

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

**Condensed consolidated
interim financial information**

for the six month period ended 30 June 2020

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

Review report and condensed consolidated interim financial information

for the six month period ended 30 June 2020

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Review report on condensed consolidated interim financial information to the Board of Directors of Dubai Financial Market (DFM) P.J.S.C.

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Dubai Financial Market (DFM) P.J.S.C. (“the Company”) and its subsidiaries (together referred to as “the Group”) as at 30 June 2020 and the related condensed consolidated interim statements of income and comprehensive income for the three month and six month periods then ended and the statements of changes in equity and cash flows for the six-month period then ended and other explanatory information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

PricewaterhouseCoopers
27 July 2020

Rami Sarhan
Registered Auditor Number 1152
Place: Dubai, United Arab Emirates

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

Condensed consolidated interim statement of financial position

as at 30 June 2020

	Note	As at 30 June 2020 AED'000 (Un-audited)	As at 31 December 2019 AED'000 (Audited)
ASSETS			
Non-current assets			
Goodwill	6	2,878,874	2,878,874
Other intangible assets	6	2,061,854	2,090,098
Property and equipment		362,077	344,863
Financial assets measured at fair value through other comprehensive income (FVOCI)	7	684,687	850,198
Investments at amortised cost	8	170,738	175,489
Investment deposits	9	253,578	257,311
Total non-current assets		6,411,808	6,596,833
Current assets			
Prepaid expenses and other receivables	11	177,103	83,855
Investment deposits	9	2,666,122	2,791,122
Cash and cash equivalents	12	504,395	209,101
Total current assets		3,347,620	3,084,078
Total assets		9,759,428	9,680,911
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	8,000,000	8,000,000
Treasury shares		(4,364)	(4,364)
Investment revaluation reserve – FVOCI	14	7,995,636	7,995,636
Statutory reserve	14	(902,218)	(803,542)
Retained earnings		454,272	454,272
		107,807	224,424
Equity attributable to the owners of the Company		7,655,497	7,870,790
Non-controlling interest		28,221	20,576
Total equity		7,683,718	7,891,366
LIABILITIES			
Non-current liabilities			
Subordinated loan	10	29,741	29,098
Lease liabilities		19,620	26,656
Provision for employees' end of service benefits		24,378	23,200
Total non-current liabilities		73,739	78,954
Current liabilities			
Payables and accrued expenses	15	1,521,464	1,238,125
Dividends payable	10	466,500	466,500
Due to a related party	10	14,007	5,966
Total current liabilities		2,001,971	1,710,591
Total liabilities		2,075,710	1,789,545
Total equity and liabilities		9,759,428	9,680,911

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Chairman

The accompanying notes on pages 7 to 20 form an integral part of this condensed consolidated interim financial information.

The independent auditors' report on the review of the condensed consolidated interim financial information is set out on page 1.

Dubai Financial Market (DFM) P.J.S.C.**Condensed consolidated interim statement of income (Un-audited)***for the six month period ended 30 June*

	Three month period ended		Six month period ended	
	30 June		30 June	
	<i>Note</i>			
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
Income				
Trading commission fees	43,510	33,057	81,327	62,307
Brokerage fees	3,741	4,693	7,770	9,447
Clearing settlement and depository fees	22,814	8,206	29,688	12,959
Listing and market data fee	2,538	2,344	5,052	4,754
Other fees	2,828	3,682	3,327	4,609
Operating income	75,431	51,982	127,164	94,076
Investment income	26,991	36,631	66,448	75,404
Other income	91	-	579	101
Total income	102,513	88,613	194,191	169,581
Expenses				
General and administrative expenses	(36,297)	(36,390)	(77,661)	(73,718)
Amortisation of intangible assets	(14,122)	(14,122)	(28,244)	(28,244)
Interest expense	(832)	(508)	(1,688)	(1,267)
				(103,229)
Operating expenses	(51,251)	(51,020)	(107,593)	()
Net profit for the period	51,262	37,593	86,598	66,352
Attributable to:				
Owners of the Company	44,221	36,984	78,953	65,103
Non-controlling interest	7,041	609	7,645	1,249
	51,262	37,593	86,598	66,352
Basic/diluted earnings per share - AED	0.006	0.005	0.010	0.008

The accompanying notes on pages 7 to 20 form an integral part of this condensed consolidated interim financial information.

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Dubai Financial Market (DFM) P.J.S.C.**Condensed consolidated interim statement of comprehensive income (Un-audited)***for the six month period ended 30 June*

	Three month period ended		Six month period ended	
	30 June		30 June	
	2020	2019	2020	2019
	AED'000	AED'000	AED'000	AED'000
Net profit for the period	51,262	37,593	86,598	66,352
<i>Other comprehensive income</i>				
Items that will not be re-classified to profit or loss				
Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI)	<u>16,205</u>	<u>(10,935)</u>	<u>(119,117)</u>	<u>962</u>
Total comprehensive income / (loss) for the period	<u>67,467</u>	<u>26,658</u>	<u>(32,519)</u>	<u>67,314</u>
Attributable to:				
Owners of the Company	<u>60,426</u>	26,049	<u>(40,164)</u>	66,065
Non-controlling interest	<u>7,041</u>	609	<u>7,645</u>	1,249
	<u>67,467</u>	<u>26,658</u>	<u>(32,519)</u>	<u>67,314</u>

The accompanying notes on pages 7 to 20 form an integral part of this condensed consolidated interim financial information.

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

Condensed consolidated interim statement of changes in equity (Un-audited)

for the six month period ended 30 June 2020

	Share Capital AED'000	Treasury shares AED'000	Investments revaluation reserve FVOCI AED'000	Statutory reserve AED'000	Retained earnings AED'000	Equity attributable to the owners of the company AED'000	Non-controlling interest AED'000	Total AED'000
As at 1 January 2019	8,000,000	(4,364)	(815,844)	442,211	142,249	7,764,252	19,137	7,783,389
Net profit for the period	-	-	-	-	65,103	65,103	1,249	66,352
Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	962	-	-	962	-	962
Total comprehensive income for the period	-	-	962	-	65,103	66,065	1,249	67,314
Appropriation of non-sharia compliant income (Note 19)	-	-	-	-	(24,801)	(24,801)	-	(24,801)
Realised loss on investment	-	-	1,539	-	(1,539)	-	-	-
Zakat	-	-	-	-	(33)	(33)	-	(33)
As at 30 June 2019	8,000,000	(4,364)	(813,343)	442,211	180,979	7,805,483	20,386	7,825,869
As at 1 January 2020	8,000,000	(4,364)	(803,542)	454,272	224,424	7,870,790	20,576	7,891,366
Net profit for the period	-	-	-	-	78,953	78,953	7,645	86,598
Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	(119,117)	-	-	(119,117)	-	(119,117)
Total comprehensive loss for the period	-	-	(119,117)	-	78,953	(40,164)	7,645	(32,519)
Dividend approved, net of appropriation of non-sharia compliant income (Note 13)	-	-	-	-	(152,554)	(152,554)	-	(152,554)
Appropriation of non-sharia compliant income (Note 19)	-	-	-	-	(22,539)	(22,539)	-	(22,539)
Realised loss on investment	-	-	20,441	-	(20,441)	-	-	-
Zakat	-	-	-	-	(36)	(36)	-	(36)
As at 30 June 2020	8,000,000	(4,364)	(902,218)	454,272	107,807	7,655,497	28,221	7,683,718

The accompanying notes on pages 7 to 20 form an integral part of this condensed consolidated interim financial information. The independent auditors' report on the review of the condensed consolidated interim financial information is set out on page 1.

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

Condensed consolidated interim statement of cash flows (Un-audited)

for the six month period ended 30 June

	Six month period ended 30 June	
	2020	2019
	AED'000	AED'000
Cash flows from operating activities		
Net profit for the period	86,598	66,352
Adjustments for:		
Depreciation of property and equipment	11,340	11,144
Provision for employees' end of service benefit	1,233	1,270
Amortisation of intangible assets	28,244	28,244
Interest expense	1,688	1,267
Revenues from investment deposits	(56,449)	(62,520)
Dividend income	(9,999)	(12,885)
Operating cash flows before changes in operating assets and liabilities	62,655	32,872
Increase in prepaid expenses and other receivables	(5,801)	(191,747)
Increase in payables and accrued expenses	229,812	431,181
Movement in due to a related party	8,041	(1,968)
	294,707	270,338
Employee's end of service benefits paid	(55)	(537)
Net cash generated from operating activities	294,652	269,801
Cash flows from investing activities		
Purchase of property and equipment	(28,554)	(9,922)
Net investment deposits	128,732	(100,000)
Redemption of investments measured at FVOCI and at amortised cost	16,446	21,186
Dividends received	9,999	12,885
Investment deposits revenue received	83,757	68,986
Net cash generated from / (used) in investing activities	210,380	(6,865)
Cash flows from financing activities		
Lease liabilities	(9,844)	(10,885)
Dividends paid to shareholders	(199,894)	(1,590)
Net cash used in financing activities	(209,738)	(12,475)
Net increase in cash and cash equivalents	295,294	250,461
Cash and cash equivalents at the beginning of the period	209,101	280,943
Cash and cash equivalents at the end of the period	504,395	531,404

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

Notes to the condensed consolidated interim financial information

for the six month period ended 30 June 2020

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. 2 of 2015 (“Companies law”). The Company received its registration under Federal Law No. 4 of 2000 with the Emirates Securities and Commodities Authority (‘ESCA’) on November 4, 2000.

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

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

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

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

The condensed consolidated interim financial information incorporates the financial information of Dubai Financial Market (DFM) - PJSC and its subsidiaries (together the “Group”). Details of the subsidiaries are as follows:

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

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

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

**Nasdaq Dubai Limited has the following subsidiary:

<u>Company name</u>	<u>Activity</u>	<u>Country of incorporation</u>	<u>Ownership held</u>
Nasdaq Dubai Guardian Limited	Bare nominee solely on behalf of Nasdaq Dubai Limited	U.A.E	100%

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

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

Notes to the condensed consolidated interim financial information *(continued)*

for the six month period ended 30 June 2020

2 Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

This condensed consolidated interim financial information does not include all the information required for full annual audited consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2019. In addition, results for the six month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The accounting policies applied in this condensed consolidated interim financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

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

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

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

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

(a) New and revised IFRS adopted in the condensed consolidated interim financial information

The following are the new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2020.

- **Amendments to IFRS 3** - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IAS 1 and IAS 8** - These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

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

Notes to the condensed consolidated interim financial information *(continued)*

for the six month period ended 30 June 2020

2 Summary of significant accounting policies *(continued)*

2.2 Application of new and revised International Financial Reporting Standards (“IFRS”) *(continued)*

(a) *New and revised IFRS adopted in the condensed consolidated interim financial Information (continued)*

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

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The above amendments are not applicable to the Group and therefore have no impact on these condensed consolidated interim financial information.

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

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

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

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

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

Notes to the condensed consolidated interim financial information *(continued)*

for the six month period ended 30 June 2020

3 Basis of consolidation

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

The results of subsidiaries these were incorporated in previous periods are included in the condensed consolidated interim statement of income from the effective date of incorporation.

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

4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2019.

4.1 Risk management in the current economic scenario

The existence of novel coronavirus COVID-19 was confirmed in early 2020 and has spread across the globe, causing disruptions to businesses and economic activity. Regulators and governments across the globe have introduced fiscal and economic stimulus measures to mitigate its impact. Overall, at this point, the COVID-19 situation remains fluid and is rapidly evolving, which makes it challenging to reliably reflect the impact in the ECL estimates. There has not been any material impact on the Group’s ECL estimates at 30 June 2020 in view of the nature of its financial instruments. However the Group will continue to monitor the situation closely and reassess its ECL estimates.

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

Notes to the condensed consolidated interim financial information (continued)

for the six month period ended 30 June 2020

5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019.

6 Goodwill and other intangible assets

	Goodwill AED'000	Other intangible assts AED'000
Cost		
At 1 January 2019 and 2020	2,878,874	2,824,455
At 30 June 2019 and 2020	<u>2,878,874</u>	<u>2,824,455</u>
Amortization		
At 1 January 2020	-	734,357
Charge for the period	-	28,244
At 30 June 2020	<u>-</u>	<u>762,601</u>
At 1 January 2019	-	677,868
Charge for the period	-	28,244
At 30 June 2019	<u>-</u>	<u>706,112</u>
Carrying amount		
At 30 June 2020	<u>2,878,874</u>	<u>2,061,854</u>
At 30 June 2019	<u>2,878,874</u>	<u>2,118,343</u>
At 31 December 2019	<u>2,878,874</u>	<u>2,090,098</u>

Goodwill is tested for impairment annually and when there is an indicator of impairment of the cash generating unit to which goodwill is allocated. DFM as a standalone entity is considered a single cash generating unit for impairment testing purposes. Management of the Company does not believe that there is any impairment of Goodwill as at the reporting date.

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

Notes to the condensed consolidated interim financial information (continued)

for the six month period ended 30 June 2020

7 Financial assets measured at fair value through other comprehensive income

	30 June 2020 AED'000 (Un-audited)	31 December 2019 AED'000 (Audited)
Equity securities	169,868	267,342
Managed funds – Note (7.1)	214,521	275,735
Sukuk – Note (7.2)	300,298	307,121
	<u>684,687</u>	<u>850,198</u>

7.1 Managed funds include funds of AED 197 million (31 December 2019: AED 258 million) managed by a shareholder of the parent (Note 10).

7.2 The investment in sukuk is a perpetual instrument, callable at the option of the issuer and measured at fair value through other comprehensive income. The sukuk carries a profit rate ranging from 5% to 6.75% (2019: 5% to 6.75%) per annum, which is payable at the discretion of the issuer.

Investments by geographic concentration are as follows:

	30 June 2020 AED'000 (Un-audited)	31 December 2019 AED'000 (Audited)
- Within U.A.E.	657,411	821,208
- Outside U.A.E.	27,276	28,990
	<u>684,687</u>	<u>850,198</u>

8 Investments at amortised cost

	30 June 2020 AED'000 (Un-audited)	31 December 2019 AED'000 (Audited)
Sukuk – Note 8.1	170,738	175,489
	<u>170,738</u>	<u>175,489</u>

8.1 Investments in sukuk in the U.A.E mature in 3-8 years and carry fixed profit rates of between 4.50% - 5.112% (2019: 4.50% - 5.112%) per annum.

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

Notes to the condensed consolidated interim financial information (continued)

for the six month period ended 30 June 2020

9 Investment deposits

	30 June 2020 AED'000 (Un-audited)	31 December 2019 AED'000 (Audited)
Current:		
Investment deposits maturing in less than 3 months	175,000	186,730
Investment deposits maturing up to 1 year but more than 3 months – (Note 9.1)	<u>2,491,122</u>	<u>2,604,392</u>
	2,666,122	2,791,122
Non-current:		
Investment deposits maturing in more than 1 year	<u>253,578</u>	257,311
	2,919,700	<u>3,048,433</u>

9.1 Investment deposits are placed with financial institutions in the UAE and carry profit rates ranging from 2% to 3.40% (31 December 2019: 2.45% to 4.1%) per annum.

9.2 Investment deposits of AED 136.73 million (31 December 2019: AED 136.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.

9.3 Dividends received from and payable on behalf of companies listed on DFM and iVESTOR card balances as at 30 June 2020 aggregate AED 1,320 million (31 December 2019: AED 1,112 million) (Note 15) of which AED 1,150 million (31 December 2019: AED 1,000 million) has been invested in short term deposits by the Company, AED 37 million has been invested in investment at amortised cost (31 December 2019: AED 40 million) and AED 133 million in the mudaraba and current accounts with banks (31 December 2019: AED 72 million) (Note 12).

9.4 Dividends declared and payable by the Group to the Parent Company amounting to AED 467 million (31 December 2019: AED 467 million) have been placed in investment deposits by the Company.

10 Related party transactions and balances

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

Transactions during the period	Six month period ended 30 June	
	2020 AED'000 (Un-audited)	2019 AED'000 (Un-audited)
Investment income	<u>25,001</u>	<u>30,045</u>
Interest expense	<u>643</u>	<u>1,267</u>
Dividend income	<u>8,754</u>	<u>8,754</u>
Rent and other related expenses	<u>4,261</u>	<u>4,721</u>
Interest on lease	<u>838</u>	<u>643</u>

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

Notes to the condensed consolidated interim financial information (continued)

for the six month period ended 30 June 2020

10 Related party transactions and balances (continued)

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

	Six month period ended	
	30 June	
	2020	2019
	AED'000	AED'000
	(Un-audited)	(Un-audited)
Compensation of key management personnel		
Short-term benefits	<u>4,462</u>	4,629
General pension and social security	<u>480</u>	480
Board of Directors		
- Remuneration to the Nasdaq Dubai Limited Board	<u>511</u>	587
- Meeting allowance for the Group	<u>406</u>	433
- DFM Board remuneration	<u>2,100</u>	2,100
	30 June	31 December
	2020	2019
	AED'000	AED'000
	(Un-audited)	(Audited)
Balances		
<i>(a) Other related parties</i>		
Managed funds (Note 7)	<u>196,794</u>	258,008
Financial assets at FVOCI	<u>295,269</u>	342,004
Investments at amortised cost	<u>120,945</u>	125,695
Cash and bank balances	<u>278,650</u>	103,356
Investment deposits (Note 10.2)	<u>1,347,623</u>	1,065,140
<i>(b) Due to a related party</i>		
Parent		
Expenses paid on behalf of the Group	<u>14,007</u>	5,966
Subordinated loan (Note 10.1)	<u>29,741</u>	29,098
Dividends payable	<u>466,500</u>	466,500

10.1 The subordinated loan has been provided by Borse Dubai Limited, to Nasdaq Dubai Limited (Note 1). The subordinated loan is unsecured, has no fixed repayment date and bears interest at market rate and is subordinated to the rights of all other creditors of the subsidiary.

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

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Notes to the condensed consolidated interim financial information (continued)

for the six month period ended 30 June 2020

11 Prepaid expenses and other receivables

	30 June 2020 AED'000 (Un-audited)	31 December 2019 AED'000 (Audited)
Accrued income on investment deposits	29,840	57,095
Central counterparty balances – (Note 11.1)	94,553	14,497
Prepaid expenses	6,857	5,941
Accrued trading commission fees	1,436	1,644
Other receivables	38,885	2,561
Due from brokers	3,008	703
VAT receivable on capital expenditure	2,638	1,507
	<u>177,217</u>	<u>83,948</u>
Less: allowance for doubtful debts	(114)	(93)
	<u>177,103</u>	<u>83,855</u>

Net movement in allowance for doubtful debts:

Opening balance	93	67
Provision for the period/year	21	26
Closing balance	<u>114</u>	<u>93</u>

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

12 Cash and cash equivalents

	30 June 2020 AED'000 (Un-audited)	31 December 2019 AED'000 (Audited)
Cash on hand	170	189
Bank balances:		
Current accounts	34,494	72,575
Savings accounts	2	18,559
Mudarabah accounts	260,729	42,688
	<u>295,395</u>	<u>134,011</u>
Investment deposits with original maturities not exceeding three months	209,000	75,090
Cash and cash equivalents	<u>504,395</u>	<u>209,101</u>

12.1 The rate of return on mudarabah accounts is 0.40% per annum (31 December 2019: 0.56% per annum).

12.2 Dividends received from and payable on behalf of companies listed on DFM and iVESTOR card balances as at 30 June 2020 aggregate AED 1,320 million (31 December 2019: AED 1,112 million) (Note 15) of which AED 1,150 million (31 December 2019: AED 1,000 million) has been invested in short term deposits by the Company, AED 37 million has been invested in investment at amortised cost (31 December 2019: AED 40 million) and AED 133 million in the mudaraba and current accounts with banks (31 December 2019: AED 72 million) (Note 9).

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Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2020

13 Share capital

	30 June 2020 AED'000 (Un-audited)	31 December 2019 AED'000 (Audited)
Authorised, issued and paid up share capital: 8,000,000,000 shares (30 June 2020: 8,000,000,000 shares) of AED 1 each (31 December 2019: AED 1 each)	<u>8,000,000</u>	<u>8,000,000</u>

The Company has declared dividends of AED 200 million, including Non-sharia compliant income of AED 22.5 million for the year ended 31 December 2019 and AED 24.8 million for the year ended 31 December 2018 (Note 19), representing AED 0.025 per share. The dividends of AED 152 million for 2019 (2018: AED Nil) and distribution of non- sharia compliant income of AED 22.5 million for 2019 (2018: AED 24.8 million) were approved by the shareholders at the Annual General Meeting held on 25 March 2020.

14 Reserves

(a) Statutory reserve

In accordance with the U.A.E. Federal Commercial Companies Law No. 2 of 2015, as amended, the Group has established a statutory reserve by appropriation of 10% of the Company's net profit for each year which will be increased until the reserve equals 50% of the share capital. This reserve is not available for distribution, except as stipulated by the Law. No allocation to the statutory reserve has been made for the six month period ended 30 June 2020, as this will be affected at the year-end based on the Company's results for the year ending 31 December 2020.

(b) Investments revaluation reserve

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

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

Notes to the condensed consolidated interim financial information (continued)

for the six month period ended 30 June 2020

15 Payables and accrued expenses

	30 June 2020 AED'000 (Un-audited)	31 December 2019 AED'000 (Audited)
Dividends payable on behalf of companies listed on the DFM ("myAccount") (Note 9.3)	914,318	811,326
Investor cards (Note 9.3)	404,516	300,627
Members' margin deposits	22,817	20,206
Accrued expenses and other payables	27,042	20,422
Central counterparty balances (Note 11)	94,553	14,497
Unearned revenue	13,105	3,746
Brokers' retention	26,485	24,304
Due to U.A.E Securities and Commodities Authority	6,656	4,672
Zakat	1,012	977
VAT payable	1,629	1,453
Lease liabilities	9,331	11,094
Non Sharia compliant income (Note 19)	-	24,801
	<u>1,521,464</u>	<u>1,238,125</u>

16 Earnings per share

	<u>3 months ended</u>		<u>6 months ended</u>	
	<u>30-June</u>		<u>30-June</u>	
	2020	2019	2020	2019
Net profit for the period attributable to owners of the Company (AED '000)	<u>44,221</u>	36,984	<u>78,953</u>	65,103
Authorised, issued and paid up share capital - (AED '000)	<u>8,000,000</u>	8,000,000	<u>8,000,000</u>	8,000,000
Less: Treasury shares ('000)	<u>(4,237)</u>	(4,237)	<u>(4,237)</u>	(4,237)
	<u>7,995,763</u>	7,995,763	<u>7,995,763</u>	7,995,763
Earnings per share – AED	<u>0.006</u>	0.005	<u>0.010</u>	0.008

17 Commitments

	30 June 2020 AED'000 (Un-audited)	31 December 2019 AED'000 (Audited)
Commitments for the purchase of property and equipment	<u>13,615</u>	<u>36,205</u>

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

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

Notes to the condensed consolidated interim financial information *(continued)*

for the six month period ended 30 June 2020

18 Segment reporting

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

19 Non-sharia compliant income

Non-sharia compliant income of AED 22.5 million relating to 2019 (2019: AED 24.8 million relating to 2018) as approved by the Company's Sharia and Fatwa Supervisory Board, has been appropriated from retained earnings during the period ended 31 March 2020 and will be distributed by the Group to its shareholders towards disbursement by the shareholders for charitable purposes. Based on the ruling of the Sharia and Fatwa Supervisory Board, it is the sole responsibility of the individual shareholders to donate their respective shares of this amount for charitable purposes.

20 Fair value of financial instruments

The Group's financial assets and financial liabilities comprise of cash and bank balances, investment deposits, financial assets measured at fair value through other comprehensive income (FVOCI), investment at amortized cost, subordinated loan, receivables and payables whose maturity is short term. Long term investment deposits carry market rates of return. Consequently, their fair value approximates the carrying value stated in the condensed consolidated interim statement of financial position.

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

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

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

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

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2020

20 Fair value of financial instruments (continued)

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

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

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

There were no changes in valuation techniques during the period.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2020 and 31 December 2019.

	30 June 2020 (Un-Audited)		
	Level 1	Level 2	Total
	AED'000	AED'000	AED'000
Financial assets at fair value through other comprehensive income			
- Equities	163,905	5,963	169,868
- Managed funds	-	214,521	214,521
- Investment in sukuk	300,298	-	300,298
Total	464,203	220,484	684,687

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

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

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

Notes to the condensed consolidated interim financial information (continued)
for the six month period ended 30 June 2020

20 Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Measured at FVOCI	
	Unquoted equities	
	30 June 2020 AED'000	31 December 2019 AED'000
Opening balance	-	22,940
Transfer from level 3 to level 2	-	(5,963)
Disposal during the period/year	-	-
Fair value changes	-	(16,977)
Closing balance	-	-

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

The following table summarises the amortized cost and fair value of the sukuk at 30 June 2020 & 31 December 2019:

	30 June 2020 (Un-audited)	
	Carrying amount AED'000	Fair value AED'000
Investments at amortised cost		
Investments in sukuk	<u>170,738</u>	<u>164,580</u>

	31 December 2019 (Audited)	
	Carrying amount AED'000	Fair value AED'000
Investments at amortised cost		
Investments in sukuk	<u>175,489</u>	<u>177,563</u>

21 Approval of the condensed consolidated interim financial information

The condensed consolidated interim financial information for the six month period ended 30 June 2020 have been approved by the Board of Directors and authorized for issue on 27 July 2020.