into public joint stock companies, by explaining the requirements and steps of the conversion process.

b. **Investor Relations Conference**
DFM continued its dialogue with companies who have the potential to list and are considering an IPO as part of their growth plans, on the key principles of early preparation. As part of this initiative, the DFM organised an Investor Relations Conference which involved the participation of representatives from regional investment institutions, senior executives of public and private companies and experts in the areas of IPO advisory and investor relations services.

c. **DFM Guide on Investor Relations**
The DFM launched the "DFM Guide to Investor Relations", which was prepared in collaboration with a group of international experts and consultants, in addition to a number of leading investment banks. The guide provides practical assistance to companies through exploring best practices and key principles to be taken into account when preparing for an investor relations program. The guide is particularly useful for the management of potential companies considering going public, as well as listed companies that seek to enhance their investor relation activities.

Although these efforts have not yielded any new listings during 2012, DFM’s ongoing communication with potential issuers and the desire of such companies to prepare for the conversion process have paved the way for the potential recovery of IPO activity and listings in the period to come, especially in light of favorable economic forecasts, an improved economic climate in the UAE and the continued growth and recovery of businesses.

4. Infrastructural advancements based on international best practices

a. **Developing and updating electronic systems**
Whilst keeping abreast of the latest development plans aimed at optimizing the DFM infrastructure, several electronic systems have been updated and improved. The electronic security system was improved by adopting network access control and anti-intruder technologies, the X-Stream Trading System and the Call Center System were upgraded and the reporting system on the website was also enhanced.

b. **Accreditation of brokers to practice Margin Trading**
As part of its efforts to stimulate margin trading operations in light of improved market performance, better liquidity levels and robust financial positions of banks, during 2012 DFM approved three brokerage firms licensed by the Securities and Commodities Authority (SCA), to practice margin trading, namely EFG-Hermes, Al Ramz Securities and Direct Broker for Financial Services.

Margin trading allows brokerage firms to finance a portion of their clients’ investments in securities under the guarantee of such securities or any other guarantee in the cases exclusively listed in the decision of the Securities and Commodities Authority (SCA) on margin trading.

5. Driving cost efficiencies

With regard to cost-effective spending and reduction of operating expenses in the DFM, the strategic goal was translated into operational objectives at the divisional and departmental level, with emphasis on full adherence (100%) to the estimated budgets of each department. The departmental budgets were prepared on the basis of cutting operating expenses by 15% compared to the year 2011.

DFM Achievements in 2012

The initiatives and projects that aimed to reduce expenses, were as follows:

a. Development and automation of the internal operating systems in all departments and sectors in collaboration with the IT Department team in order to minimize paperwork.
b. Electronic connection of the trading systems, which allowed for the electronic generation of specific financial reports for market participants (investors, brokers, listed companies, custodians, vendors and media companies); and thus, reduced the operating expenses for such reporting.
c. Reviewing all maintenance contracts with service providers in order to identify the main services required by DFM, which led to the renewal of maintenance contracts at lower costs than in 2011.
d. In-house implementation of a large number of electronic projects included in the 2012 plan, through cooperation between the related divisions in charge of the projects and the IT Department, which resulted in reduced costs of such projects.
e. Adoption of an integrated approach to involve various divisions in developing the estimated budget in terms of its preparation, discussion and prioritization, to support financial forecasting based on historical financial data, taking into account expected economic conditions related to inflation and other factors. This identified the operating costs for each activity, applying them to all departments and monitoring the performance through a number of operational indicators at the level of divisions and departments' staff.
f. Adoption of preventive maintenance procedures for electronic systems used in the market, which has had a significant impact in reducing the frequency of system errors, and consequently reducing maintenance costs of such systems.

Supporting Achievements

1. Corporate Social Responsibility

a. DFM Annual Stock Game

The Annual Stock Game organized by DFM aims to increase investment awareness and promote a culture of investment among students. During 2012, the Stock Game Competition involved the participation of 1,844 students, representing 29 educational institutions. The competition reflects DFM's recognition of the growing need to promote a culture of investment among the new generations and develop the skills and capabilities of students as one of the key pillars for the development and advancement of human resources in the UAE. It also represents one of the best examples of positive interactions between DFM and various educational institutions. The large number of participants positively demonstrates the growing popularity of this important educational initiative.

b. Educational Trading Floor

Within the context of DFM's firm commitment to Corporate Social Responsibility (CSR) and its continuous efforts to enhance the educational environment through linking theoretical studies with practical experience and offering students an opportunity to learn interactively, two educational trading floors were launched at Dubai Men's College of Technology and the American University in the UAE. The two floors feature a micro version of the DFM's main trading floor and include two screens and a ticker directly linked to DFM's trading engine to display trading activity and real time market data from DFM's main trading floor. Furthermore, DFM's experience in this area supported the Securities and Commodities Authority (SCA) initiative to develop a micro version trading floor at the University of Sharjah, which was inaugurated in the presence of His Highness Sheikh Dr. Sultan bin Mohammed Al Qasimi, Member of the Supreme Council and Ruler of Sharjah. This reaffirmed DFM's role as a leader amongst regional financial markets in this type of initiative.

c. Summer Training Program

DFM has organized summer training programs since 2004 as a result of the management's commitment to stimulate the role of youth within the work environment, and reaffirm its commitment to society through developing and qualifying a successful generation capable of assuming responsibility. The summer training program of 2012 contributed to the development of a new promising generation of professionals across different fields of financial markets. To this end, the "Future Broker" and "Future Technician" educational programs were introduced to explore new talents that are expected to provide significant added value to this vital sector in the near future.

A total of 18 UAE students (male and female) participated in the program, which ran throughout the month of July 2012, at an average of 6 hours per day. The program covered many aspects of practical training related to a number of key areas of the capital markets, which represented a major challenge for the participants.

DFM Achievements in 2012

2. Strategic Planning

DFM applied a modern strategic planning system which uses strategic scenarios. The Company applied optimal strategic management principles (planning, implementation, follow-up and review of the strategy) to identify the most important weaknesses and areas for improvements by utilizing the results of the Balanced Scorecard system applied for the year 2011, upon which detailed supportive strategies were developed to include the following in 2012:

- The strategy to increase profits and reduce costs from a financial perspective.
- The strategy to identify the needs and aspirations of participants (investors, brokers, vendors, custodians and listed companies) and measure their level of satisfaction.
- The strategy to develop products and services and introduce them electronically across internal operations.
- The strategy to develop, grow and enhance the efficiency of DFM employees.

The significance of developing a detailed strategy originates in the knowledge gained from the results of the Balanced Scorecard methodology in 2011 applied across all divisions operating in DFM, which formed an integrated approach for corporate performance management at DFM.

Through the application of these methodologies, the senior management of DFM was able to monitor and control the performance in a regular and systematic manner that showed the rates of progress in implementing the strategic and operational plans at all levels. The key performance indicators and parameters were developed as follows:

- DFM strategic performance indicators.
- Operational indicators of administrative units operating in DFM.
- Key performance parameters at the individual level for every employee at DFM.

One of the key advantages of applying the Balanced Scorecard methodology is that the scorecards reflect the individual performance of employees in adhering to the DFM strategic plan and provide the rate of achievement in the required targets on a periodic basis, in order to address the corrective action plans required to achieve such targets, referred to as “Supportive Strategies”.

3. Human Resource Development

a. As part of the DFM objective to develop its human resources, during 2012 the Human Resource (HR) Department organized 44 workshops, training programs and field visits aimed at developing the personal, technical and administrative skills of employees.

b. The HR intranet portal was launched to keep employees informed of the rules, regulations and activities of DFM.

c. Over 90% of HR procedures were converted into an electronic environment with the launch of the new HR intranet system, providing an integrated electronic service for all employees.

4. The Program for Second and Third Generation Leaders

DFM launched an internal program to develop its future leaders. The project aims to prepare a second and third generation of leaders across all divisions of the market. The program targets departmental and section heads to develop their leadership and strategic thinking skills within management and engages them in an integrated program that meets the aspirations of the market and advances the skill level of managers to assume leadership positions or simply enhance their current skills. The program is expected to continue through to the end of 2013.

5. The Shari’a and Fatwa Supervisory Board

During 2012, the Shari’a and Fatwa Supervisory Board carried out the following duties:

a. **Market Standards**

1. Prepared the latest exposure draft of the “DFM Standard for Issuing, Acquiring and Trading Sukuk" for a hearing session, and reviewed its translation into English in order to present it to a group of experts and stakeholders, which will be followed by the issuance of the final draft.
2. Supervised all procedures taken by the Shari’a Section at DFM to address listed companies in order to obtain additional data required to classify the companies according to the market standard for stock ownership and trading.

b. **Shari’a Supervision**

The Board identified the functions of the Shari’a Section; and provided the market with a list of Shari’a-compliant companies according to the latest financial statements available at the end of each quarter. The Board also followed up and evaluated DFM activities in terms of compliance with Shari’a, and provided Fatwas (opinions) on the subjects presented. The Board also reviewed the reports prepared by the Section at the end of each quarter, and made recommendations prior to their approval.

DFM Achievements in 2012

c. **Fatwas**

The Board responded to all Shari'a related inquiries raised during the year by the DFM management.

d. **Zakat for 2011**

The Board reviewed and approved the Zakat on DFM for the year 2011, as prepared by the Shari'a Section in accordance with the DFM Zakat budget. The Board then called upon the shareholders to pay the Zakat during the General Assembly Meeting held during 2012.

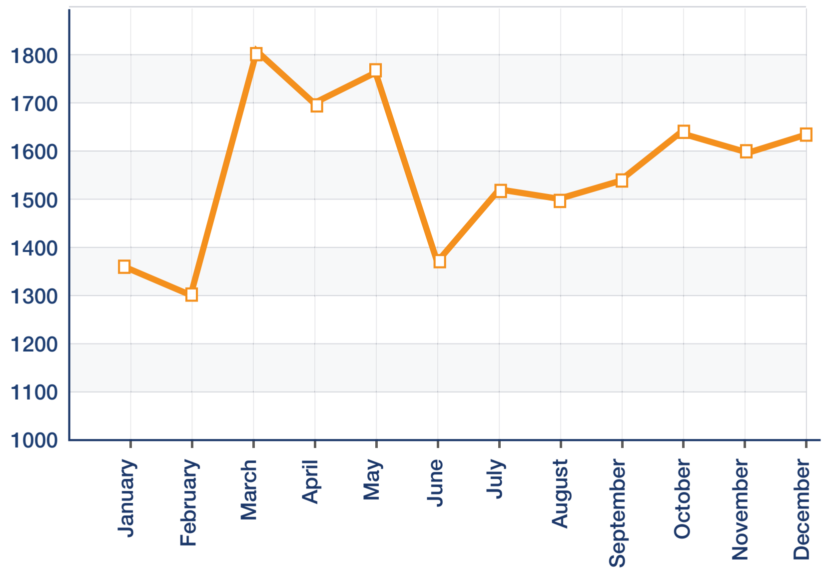
DFM Performance in 2012

The Dubai Financial Market General Index (DFMGI) increased by 19.9% to 1622.5 points at the end of 2012 compared to 1353.4 at the end of 2011. At the sectoral level, indexes of seven out of the nine sectors represented on the DFM ended the year in the green, with the Services sector increasing the most by 144%, followed by the Industrial and Real Estate & Construction sectors by 44.6%, and 42.5% respectively. The Banking sector declined by 4.5%, and the Consumer Staples sector index did not change during the year.

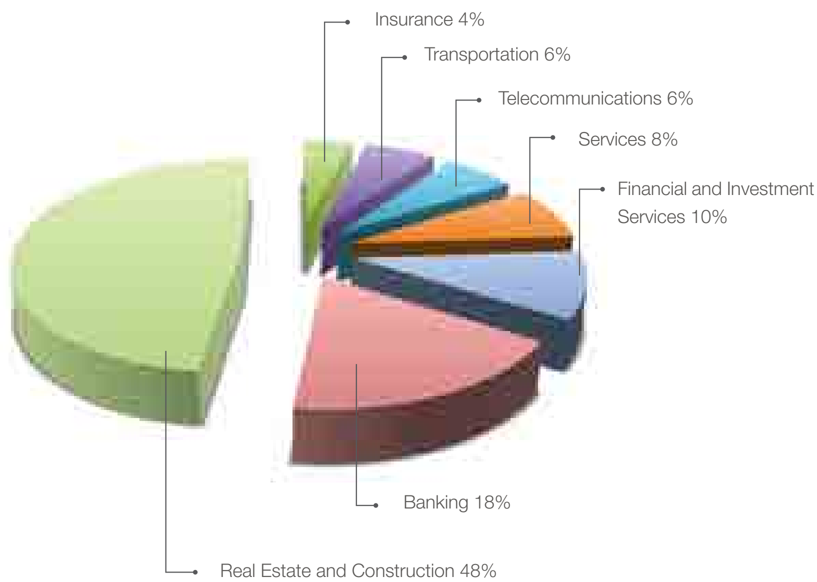
The market capitalization increased at the end of 2012 by 1.0% amounting to AED 181.9 billion compared to AED 180.1 billion at the end of 2012. The value of shares traded in 2012 reached AED 48.6 billion, compared to AED 32.1 billion recorded during 2011, an increase of 51.4%. The number of shares traded rose 60.8% to reach 40.5 billion shares, compared to 25.2 billion shares. The number of transactions executed during 2012 was up by 39.7% to reach 621,421 compared to 444,814 deals carried out during the previous year.

As for the sectors' contribution to trading volumes, the Real Estate and Construction sector ranked first in terms of traded value, to reach AED 23.2 billion, or 47.7% of the total traded value in the market. The Banking sector ranked second at AED 8.9 billion (18.2%), followed by the Financial & Investment Services sector with AED 5.1 billion (10.5%), the Services sector with AED 4.1 billion (8.4%), the Telecommunication and Transportation sectors each with AED 2.83 billion (5.8%), the Insurance sector with AED 1.7 billion (3.5%), whilst other sectors shared the rest of the trading volumes, as shown in the below chart.

DFM General Index during 2012



Distribution of Traded Value by Sector 2012



DFM Performance in 2012

The value of stocks bought by foreign investors during this year reached AED 22.5 billion comprising 46.2% of the total traded value. The value of stocks sold by foreign investors during the same period reached AED 22 billion comprising 45.3% of the total value traded. Accordingly, DFM net foreign investment in-flow reached AED 461.2 million.

Trading Activities in 2012 by Nationality

	Value of Stocks Bought - AED	Value of Stocks Sold - AED	Net Investment AED
Arab	11,999,431,361	12,053,426,121	(53,994,759)
GCC	2,981,771,798	3,060,715,754	(78,943,957)
Others	7,470,235,461	6,876,139,801	594,095,660
Total Non UAE	**22,451,438,621**	**21,990,281,676**	**461,156,944**
UAE	26,136,636,482	26,597,793,427	(461,156,944)
Grand Total	**48,588,075,103**	**48,588,075,103**	**0**

The value of stocks bought by institutional investors during the year reached AED 11.3 billion comprising 23.2% of the total traded value. The value of stocks sold by institutional investors during the same period reached AED 10.2 billion which constitutes 21% of the total value traded. Net institutional investment in-flow into DFM amounted to AED 1.1 billion.

Trading Activities in 2012 by Type of Investor

	Value of Stocks Bought - AED	Value of Stocks Sold - AED	Net Investment AED
Institutions	11,290,765,546	10,183,220,706	1,107,544,840
Individuals	37,297,309,557	38,404,854,397	(1,107,544,840)
Grand Total	**48,588,075,103**	**48,588,075,103**	**0**

Corporate Governance Report for 2012

1. Corporate Governance Practices

Pursuant to the responsibility of the Board of Directors towards shareholders and its duty to protect and promote the value of the shareholders' equity, the management of Dubai Financial Market (DFM) has endeavored to apply the rules and principles of corporate governance set forth in the Ministerial Resolution No. 518 of 2009 and the Administrative Circular issued by the Securities and Commodities Authority (SCA) dated 30/4/2012 concerning the effective and transparent application of governance principles. To this end, the DFM has ensured the following:

- The Board of Directors' formation was in conformity with the requirements of the law; and the Board has complied with the board functions set forth in the Ministerial Resolution and the Articles of Association of DFM.
- The Board of Directors has complied with the requirement to hold 6 meetings during the year in the approved dates; and has continued to perform its duties set forth in the Governance Guide and the Ministerial Resolution. No. 518 of 2009.
- The Board members have complied with the annual disclosure of their independence during 2012, and the disclosure of any change affecting their independence, including their membership on other boards.
- The Board members have complied with the requirement to disclose their trades and trades of their first-degree relatives in the shares of companies listed on the DFM.
- The Audit Committee held 6 meetings, and the Nomination and Remuneration Committee held 4 meetings. Both committees performed their duties, submitted written reports to the Board of Directors on their results and recommendations and followed up by implementation.
- The Board was provided with all the working papers presented to the Board committees, including the reports of the Internal and External Audit Departments.
- The shareholders' discussions and inquiries were recorded in the minutes of the General Assembly Meeting held on April 15th, 2012.
- DFM has complied with the disclosure of the quarterly and annual financial statements within the legal timeline.
- An investment committee, derived from the Board, was formed to oversee the Company's investment portfolio.
- An updated Charter and an audit manual were approved for the Internal Control Department in accordance with international best practices. The structure of the Internal Control Department was modified so as to enhance the independence of the Department and its employees.
- The authorised individuals of the Executive Management were updated.
- The obligation to develop the skills and expertise of the Board members was fulfilled through seminars and workshops organized by DFM, such as the workshop entitled "Achieving Good Investor Relations and Corporate Governance", held on May 8th, 2012.
- An updated administrative circular was issued to regulate the trading of DFM staff and their minor children in the Company's shares and the shares of DFM listed companies, which increases the regulatory controls over insider trading.

2. Trading in the Company's Shares by Board Members and their First-degree Relatives during 2012

The members of the Board of Directors comply with the provisions of Article 17 of the Cabinet Decision No (12) of 2000 concerning the regulations of listing of securities and commodities, and the applicable policy concerning their trading in the Company's shares as contained in the Company's Control Procedures and Corporate Governance Guide by obtaining the required approvals from the regulatory authorities. They also comply with the period of ban on dealings stipulated in Article 14 of Securities and Commodities Authority's (SCA's) regulations as to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities. The Board members also undertake annually to disclose their trading and the trading of their first-degree relatives.

According to the statements of the Board members in January 2013, trading transactions in the Company's shares by their first-degree relatives were as follows:

- Rashid Humaid Al Mazroei, sale transaction in the amount of AED 349,848.
- Mohammad Ali Al Qaizi, purchase transaction in the amount of AED 5 million.

In addition to the approved policy pertaining to the Board members' dealings, the Company adopts a policy for its employees' trading in the shares of DFM listed companies (including the Company's shares). Under the Administrative Decision No. 6 of 2012 issued by the Company's Management, all DFM employees are regarded as insiders in the listed companies. They are required to provide their own

Corporate Governance Report for 2012

investor number and that of their minor children to the Human Resources Department. Any employee wishing to trade (in person or through a third party), must complete a special form prepared for this purpose and submit the completed form to the Market Control department for approval. The department shall, in turn, ensure that the request doesn't include any legal restraints, especially the period of ban on trading.

The period of ban on trading was specified under Article 14 of the SCA Regulations pertaining to Trading, Clearing, Settlement, Transfer of Ownership and Custody of Securities as follows:

- Ten (10) working days prior to disclosing any important information which affects the share price, unless the information was a result of urgent and unexpected events.
- Fifteen (15) days prior to the end of the quarterly, half-yearly or annual financial period and until the financial statements are disclosed and the annual financial statements are approved by the Ordinary General Assembly.

Without prejudice to Articles 14 and 17 above, the Company employees are permitted to trade in the Company's shares for only 30 days after each period of ban. The brokerage firms were instructed to reject any transactions by the Company employees unless they had obtained the required approvals from the DFM Market Control department.

3. Formation of the Board of Directors

By virtue of Article 20 of the company's Articles of Association, DFM's Board of Directors consists of 7 members. The following shows the formation of the Board of Directors:

Name	Title	Independent / Non-Independent	Executive / Non-Executive	Date of first election	Membership period from date of first election until 31/12/2012
Abdul Jalil Yousuf Darwish	Chairman	Independent	Non-Executive	21/04/2010	Two years and eight months
Rashid Hamad Al Shamsi	Vice Chairman	Independent	Non-Executive	16/01/2007	Six years
Essa Abdulfattah Kazim	Managing Director and CEO	Non-Independent	Executive	16/01/2007	Six years
Mussabeh Mohammed Al Qaizi	Member	Independent	Non-Executive	21/04/2010	Two years and eight months
Ali Rashid Al Mazroei	Member	Independent	Non-Executive	21/04/2010	Two years and eight months
Adil Abdullah Al Fahim	Member	Independent	Non-Executive	21/04/2010	Two years and eight months
Mohammed Humaid Al Mari	Member	Independent	Non-Executive	21/04/2010	Two years and eight months

All the Board members are UAE citizens with the required expertise and skills:

Abdul Jalil Yousuf Darwish

A professional banker and a business entrepreneur. Currently occupies the following positions:

- Chairman of the UAE Enterprises Group.
- Chairman of the Board of Directors of Dubai Financial Market (DFM) Company.
- Member of the Board of Directors of the General Pension & Social Security Authority.
- Member of the Board of Directors and Treasurer of the Dubai Chamber of Commerce and Industry.
- Member of the Dubai Economic Council.
- Member of the Board of Directors of the National Bank of Umm Al Qaiwain, since its establishment in 1982.
- Member of the Board of Trustees, American University of Sharjah.
- Deputy Chairman of the Human Resources Development Committee in the Banking and Financial Sector.
- Member of the Board of Trustees of Dubai University.

Previous positions held by Mr. Abdul Jalil Yousuf Darwish:

- Chief Executive Officer of HSBC Bank Middle East Ltd, United Arab Emirates.
- Executive Director and Vice Chairman of HSBC Bank Middle East Ltd.
- Chairman of HSBC Middle East Finance Company Ltd.
- Member of the Board of Directors of HSBC Financial Services (Middle East) Ltd.
- Deputy Chairman of the Emirates Institute for Banking and Financial Studies.

Corporate Governance Report for 2012

Rashid Hamad Al Shamsi

Mr. Rashid Hamad Al Shamsi is Vice Chairman of Dubai Financial Market since the year 2007. Mr. Al Shamsi is the founding partner of MEECON, an architectural and engineering project management consultancy, and owner of Al Shamsi Property Management Company in Dubai. He graduated from the University of South Carolina, USA, with a Bachelor's degree in Civil Engineering in 1982 and occupies / has occupied the following positions:

- Member of the Board of Directors of the Emirates General Transport Corporation.
- Member of the Board of Directors of Gulf Navigation (PJSC).
- Member of the Board of Directors of NASDAQ Dubai.
- Mr. Al Shamsi was actively engaged in the marketing and distribution of energy-related products for over 22 years.
- General Manager of Emirates General Petroleum Corporation (Emarat) from 2002 to 2008, chairing several Emarat joint ventures and subsidiary companies.
- Former member of the Board of Directors of Dubai Chamber of Commerce and Industry from 1991 to 1997.
- Former member of the Board of Directors of Dubai Mercantile Exchange.
- Former CEO of Sama Dubai, the international real estate development arm of Dubai Holding.

Essa Abdulfattah Kazim

Mr. Essa Kazim is the Chairman of Borse Dubai and Managing Director & CEO of Dubai Financial Market (DFM).

Mr. Kazim began his career as a Senior Analyst at the Research and Statistics Department of the UAE Central Bank in 1988 and then moved to the Dubai Department of Economic Development as Director of Planning and Development in 1993. He was then appointed as Director General of the DFM from 1999 through to 2006. Mr. Kazim holds an honorary Doctorate from Coe College, a Master's degree in Economics from the University of Iowa, a Master's Degree in Total Quality Management from the University of Wollongong and a Bachelor's degree in Mathematics, Economics and Computer Science from Coe College.

He occupies other positions which include:

- Board of Directors of Etisalat.
- Member of the Higher Board of Directors of the Dubai International Financial Centre (DIFC) and the Board of Directors of DIFC Authority.
- Member of Dubai Council for Economic Affairs.
- Board of Directors of NASDAQ Dubai.
- Board of Directors of Noor Islamic Bank.
- Member of the Board of Rochester Institute of Technology.
- Member of the Board of NASDAQ OMX.
- Member of the Board of Governors of Hamdan Bin Mohammed E-University.
- Member of UAE – UK Business Council.
- Secretary General of the Higher Committee of Islamic Economy Initiative.

Mohammed Humaid Al Mari

Mr. Al Mari is a Financial and Administrative expert with more than 20 years of experience in both public and private sectors. He graduated from Mohammed Bin Rashid's Program for Leadership Development, Government Leaders Category. He also holds an MBA from the American University in Dubai since 2004 and a Bachelor's degree in Accounting from the United Arab Emirates University in Al Ain since 1990. Mr. Al Mari started his professional career as an employee at the Land Department in 1986 and holds / has held the following positions since then:

- Assistant CEO for Finance and Support Services at the Mohammed Bin Rashid Housing Establishment since August 2009.
- Founding Partner in Faris & Co. Public Accountants since 1995.
- Member of Takaful Al Emarat PJSC Board of Directors since April 2012.
- CFO at the Roads and Transport Authority from June 2006 to August 2009.
- Assistant General Manager of the Dubai Transport Authority from March 2005 to June 2006.
- Member of the Board of Directors of the Dubai Development Board from December 2005 to April 2008.
- CFO and CAO of the Land Department from November 2000 to March 2005.

Corporate Governance Report for 2012

Mr. Al Mari has the following professional memberships:

- Certified Public Accountant since 1990.
- Member of the UAE Accountants and Auditors Association since 1997.
- Member of the Culture and Science Symposium in Dubai since its inception.
- Honored with the Sheikh Rashid Award for Educational Excellence for completing an MBA degree at the American University in Dubai.
- Holds an Institutional Leadership Certificate from the Leadership and Learning Center in Florida, USA.
- NLP practitioner certified by Richard Bandler through the McClendon & Associates Institute.
- Holds a Self-Hypnosis Practitioner Diploma from Proudfoot School of Clinical Hypnosis and Psychotherapy.

Adil Abdullah Al Fahim

Mr. Adil Abdalla Al Fahim has extensive hands on experience of over thirteen years within the Financial, administrative, audit/control, information systems and commercial law fields. He graduated with a Bachelor's degree in Accounting from "Ain Shams University" in Cairo in 1999.

Adil Al Fahim was recognised as the winner of the "Financial Thought Leader", at the Corporate Leaders Awards on 14th March 2012, by the business information group Naseba.

He holds/has held the following positions:

- Member of the Dubai Government Financial Planning Committee.
- CFO at the Dubai Airports Company where he joined in 2006 till date.
- Member of the Planning & Budget Development and Automation Committee.
- Director of Internal Audit at the Department of Finance, Dubai at H.H Ruler of Dubai Court.
- Deputy Director of Performance Control, Information Systems Audit and Training Department at H.H Ruler of Dubai Court.
- General Director of the UAE Accountants and Auditors Association (2000-2002).
- Member of the Board of Directors and President of the Conferences Committee in the UAE Accountants and Auditors Associations (2002-2004).
- President of the American Institute of Internal Auditors (IIA) - Emirates Branch (2006-2007).
- Senior Vice President, internationally Certified Anti–Fraud Association in the USA – Emirates branch.
- Member and Secretary of the UAE Auditors' Registration Committee.
- UAE Representative of the AGCC E-Commerce Committee.
- Law and Regulations (Financial Expert in Dubai Courts).

He also has the following professional memberships:

- Certified Public Accountant (CPA).
- Certified Fraud Examiner (CFE).
- Certified Financial Consultant (CFC) – Canada.
- Certified Audit Command Language (ACL) Trainer – Belgium.
- Founding member of the UAE Accountants and Auditors Association.
- Member of the Judges Assistant Category in the Experts list of technical consultants adopted by Dubai Courts.
- Information Systems Audit and Control Association (USA).
- Institute of Internal Audit (USA).
- American Society for Quality (USA).
- Association of Financial Professionals in Hospitality and Technology Affairs for the Hotel Sector.
- The Canadian Association of Financial Consultants.

Ali Rashid Al Mazroei

Mr. Ali Al Mazroei has more than 12 years of hands-on financial and administrative experience in the banking and commercial sector. He graduated from Southern New Hampshire University, USA, with a Master's degree in 2002, and from the American University in Dubai with a BA in 1999. Mr. Mazroei holds/has held the following positions:

- Director & Group CFO of Bahri & Mazroei Trading Company since April 2007. The company was established in 1968 in Dubai. The Group manages general investments in the sectors of Commerce, Real Estate, Manufacturing, Tourism & Travel etc.

Corporate Governance Report for 2012

- Member of the Board of Directors of the National Bonds Corporation (P.S.C.) and Chairman of the Investment Committee since May 2011.
- From 2000 to 2007, Mr. Al Mazroei held various functional and administrative positions at CitiBank Group in Dubai, as a Resident Vice President in the Financial Control Unit in Citibank, he headed the Planning & Analysis Dept for Middle East, Turkey, & Africa as well as Director of the SME Department.

Mussabeh Mohammed Al Qaizi

Mr. Mussabeh Al Qaizi has over 18 years of hands-on experience, the majority of which were in the field of information technology where he supervised and directly managed several multi-tasked teams and individuals. He graduated with a Bachelor's degree in Computer Information Systems from Arkansas University, USA, in 1991.

Mr. Al Qaizi holds/has held the following positions:

- Head of E-Banking Services at Dubai Islamic Bank as well as other leadership positions such as member of the Board of Directors of the Islamic Financial Services (a subsidiary of Dubai Islamic Bank) and Head of the Automatization Committee at the Dubai Islamic Bank, which plays a vital role in coordinating and aligning the bank's comprehensive strategy with the latest IT developments.
- Managed the Dubai Ports Authority IT Department as Support Supervisor and subsequently as Head of the IT Department. Throughout his seven years of working at Dubai Ports World, he gained extensive hands-on experience and knowledge from dealing with the various functional departments thereof.
- Mr. Al Qaizi joined Dubai Islamic Bank in 1999 as Head of the Cards Unit which he developed in two years.
- Head of Information Systems Department at the Dubai Islamic Bank between 2001 and 2008. During this period, he was able to build and support the information systems infrastructure and hence gain wide-ranging hands-on experience in project management at various banking levels.
- Since 2008, based within the E-Banking Operations Unit, Mr. Al Qaizi has been developing various channels to connect customers to the bank. In recognition of the great development which he achieved in this field, his project was named Project of the Year for 2009, as well as Best Unique E-Banking System Project at Dubai Islamic Bank.

Remuneration of the Board members and allowances for attending the meetings of the Board and the Board Committees

By virtue of the provisions of Articles 33 and 67 of the Company's Articles of Association, and in compliance with Article 118 of the Commercial Companies Law No. 8 of 1984 and its amendments, and Article 7 of the Ministerial Resolution No. 518, the Board of Directors' remuneration is equal to 10% of the net profit of the DFM Company after the deduction of costs, expenses, and statutory legal reserve as well as distribution of dividends equal to 5% of the Company›s capital, subject to the approval of the Ordinary General Assembly. In its meeting on 8/1/2011, the Board of Directors set a remuneration of AED 300,000 per member after obtaining the shareholders' approval during the General Assembly.

During its meeting held on the 26th of February 2012, the Nomination & Remuneration Committee recommended the Board and Committee meetings attendance allowance. The Board approved the meeting allowance for individual Board members attending in-person each Board meeting in the amount of AED 15,000, a Committee meeting allowance of AED 6,000 for each Committee member attending in-person, and AED 2,000 for meetings via conference call or video conference.

- **There will be no proposed remuneration for the Board of Directors for the year 2012.**

A total amount of AED 708,000 was disbursed for attendance allowances, distributed as follows:

- Allowances for attending Board meetings: AED 540,000.
- Allowances for attending Audit Committee meetings: AED 102,000.
- Allowances for attending Nomination and Remuneration Committee meetings: AED 66,000.

Corporate Governance Report for 2012

Meetings of the Board of Directors during the Fiscal Year

The Board of Directors held 6 meetings during 2012 as follows:

Date of the Meeting	Personal Attendances						
	Abdul Jalil Yousuf Darwish	Rashid Hamad Al Shamsi	Essa Abdulfattah Kazim	Mussabeh Mohammed Al Qaizi	Mohammed Humaid Al Mari	Adil Abdullah Al Fahim	Ali Rashid Al Mazroei
26/02/2012	✓	✓	✓	✗	✓	✓	✓
07/05/2012	✓	✓	✓	✓	✓	✓	✓
20/06/2012	✓	✓	✓	✗	✓	✓	✗
04/08/2012	✓	✓	✓	✗	✓	✓	✓
03/11/2012	✓	✓	✓	✗	✓	✓	✓
19/12/2012	✓	✓	✓	✓	✗	✓	✓

Duties and Functions Assigned by the Board of Directors to the Executive Management

In compliance with the Board of Directors' meetings held in 2011 and 2012, the Executive Management was assigned the following duties and powers:

- The CEO was authorized to represent the Company before courts. His signature was authenticated by the notary public to sign agreements on behalf of the Chairman of the Board of Directors to facilitate the Company's business.
- Prepare feasibility studies in relation to the Company's projects.
- Develop internal policies and bylaws to regulate the work, including employees rewards policy, investment policy and the policy on exemption from fees.
- Approve work procedures, administrative circulars and decisions governing the work environment.
- Form, change and dissolve executive committees.
- Approve the direct order purchasing authority up to AED 250,000 for the Head of Corporate Services and up to AED 500,000 for the CEO.
- Approve the authority of the CEO to contract through tendering up to AED 1 million.
- Approve the authority of the CEO to contract through limited or public bidding up to AED 5 million.
- It is the authority of the Head of Corporate Services to sign approved contracts up to AED 5 million in value and the authority of the CEO to sign approved contracts up to AED 50 million.
- The CEO and the head of the concerned sector have the authority to sign memorandums of understanding, limited representation agreements and sub-deposit agreements.
- The CEO has the authority to rent the market spaces and determine the rent value.
- The CEO approves the results of the annual inventory.
- The decision to dispose of book fully-depreciated (retired) assets is taken by the CEO.
- It is the authority of the CEO to determine the service fees and penalties, and to update the list of fees according to the market data.
- The head of the concerned sector has the authority to impose penalties / fines.
- The Head of Corporate Services in conjunction with the head of the concerned sector have the authority to cancel the first violation, and the authority of the CEO to cancel the second violation.
- The CEO is authorized to exempt investors, upon a request to be submitted by them, from the fees of services provided to them based on fixed percentage and depending on the transaction value.
- The CEO has the authority to invest in short-term deposits of unlimited amounts pursuant to recommendations from the Investment Committee, including breaking the deposit before its maturity.
- In the event of incomplete quorum of a Board meeting, the CEO is authorized to sign the audited interim financial statements after their approval by the Audit Committee.
- The authority to sign cheques and bank transfers up to AED 50 million is within the responsibility of the Executive Management.
- Member of the Board of Directors of the Emirates General Transport Corporation.

Corporate Governance Report for 2012

The Senior Executive Management of the Company consists of six (6) senior management staff. The following table shows the names, positions, dates of appointment, gross salaries and allowances of the senior management staff in the Company:

Name	Position	Date of Appointment	*Gross salaries and allowances paid in 2012 (AED)	Retirement & Social Security Contributions (AED)	Total Bonuses paid in 2012 (AED)
Essa Abdulfattah Kazim	Managing Director and CEO	01/05/1999	1,407,542	168,115	-
Maryam Mohammed Fikri	Executive Vice President - COO Head of Clearing, Settlement and Depository Division	01/06/1999	839,979	91,992	-
Hassan Abdul Rahman Al Serkal	Executive Vice President - COO - Head of Operations Division	01/06/1999	903,213	91,381	-
Ahmad Mohammed Al Jaziri	Senior Vice President - Head of Corporate Services Division	01/06/1999	714,905	84,541	-
Jamal Ibrahim Al Khadhar	Senior Vice President - Head of Human Resources and Strategic Planning Division	01/06/1999	695,499	83,977	-
Fahima Abdul Razzaq Al Bastaki	Senior Vice President - Head of Business Development Division	22/05/2004	766,105	84,541	-

* Including allowances for furniture, car, education, tickets and general pension and social security.

Related Party Transactions

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

Transactions during the year	2012
	AED '000
Ownership transfer and mortgage fees	-
Income on investment deposits	5,517
Interest expense	931

Corporate Governance Report for 2012

Chairman's Statement
Managing Director and CEO's Statement
DFM PJSC Financial Performance Summary
Macroeconomic Developments and Market Environment
DFM PJSC Strategy
DFM Achievements in 2012
DFM Performance in 2012
Corporate Governance Report for 2012
Financial Statements

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

	2012
	AED '000
Compensation of key management personnel	
Short-term benefits	**6,647**
General pension and social security	**657**
Board of Directors	
- Remuneration to the NASDAQ Board	**1,006**
- Meeting allowance for the Group	**1,988**
Balances	
	2012
	AED '000
Due from related parties	
Parent	
Investment deposits (Note 7)	**140,477**
Due from related party	**-**
Accrued income on investment deposits	**2,862**
Other related parties	
Due from a financial institution	**257,260**
Managed funds (Note 6)	**177,601**
Due to related parties	
Parent	
Due to a related party	**1,831**
Subordinated loan	**21,297**
Ultimate controlling party	
Dubai Government	**48,500**

In the initial public offering in 2006, 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 due to the Dubai Government. The balance does not bear any profit.

The subordinated loan has been provided by the parent, Borse Dubai Ltd., to NASDAQ Dubai Limited (Note 1). The subordinated loan is unsecured 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.

Due from a financial institution represents a wakala deposit with government related entity which is currently in the process of being restructured.

4. The External Auditor

PricewaterhouseCoopers is one of the major firms operating in the field of professional services. It consists of a network of companies operating in 158 countries, and employing more than 180,000 employees dedicated to providing audit, taxation and consulting services. The company became established in the Middle East more than forty years ago. It has offices in Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestine, Qatar, Saudi Arabia, United Arab Emirates and Yemen, with more than 2,500 employees. The company has been operating in the United Arab Emirates for more than 30 years through its offices in Abu Dhabi, Dubai and Sharjah, which collectively have more than 700 partners, executive directors and employees.

In May 2009, PricewaterhouseCoopers - Middle East concluded a strategic alliance agreement with the company's office in the United Kingdom. This alliance provides PricewaterhouseCoopers - Middle East with the capability, advantage and in-depth expertise available within the company's office in the United Kingdom.

Corporate Governance Report for 2012

Fees and costs of the audits and other services provided by the external auditor

Based on the recommendations of the Audit Committee during its meeting held on 23/2/2012, the Board's approval of the Audit Committee's recommendations during its meeting held on 26/2/2012, and the shareholders' approval during the Ordinary General Assembly held on 15/4/2012, PricewaterhouseCoopers was appointed as the new auditor for the year 2012 at a cost of AED 183,500. It was appointed pursuant to the principle of auditor rotation and after the previous auditors had served for a period of 6 years. The proposals submitted by other audit firms were reviewed to ensure the company's independence.

Moreover, PricewaterhouseCoopers was appointed as an external auditor for Borse Dubai (DFM's parent company) at a cost of AED 120,000 and for NASDAQ Dubai at a cost of AED 130,000 for the year 2012. No other external auditors were appointed for any services during 2012.

5. The Audit Committee

The Audit Committee was formed in accordance with the Board of Directors' decision during its meetings held on the 1st of May 2010 and 26th of May 2010. The Audit Committee consists of the following members:

- Mohammad Humaid Al Mari - Chairman
- Ali Rashid Al Mazroei - Member
- Adil Abdullah Al Fahim - Member

All the committee members are non-executive and independent as well as accounting and financial experts. In compliance with the Ministerial Resolution No. 518 of 2009 and pursuant to its mandated duties, the Audit Committee was assigned the following duties:

1. Implementing the policy related to contracting with an external auditor, monitoring the external auditing and discussing the nature and scope of the auditing process on the 4th of April 2012. Reviewing the mission and action plan of the external auditor and ensuring that the Finance Department and executive departments respond to the external auditor on the 23rd of July 2012.
2. Monitoring the soundness of the company financial statements and reports (annual, semi-annual and quarterly) and reviewing them as part of its regular work during the year, with particular focus on the following:
   - Any modifications in the accounting policies and practices.
   - Highlighting the aspects subject to the Board practices.
   - Significant modifications resulting from the audit.
   - The assumption of going concern.
   - Complying with the accounting standards decided by the Authority.
   - Complying with the listing and disclosure rules as well as other legal requirements related to the preparation of financial reports.
3. Meeting with the external auditor on the 12th of February 2012 to discuss the annual financial statements as well as the report submitted to the Senior Management.
4. Reviewing the company's financial control, internal control and risk management systems as well as the efficiency of the Internal Control Department, appointing the needed resources and approving the internal audit plan prepared on the basis of risk approach related to each sector/ department of DFM and NASDAQ Dubai on the 12th of February 2012 and followed up on the plan progress on a quarterly basis.
5. Approved the work guide for the Internal Control Department (ICD) on 23/2/2012 and the charter of ICD on 23/7/2012, and amended the structure of ICD on 23/7/2012.
6. Reviewing and developing the Company's financial and accounting policies and procedures, approved the credit policy and wrote-off debts on 26/2/2012.
7. Coordinating with the Company's Board of Directors and Executive Management, and discuss the reports of the Internal Control and Financial Control Department as well as the SCA letter on its audit to ensure that the listed companies comply with the governance controls and requirements on 23/2/2012, and followed up on the corrective actions on a quarterly basis.
8. Setting guidelines which enable the company's employees to confidentially report any possible violations in the financial reports, internal control or other issues, as well as the steps which allow the independent and fair investigation of such violations. The staff appointed for this purpose can be reached by email: whistleblower@dfm.ae, telephone: +971 4 305 5665 or fax: +971 4 305 5584.
9. Monitoring the Company's compliance with the standards of professional behaviour.

Corporate Governance Report for 2012

The Audit Committee held six meetings in 2012. The following table highlights the date of each meeting and the personal attendance:

Date of the Meeting	Personal Attendance		
	Mohammad Humaid Al Mari	Adil Abdullah Al Fahim	Ali Rashid Al Mazroei
12/02/2012	✓	✓	✓
23/02/2012	✓	✓	✓
03/04/2012	✓	✗	✓
01/05/2012	✓	✓	✓
23/07/2012	✓	✓	✓
17/10/2012	✓	✓	✓

6. The Nomination and Remuneration Committee:

The Nomination and Remuneration Committee was formed by virtue of the Board's decision taken during its meetings held on 1st of May 2010 and 26th of May 2010. It consists of the following non-executive and independent members:

- Rashid Hamad Al Shamsi – Chairman
- Mussabeh Mohammed Al Qaizi – Member
- Ali Rashid Al Mazroei - Member

By virtue of Ministerial Resolution No. 518 and as per its duties, the Committee performed the following tasks:

- Verified the independence of the DFM Board's members for the year 2012 on 6th of February 2012 through a form which was completed and signed by each independent member.
- Endorsed Human Resources policies with respect to promotions, employee benefits, and the senior executives' evaluation methodology.
- Verified that the remunerations and benefits granted to the Senior Executive Management are reasonable and in line with the Company's performance; and assigned an independent company on 8th of November 2012 to study the salaries and benefits and evaluate the jobs.
- Assessed the annual salary increase and promoted the entitled employees on 30/04/2012
- Determined the Company's needs for competencies at the Senior Executive Management level and employee level, and determined the basis for choosing them, as well as the employee training policy on the 27th of May 2012.

The Nomination and Remuneration Committee held 4 meetings during 2012. The following table shows the dates of these meetings and the personal attendance:

Meeting Date	Personal Attendance		
	Rashid Hamad Al Shamsi	Mussabeh Mohammed Al Qaizi	Ali Rashid Al Mazroei
06/2/2012	✓	✓	✓
30/4/2012	✓	✓	✓
27/5/2012	✓	✓	✗
08/10/2012	✓	✓	✓

7. The Internal Control System:

a. The Board of Directors' acknowledgment of its responsibility for the Internal Control System

The Board of Directors acknowledges its responsibility for the internal control system in the Company and for reviewing it and ensuring its effectiveness through the Internal Control Department (ICD). The ICD, in its turn, submits regular reports in accordance with the standard No. 2060 of the international standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA) in the USA to the Board of Directors and Executive Management on the objectives, authorities and responsibilities of the internal audit activity, as well as the achievements against the approved plan. The ICD also evaluates how adequate and effective the internal control systems are. The level of overall risks during the year 2012 was low due to the adequate and effective internal control systems.

b. Work Mechanism of the Internal Control Department:

The Internal Control Department reports to the Senior Management of the Company, and to the Board of Directors through the Audit Committee in such a manner to ensure its independence. In performing its duties, the ICD applies the latest international standards

Corporate Governance Report for 2012

issued by the IIA of USA as well as the international best practices in the following areas:

- Preparing the department's Balanced Scorecard in relation to the Company's strategic plan.
- Performing the required updates for the procedures manual and charter to be consistent with the latest international standards as approved by the Audit Committee.
- Developing an audit plan based on the risks related to every sector / department / section in order to prioritize the sections with high risks. The plan is discussed with the CEO and approved by the Audit Committee and Board of Directors.
- At the end of each audit, preparing an audit report for every audited department whereby the objectives, scope, methodology and findings of the audit are presented. The reports also evaluate the notes in terms of the risk levels, in addition to an extensive assessment of the audited sector or department according to the assessment matrix. The Audit Committees of both DFM and NASDAQ Dubai are provided with a copy of the reports and the findings after their discussion with the concerned departments in order to help these Committees evaluate the internal control within their respective area of responsibility.
- At the end of the year, performing a risk assessment for risk levels according to the control survey approved by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The survey consists of five key elements: Control Environment, Risk Assessment, Information & Communication Assessment, Control Activities Assessment and Monitoring Assessment.
- The ICD prepared quality reports on assurances during the year to ensure the efficiency of the completed audit assignments and the availability of permanent and temporary files for each assignment in line with international best practices.
- 85% of the endorsed audit plan was implemented including financial audits, Shari'a audits, compliance with the rules, regulations and policies, and work procedures, as well as information security and risks.
- The ICD submitted 45 recommendations that have been agreed upon with the different audited sectors during 2012, whether to DFM or NASDAQ Dubai, which enhanced the level of the internal control environment and minimized the risks in line with the definition of internal audit in terms of adding value to the institution and its shareholders by improving the effectiveness and efficiency of corporate governance, risk management and control in the institution.
- The ICD followed up on the implementation of corrective actions according to the reports issued by the internal and external auditors.
- Submitting to DFM and NASDAQ Dubai Audit Committees all the internal control and follow-up reports as well as the executive measures taken by the concerned department to enhance its internal control during 2012. This enables the Audit Committees to assess the internal control of their respective companies and raise the necessary recommendations to the Board of Directors.
- Coordinating with the external auditor and the Financial Audit Department as well as the quality auditors.
- Offering consulting services with the aim of developing and improving work procedures in a manner which does not compromise the independence of the auditors, and in accordance with the stipulations of the work charter of the ICD.
- Monitoring the communication channels used for confidential reporting.
- Preparing the Corporate Governance Report for the year 2012 in light of the provisions of the Ministerial Resolution No. 518 circulated by the SCA.

The Internal Control Department comprises four qualified employees as follows:

Name: Asma Saeed Lootah
Job Title: Vice President - Secretary of the Board of Directors and Head of the Internal Control Department
Qualifications:

- Master of Finance from E. Philip Saunders College of Business, Rochester Institute of Technology - May 2011.
- Certified Management Accountant (CMA) - February 2001.
- Certified Lead Quality Auditor in ISO 9001:2000 from IRCA - May 2004.
- Bachelor degree from the Higher Colleges of Technology - Dubai Women's College - 2001.
- Higher Diploma in Accounting from the Higher Colleges of Technology - Dubai Women's College - 2000.
- Member of the IMA and AAA.
- Member of the ICSA Gulf Forum.

The Internal Control Department is supported by a qualified team consisting of the following staff members:

- **Reda Farouq Shehata:** Assistant Manager - Internal and Shari'a auditor, holder of CRMA 2012, Higher Diploma in Financial Accounting from Ain Shams University - 2003, and a Bachelor's degree in Accounting from Ain Shams University - 1998.

- **Mohammad Ahmed Assaleh**: Assistant Manager, Internal Control, holds an ACCA certificate - 2009, CRMA - 2012 and a Bachelor's degree in Accounting from Yarmouk University - 2003.

- **Nash'at Hasiba:** Compliance Officer holding a Bachelor's degree in Accounting from Damascus University - 1976.

Corporate Governance Report for 2012

Handling any major problems in the Company or those disclosed in the annual reports and accounts

The Company was not subject to any significant risks during 2012; however, and pursuant to the ICD work guide, the Department deals with the problems facing the Company through the following:

- Determine the nature of the problem and classify it in terms of level of risks through determining the size of the problem and its negative consequences that may affect the Company.
- Communicate with the executive departments through the heads of various sectors and the CEO to discuss the remedy and solution for the problem and make the necessary recommendations.
- Report the matter along with the related recommendations to the Audit Committee, which in turn, after the discussion and assessment of the situation, will forward the matter to the Board of Directors to inform it about the problem and take the appropriate decision thereon.
- The Department follows up the implementation of the approved solution of the problem by ensuring the implementation of the Board of Directors' decisions.
- Communicate with the external auditor of the company, when and if required.

8. Since its inception and through 2012, the Company has not committed any violations.

9. DFM's Corporate Social Responsibility in 2012

The Company recorded the following achievements:

- Opening of the Educational Trading Room with a real time stock price display, a real time price ticker and a large poster replicating DFM's official trading room, to reflect and offer a type of interactive learning as follows:
  - o One room in the American University in the UAE in April 2012.
  - o Two rooms (for male and female students) in Sharjah University in July 2012.
- Organization of DFM's 10th Annual Stock Game with the participation of 1,847 students and 29 educational institutions between 16th and 30th of April 2012.
- Organization of DFM's Summer Stock Game with the participation of 16 trainees between 22nd and 30th of July 2012.
- Launching a blood donation campaign in cooperation with the Health Authority of Dubai in April 2012.
- Being the official sponsor of the sixteenth session of the Dubai International Holy Qur'an Award Ceremony for one day, held in the theatre of Dubai Chamber of Commerce and Industry on 27th July 2012.
- Launching the Employee Health Day in February and December 2012, whereby a medical checkup is made for all DFM employees and employees of brokerage firms.
- Launching the Earth Hour Campaign, a global event during which all unnecessary lights and electronic equipment are turned off for a period of one hour on the last Saturday of March.
- Organizing a religious awareness seminar for DFM employees; and inviting Sheikh Ahmed Al-Haddad to give a religious lecture during the Holy Month of Ramadan, in August 2012.
- Participating in the organization of the UAE's National Day through the Business Development Division's team in December 2012.
- Organizing a day to launch the second annual national survey of 2012 in collaboration with the Research Center in December 2012.
- Organizing free lectures: continuous preparation and organization of free technical and financial workshops and lectures for college and university students. A total of 50 lectures were organized in 2012 with the participation of 1,401 students from 50 colleges and universities.

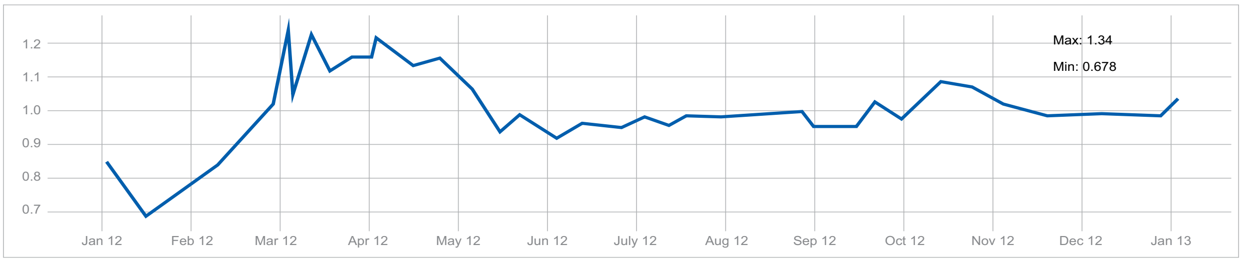
Corporate Governance Report for 2012

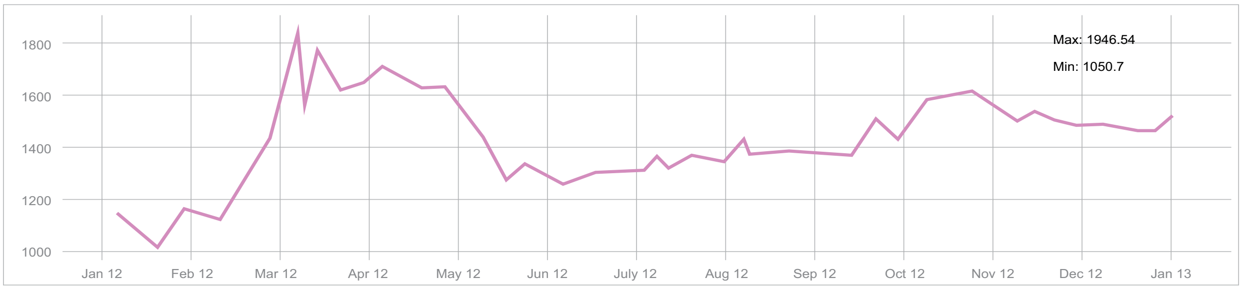
10. General Information

The Company's (highest and lowest) share price at the end of each month of the fiscal year 2012.

Month	Highest price during the month (AED)	Lowest price during the month (AED)	Closing price at the end of the month	Market Index (Index Figure)	Sector Index (Index Figure)
January	0.849	0.678	0.81	1435.72	1186.74
February	1.1	0.791	1.07	1730.43	1577.6
March	1.34	1.02	1.15	1648.87	1659.49
April	1.25	1.12	1.13	1630.95	1607.92
May	1.13	0.93	0.945	1471.49	1316.79
June	0.984	0.901	0.938	1451.87	1330.57
July	1.02	0.938	0.977	1542.64	1378.39
August	1.01	0.945	0.946	1547.82	1381.2
September	1.05	0.94	0.975	1578.79	1469.43
October	1.11	0.976	1.01	1619.61	1574.48
November	1.04	0.965	0.993	1607.9	1526.49
December	1.05	0.98	1.02	1622.53	1535.37

Performance of the Company's share price, the market General Index and the Index of the Sector of which DFM is part.





Corporate Governance Report for 2012

Distribution of shareholders' ownership according to the trading activities on 31/12/2012 and settlement thereof on 3/1/2013.

No	Description	Nationality	Shares	Ownership %
1	Company	Arabic	9,685,245	0.12
2	Company	Gulf	20,370,147	0.25
3	Company	Foreign	218,744,170	2.73
4	Company	Local	6,821,018,482	85.26
5	Government	Local	3,269,363	0.04
6	Individual	Arabic	149,174,119	1.86
7	Individual	Gulf	18,120,795	0.23
8	Individual	Foreign	135,721,741	1.70
9	Individual	Local	623,895,938	7.80

Borse Dubai owns 6,370,000,000 DFM shares, accounting for 79.625% of the Company's shares.
No events that can be described as material occurred in the Company during 2012.

Abdul Jalil Yousuf Darwish
Chairman
Dubai Financial Market (PJSC)
Date: 18/2/2013

Financial Statements

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 PJSC (DFM) and its subsidiaries (together the “Group”), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by another auditor who issued an unqualified audit report with an emphasis of matter paragraph dated 26 February 2012.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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 about 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 the 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 the 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

As required by the UAE Federal Law No (8) of 1984, as amended, we report that:

1. we have obtained all the information we considered necessary for the purpose of our audit;
2. the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended and the Articles of Association of DFM;
3. DFM has maintained proper books of account and the financial statements are in agreement therewith;
4. the financial information included in the Chairman’s report and Directors’ report is consistent with the books of account of DFM; and
5. nothing has come to our attention, which causes us to believe that DFM has breached any of the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2012.

PricewaterhouseCoopers
18 February 2013

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Consolidated Statement of Financial Position

as at 31 December 2012

	Notes	2012 AED '000	2011 AED '000
ASSETS			
Non-current assets			
Goodwill	4	**2,878,874**	2,878,874
Intangible assets	4	**2,509,021**	2,571,384
Property and equipment	5	**14,664**	21,889
Due from a financial institution	15	**257,260**	257,260
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	6	**377,494**	456,400
Investment deposits	7	**810,000**	810,000
Total non-current assets		**6,847,313**	6,995,807
Current assets			
Due from a related party	15	**-**	917
Prepaid expenses and other receivables	8	**20,888**	19,164
Investment deposits	7	**778,126**	631,426
Cash and bank balances	9	**65,295**	50,980
Total current assets		**864,309**	702,487
Total Assets		**7,711,622**	7,698,294
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**8,000,000**	8,000,000
Treasury shares		**(4,364)**	(4,364)
		7,995,636	7,995,636
Investments revaluation reserve – FVTOCI	11	**(1,002,816)**	(981,821)
Statutory reserve	11	**250,535**	247,016
Retained earnings		**214,516**	218,190
Equity attributable to owners of the company		**7,457,871**	7,479,021
Non-controlling interest		**20,288**	23,511
Total equity		**7,478,159**	7,502,532
Non-current liabilities			
Subordinated loan	15	**21,297**	20,366
Provision for employees' end of service indemnity	12	**8,294**	6,717
Total non-current liabilities		**29,591**	27,083
Current liabilities			
Payables and accrued expenses	13	**134,164**	100,108
Dividends payable	14	**19,377**	20,071
Due to related parties	15	**50,331**	48,500
Total current liabilities		**203,872**	168,679
Total liabilities		**233,463**	195,762
Total equity and liabilities		**7,711,622**	7,698,294

These consolidated financial statements were approved on 18 February 2013 by the Board of Directors and signed on its behalf by:

Abdul Jalil Darwish
Chairman

Essa Kazim
Managing Director and CEO

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

Consolidated Income Statement

for the year ended 31 December 2012

	Notes	2012 AED '000	2011 AED '000
Revenues			
Trading commission fees		**114,753**	76,795
Brokerage fees		**14,199**	18,082
Ownership transfer and mortgage fees		**8,413**	19,251
Other fees		**12,332**	9,776
Operating income		**149,697**	123,904
Investment income	16	**45,328**	54,555
Other income		**2,073**	4,724
Change in fair value of other financial assets at fair value through profit or loss (FVTPL)		**-**	(405)
Total income		**197,098**	182,778
Expenses			
General and administrative expenses	17	**(101,842)**	(113,755)
Property and equipment written off	5	**-**	(6,173)
Amortization of intangible assets	4	**(62,363)**	(75,854)
Interest expense	15	**(931)**	(1,715)
Net profit / (loss) for the year		**31,962**	(14,719)
Attributable to:			
Owners of the Company		**35,185**	(6,860)
Non-controlling interest		**(3,223)**	(7,859)
		31,962	(14,719)
Earnings / (loss) per share – AED	18	**0.004**	(0.001)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 AED '000	2011 AED '000
Net profit / (loss) for the year	**31,962**	(14,719)
Other comprehensive loss		
Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI)	**(46,848)**	(37,322)
Total comprehensive loss for the year	**(14,886)**	(52,041)
Attributable to:		
Owners of the Company	**(11,663)**	(44,182)
Non-controlling interest	**(3,223)**	(7,859)
Total comprehensive loss for the year	**(14,886)**	(52,041)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital	Treasury shares	Net initial public offering surplus	Investments revaluation reserve FVTOCI	Capital reserve	Statutory reserve	Retained earnings	Attributable to owners of the company	Non-controlling interest	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
As at 1 January 2011	**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	-	-	(31,608)	-	181,950	-	(150,342)	-	-	-
Transfer on disposal and write off of 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**
Net profit for the year	-	-	-	-	-	-	35,185	35,185	(3,223)	31,962
Other comprehensive loss for the year	-	-	-	(46,848)	-	-	-	(46,848)	-	(46,848)
Total comprehensive loss for the year	-	-	-	(46,848)	-	-	35,185	(11,663)	(3,223)	(14,886)
Transfer of non-sharia compliant income (Note 20 and 13)	-	-	-	-	-	(9,487)	(9,487)	-	(9,487)	-
Transfer to statutory reserve	-	-	-	-	-	3,519	(3,519)	-	-	-
Transfer on disposal and write off of investments	-	-	-	25,853	-	-	(25,853)	-	-	-
Balance at 31 December 2012	**8,000,000**	**(4,364)**	**-**	**(1,002,816)**	**-**	**250,535**	**214,516**	**7,457,871**	**20,288**	**7,478,159**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 AED '000	2011 AED '000
Cash flows from operating activities			
Net profit / (loss) for the year		**31,962**	(14,719)
Adjustments for:			
Depreciation of property and equipment	5	**10,812**	16,733
Provision for employees' end of service indemnity	12	**2,026**	1,239
Amortization of intangible assets	4	**62,363**	75,854
Provision / (reversal) for doubtful accounts expense	8	**318**	(329)
Change in fair value of FVTPL investments		**-**	405
Property and equipment written off		**-**	6,173
Interest expense	15	**931**	1,715
Income on investment deposits	16	**(41,316)**	(51,046)
Dividend income	16	**(4,012)**	(3,509)
Loss on disposal of property and equipment		**-**	11
Operating cash flow before changes in operating assets and liabilities		**63,084**	32,527
(Increase) / decrease in prepaid expenses and other receivables		**(1,439)**	6,518
Net changes in dues from / to a related party	15	**2,748**	1,701
Increase in payables and accrued expenses		**24,569**	59,086
Cash generated from operations		**88,962**	99,832
Employees' end of service indemnity paid		**(449)**	(587)
Net cash generated from operating activities		**88,513**	99,245
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**32,058**	31,057
Purchase of property and equipment	5	**(3,587)**	(4,908)
Proceeds from sale of property and equipment		**-**	108
Investment deposits	7	**(363,066)**	(34,470)
Investment deposit income received		**40,713**	49,367
Dividend received	16	**4,012**	3,509
Net cash (used in) / generated from investing activities		**(289,870)**	44,663
Cash flows from financing activities			
Dividends paid to shareholders		**(694)**	(186,339)
Net cash used in financing activities		**(694)**	(186,339)
Net decrease in cash and cash equivalents		**(202,051)**	(42,431)
Cash and cash equivalents, beginning of the year		**434,396**	476,827
Cash and cash equivalents, end of the year	9	**232,345**	434,396

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. Establishment and operations

Dubai Financial Market (DFM) - PJSC (the "Company") is a public joint stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on February 6, 2007, and is subject to the provisions of the U.A.E. Federal law No. 8 for the year 1984 and its amendments.

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

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

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

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

Borse Dubai Limited ("the Parent") owns 80% of the shares of DFM. Investment Corporation Dubai ("ICD"), a Government of Dubai entity, owns 90% of the shares of the Parent.

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

Company name	Activity	Country of incorporation	Ownership held 2012 and 2011
NASDAQ Dubai Limited*	Electronic Financial Market	U.A.E.	67%

NASDAQ Dubai Limited has the following subsidiary:

Company name	Activity	Country of incorporation	Ownership held 2012 and 2011
NASDAQ Dubai Guardian Limited	Bare nominee solely on behalf of NASDAQ Dubai Limited	U.A.E.	100%

* The remaining 33% is held by Borse Dubai Limited.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of other financial assets measured at fair value through other comprehensive income (FVTOCI) following early adoption of IFRS 9 in 2009.

The preparation of these consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2012

(a) New and amended standards adopted by the Group
There are no IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2012 that have had a material impact on the Group's consolidated financial statements.

(b) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted

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

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
IAS 27, Separate Financial Statements (revised 2011) and IAS 28, Investments in Associates and Joint Ventures (revised 2011) – Revision as required by IFRS 10, IFRS 11 and IFRS 12.	1 January 2013
The amendments to IAS 32, Financial Instruments: Presentation – The amendments clarify the offsetting criteria in IAS 32 to address inconsistencies in their application. An entity will have a legally enforceable right to set off only if it is non-contingent in nature and is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy	1 January 2014
IFRS 10, Consolidated Financial Statements - Replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. Under IFRS 10 there is only one basis of consolidation that is control, for which a new definition has been included.	1 January 2013
IFRS 11, 'Joint arrangements' IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities - Replaces the requirements previously included in IAS 27 – Consolidated and Separate Financial Statements, IAS 31 – Interests in Joint Ventures and IAS 28 - Investments in Associates. In general, the disclosure requirements are more extensive than the current standards.	1 January 2013
IFRS 13, Fair Value measurement - represents the completion of the joint project to establish a single source for the requirements on how to measure fair value under IFRS. The Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and improving disclosure requirements for use across IFRSs.	1 January 2013

Management anticipates that these IFRSs and amendments will be adopted in the initial period when they become mandatorily effective. An initial assessment of the potential impact indicates that application of these standards are not expected to have a significant impact on amounts reported in the consolidated financial statements, but it is expected that additional disclosures will be required.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

2.3 Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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 Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration given for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration given includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

Goodwill is initially measured as the excess of the aggregate of the consideration given and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement.

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

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Intangible assets

Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation and impairment. Intangible assets are amortised over their estimated useful lives, using the straight-line method as follows:

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

The amortisation period and method are reviewed and adjusted, as appropriate, at each consolidated statement of financial position date.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

2.5 Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

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

2.6 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
Computers and information systems	3-5
Leasehold improvements	4
Furniture and office equipment	3-10
Motor vehicles	4

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 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 consolidated income statement.

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

2.7 Due from financial institutions and investment deposits

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

2.8 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 the consolidated income statement.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

2.9 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 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 (except for debt instruments that are designated as at fair value through profit or loss on initial recognition to eliminate an accounting mismatch):
- 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 to cash flows on specified dates 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.

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 is not reclassified to consolidated income statement 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 the consolidated income statement when the Group's right to receive the dividends is established. Dividends earned are recognised in the consolidated income statement and are included in the 'investment income' (Note 16).

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

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

Debt instruments that do not meet the amortised cost criteria 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 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 resultant gains and losses on a different basis.

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

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

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 the consolidated income statement.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments valuation reserve is reclassified to retained earnings.

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 the estimated future cash flows of the asset have been affected as a result of one or more events that occurred after the initial recognition of the financial assets.

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.

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.

2.10 Financial liabilities

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

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 the consolidated income statement.

2.11 Cash and cash equivalents

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

2.12 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated income statement.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

2.13 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 between 12.5% - 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.

2.14 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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 the receivable can be measured reliably.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.16 Revenue recognition

Trading commission fees, ownership transfer and mortgage fees are recognized when the underlying trade or transfer has been consummated.

Brokers' license fees are recognised on a straight line basis over the period of the license.

Return on Islamic investment deposits

Return on Islamic investment deposits are recognised on a time proportion basis and is based on the expected minimum rate of return specified in the investment agreement.

2.17 Foreign currency transactions

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

(a) Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in UAE Dirhams (AED), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

3. Critical accounting estimates and judgments

In the application of the Group's accounting policies, which are described in Note 2 to these consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical accounting estimates and judgments, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Valuation of unquoted equity investments

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

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.

4. Goodwill & intangible assets

	Goodwill	License to operate as a Stock Exchange	Relationships with market participants (Brokers)	Historical trading database	Total
	AED '000	AED '000	AED '000	AED '000	AED '000
Cost					
At 31 December 2011	2,878,874	2,824,455	58,744	67,455	5,829,528
At 31 December 2012	**2,878,874**	**2,824,455**	**58,744**	**67,455**	**5,829,528**
Amortization					
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
Charge for the year	-	56,489	5,874	-	62,363
At 31 December 2012	**-**	**338,934**	**35,244**	**67,455**	**441,633**
Carrying amount					
At 31 December 2012	**2,878,874**	**2,485,521**	**23,500**	**-**	**5,387,895**
At 31 December 2011	2,878,874	2,542,010	29,374	-	5,450,258

There was no evidence of impairment of the goodwill at 31 December 2012 on the basis that the fair value of the business, based on the Company's quoted market price at 31 December 2012 was in excess of its net assets at that date.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

5. Property and equipment

	Computers and information system	Leasehold improvement	Furniture and office equipment	Motor vehicles	Capital work-in-progress	Total
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Cost						
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
Additions	2,323	7	817	-	440	3,587
Transfers	73	-	-	-	(73)	-
At 31 December 2012	**134,767**	**11,273**	**14,368**	**252**	**1,341**	**162,001**
Accumulated depreciation						
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
Charge for the year	10,043	-	769	-	-	10,812
At 31 December 2012	**123,683**	**11,266**	**12,136**	**252**	**-**	**147,337**
Carrying amount						
At 31 December 2012	**11,084**	**7**	**2,232**	**-**	**1,341**	**14,664**
At 31 December 2011	18,731	-	2,184	-	974	21,889

In 2011, property and equipment with a net book of value of AED 6 million were written off.

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

	2012	2011
	AED '000	AED '000
Investment in equity securities	**139,441**	118,707
Managed funds – Note (a)	**238,053**	337,693
	377,494	456,400

Investments by geographic concentration are as follows:

	2012	2011
	AED '000	AED '000
- Within U.A.E.	**314,439**	384,971
- Outside U.A.E.	**63,055**	71,429
	377,494	456,400

(a) Managed funds include AED 177,6 million (2011: AED 268,49 million) (Note 15) managed by a shareholder of the parent.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

7. Investment deposits

	2012	2011
	AED '000	AED '000
Current:		
Investment deposits maturing in less than 3 months (Note 9)	**167,050**	383,416
Investment deposits maturing up to 1 year but more than 3 months	**611,076**	248,010
	778,126	631,426
Non-current:		
Investment deposits maturing above 1 year	**810,000**	810,000
	1,588,126	1,441,426

Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging from 1.2% to 4% (2011: 0.6% to 4.2%) per annum.

Investment deposits of AED 86.73 million (2011: AED 36.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.

Investment deposits also include an amount of AED 140.47 million (2011: AED 134.73 million) placed with the parent and carry a profit rate of 3.72% (2011: 4.19%) per annum (Note 15).

8. Prepaid expenses and other receivables

	2012	2011
	AED '000	AED '000
Accrued income on investment deposits	**9,094**	8,491
Accrued trading commission fees	**1,245**	471
Due from brokers	**2,205**	2,894
Prepaid expenses	**6,253**	5,371
Other receivables	**4,899**	4,427
	23,696	21,654
Less: allowance for doubtful debts	**(2,808)**	(2,490)
	20,888	19,164

Net movement in allowance for doubtful debts:

	2012	2011
	AED '000	AED '000
Opening balance	**2,490**	2,819
Charge / (release) during the year	**318**	(329)
Ending balance	**2,808**	2,490

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

9. Cash and bank balances

	2012	2011
	AED '000	AED '000
Cash on hand	**363**	267
Bank balances:		
Current accounts – Note (a)	**17,664**	30,409
Savings accounts – Note (b)	**20,332**	11,954
Mudarabah accounts - Note (c)	**26,936**	8,350
	65,295	50,980
Add : deposits maturing in less than three months (Note 7)	**167,050**	383,416
Cash and cash equivalents	**232,345**	434,396

(a) Current accounts include margin deposits (Note 13) from members in respect of their clearing and settlement obligations. Margins are held in segregated accounts in the name of the Group at the clearing bank and are used towards discharging the members' clearing obligations in case of any default.

(b) Savings accounts mainly include amounts received from certain companies listed on DFM on account of dividends declared by these listed companies, the distribution of which is undertaken by the Group. The rate of return on the saving accounts is 0.5% (2011: 1%) per annum (Note 13).

(c) Mudarabah accounts carry profit rate of 0.5% (2011: 0.5% to 1%) per annum.

10. Share capital

	2012	2011
	AED '000	AED '000
Authorised, issued and paid up share capital: 8,000,000,000 (2011: 8,000,000,000 shares) of AED 1 each (2011: AED 1 each)	**8,000,000**	8,000,000

11. Reserves

Statutory reserve

In accordance with the U.A.E. Federal Commercial Companies Law Number 8 of 1984, 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.

	Statutory reserve
	AED '000
Balance as of 31 December 2010	247,016
Transfer from net income for the year	-
Balance as of 31 December 2011	247,016
Transfer from net income for the year	3,519
Balance as of 31 December 2012	**250,535**

Investments revaluation reserve - FVTOCI

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

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

12. Provision for employees' end of service indemnity

	2012	2011
	AED '000	AED '000
Balance at the beginning of the year	**6,717**	6,065
Charged during the year	**2,026**	1,239
Paid during the year	**(449)**	(587)
Balance at the end of the year	**8,294**	6,717

13. Payables and accrued expenses

	2012	2011
	AED '000	AED '000
Dividends payable on behalf of companies listed on the DFM (Note 9)	**47,473**	26,636
iVESTOR Cards	**32,985**	19,424
Members' margin deposits (Note 9)	**8,652**	21,192
Accrued expenses and other payables	**15,097**	16,584
Unearned revenue	**6,526**	6,790
Brokers' retention	**11,746**	8,030
Due to U.A.E. Securities and Commodities Authority	**2,198**	1,452
Non-Shariah compliant income (Note 20)	**9,487**	-
	134,164	100,108

14. Dividends payable

During 2012 and 2011, the Group did not declare any dividends. The payable balance represents dividends which have not been claimed by the investors since 2007.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

15. Related party transactions

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

Transactions during the year	**2012**	2011
	AED '000	AED '000
Ownership transfer and mortgage fees	**-**	15,543
Income on investment deposits	**5,517**	7,268
Interest expense	**931**	1,715

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

	2012	2011
	AED '000	AED '000
Compensation of key management personnel		
Short-term benefits	**6,647**	7,267
General pension and social security	**657**	577
Board of Directors		
- Remuneration to the NASDAQ Board	**1,006**	1,248
- Meeting allowance for the Group	**1,988**	1,285

Balances		
	2012	2011
	AED '000	AED '000
Due from related parties		
Parent		
Investment deposits (Note 7)	**140,477**	134,728
Due from related party	**-**	917
Accrued income on investment deposits	**2,862**	3,094
Other related parties		
Due from a financial institution	**257,260**	257,260
Managed funds (Note 6)	**177,601**	268,493
Due to related parties		
Parent		
Due to a related party	**1,831**	-
Subordinated loan	**21,297**	20,366
Ultimate controlling party		
Dubai Government	**48,500**	48,500

In the initial public offering in 2006, 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 due to the Dubai Government. The balance does not bear any profit.

The subordinated loan has been provided by the parent, Borse Dubai Ltd., to NASDAQ Dubai Limited (Note 1). The subordinated loan is unsecured 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.

Due from a financial institution represents a wakala deposit with government related entity which is currently in the process of being restructured.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

16. Investment income

	2012	2011
	AED '000	AED '000
Return on investment deposits	**41,316**	51,046
Dividends	**4,012**	3,509
	45,328	54,555

17. General and administrative expenses

	2012	2011
	AED '000	AED '000
Payroll and other benefits	**57,473**	56,649
Rent	**7,612**	9,202
Depreciation	**10,812**	16,733
Professional expenses	**1,385**	1,619
Maintenance expenses	**10,529**	9,531
Other	**14,031**	20,021
	101,842	113,755

18. Earnings / (loss) per share

	2012	2011
Net profit / (loss) for the year attributable to the owner of the Company (AED '000)	**35,185**	(6,860)
Authorized share capital (AED '000)	**8,000,000**	8,000,000
Less: Treasury shares (AED '000)	**(4,237)**	(4,237)
Number of shares issued ('000)	**7,995,763**	7,995,763
Earnings / (loss) per share - AED	**0.004**	(0.001)

19. Commitments

	2012	2011
	AED '000	AED '000
Commitments for the purchase of property and equipment	**1,343**	465

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

20. Non Sharia compliant income

Non Sharia compliant earnings of AED 9.4 million relating to the prior year (2011: AED Nil), as endorsed by the Sharia Supervisory Board of DFM at its meeting held on 21 March 2012 and ratified by the shareholders at the Annual General Meeting held on 15 April 2012, has been appropriated from retained earnings for distribution by the Group to its shareholders towards disbursement by the shareholders for charitable purposes. Based on the ruling of the Sharia Supervisory Board at its meeting held on 15 December 2012, it is the sole responsibility of the individual shareholders to donate their respective shares of this amount for charitable purposes. Accordingly, the amount has been dealt with as an appropriation from retained earnings in these consolidated financial statements.

21. Financial risk management objectives

21.1 Financial risk factors

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

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

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

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

21.2 Market risk

(a) Foreign exchange risk

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

(b) Price risk

The Group is exposed to equity price risks arising from equity investments. 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 risk at the reporting date.

If equity prices had been 5% higher/lower:

- Investment revaluation reserves would increase/decrease by AED 19 million (2011: AED 23 million) as a result of the changes in fair value of the investments.

(c) Profit rate risk

Profit rate risk is the risk that the value of the future cash flows for the financial instruments will fluctuate due to changes in market profit rates. Most of the financial assets and financial liabilities of the Group carry fixed rate of profit and therefore, the Group is not exposed to any significant cash flow risk.

21.3 Credit risk

The Group is exposed to credit risk, which is the risk that the counterparty will cause a financial loss to the Group by failing to discharge an obligation. Financial assets which potentially subject the Group to credit risk consist principally of due from a financial institution and investment deposits and balances with banks and other financial institutions. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with licensed brokers and receivables from brokers are secured by bank guarantees. The credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

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

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

	2012	2011
	AED '000	AED '000
Financial assets		
Due from a financial institution	**257,260**	257,260
Investment deposits	**1,588,126**	1,441,426
Other receivables	**14,635**	13,793
Due from a related party	**-**	917
Cash and bank balances	**64,932**	50,713
Total financial assets	**1,924,953**	**1,764,109**

The Group has made a full provision of AED 2.8 million (2011: AED 2.5 million) against its doubtful receivables as at 31 December 2012. The remaining receivables were neither past due nor impaired at consolidated financial position date.

Chairman's Statement
Managing Director and CEO's Statement
DFM PJSC Financial Performance Summary
Macroeconomic Developments and Market Environment
DFM PJSC Strategy
DFM Achievements in 2012
DFM Performance in 2012
Corporate Governance Report for 2012
Financial Statements

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

21.4 Liquidity risk management

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

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

The liquidity profile of financial liabilities were as follows:

	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2012	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
Financial liabilities						
Payables and accrued expenses	147,015	-	-	-	-	147,015
Subordinated loan	-	-	-	21,297	-	21,297
Due to a related party	-	-	50,331	-	-	50,331
Total financial liabilities	**147,015**	**-**	**50,331**	**21,297**	**-**	**218,643**
31 December 2011						
Financial liabilities						
Payables and accrued expenses	113,389	-	-	-	-	113,389
Subordinated loan	-	-	-	20,366	-	20,366
Due to a related party	-	-	48,500	-	-	48,500
Total financial liabilities	**113,389**	**-**	**48,500**	**20,366**	**-**	**182,255**

21.5 Fair value of financial instruments

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

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

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012 and 31 December 2011.

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

	31 December 2012			
	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	130,315	-	9,126	139,441
- Managed funds	-	186,743	51,310	238,053
Total	**130,315**	**186,743**	**60,436**	**377,494**

	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	108,826	-	9,881	118,707
- Managed funds	-	278,166	59,527	337,693
Total	**108,826**	**278,166**	**69,408**	**456,400**

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	
	2012	2011
	AED '000	AED '000
Opening balance	**69,408**	76,676
Disposal during the year	**(5,577)**	-
In other comprehensive loss	**(3,395)**	(7,268)
Closing balance	**60,436**	69,408

22. Financial assets and liabilities

Financial assets by category

	2012	2011
	AED '000	AED '000
Asset as per consolidated statement of financial position		
Financial assets measured at fair value through other comprehensive income (FVTOCI)	**377,494**	456,400
Amortised cost		
Cash and bank balances	**65,295**	50,980
Investment deposits	**1,588,126**	1,441,426
Due from a related party	**-**	917
Due from financial institution	**257,260**	257,260
Other receivables	**14,635**	13,793
	1,925,316	1,764,376

Notes to the Consolidated Financial Statements (contd..)

For the year ended 31 December 2012

Financial liabilities by category

	2012	2011
	AED '000	AED '000
Liabilities as per consolidated statement of financial position		
Other financial liabilities at amortised cost		
Payables and accrued expenses	**147,015**	113,389
Subordinated loan	**21,297**	20,366
Due to a related party	**50,331**	48,500
	218,643	182,255

23. Capital risk management

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

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

24. 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.