

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

**Report and consolidated financial statements  
for the year ended 31 December 2022**

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

Report and consolidated financial statements  
*For the year ended 31 December 2022*

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# Independent auditor's report to the shareholders of Dubai Financial Market P.J.S.C.

## Report on the audit of the consolidated financial statements

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### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dubai Financial Market P.J.S.C. (the "Company" or "DFM") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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### Our audit approach

#### Overview

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|------------------|--|
| Key Audit Matter | • Impairment of goodwill and other intangible assets |
|------------------|--|
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy



## Independent auditor's report to the shareholders of Dubai Financial Market P.J.S.C. (continued)

### Our audit approach (continued)

#### Overview (continued)

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of goodwill and other intangible assets</i></p> <p>We considered the carrying value of goodwill and other intangible assets of AED 2.9 billion and AED 1.9 billion, respectively, as at 31 December 2022 to be a key audit matter because of their significance and the judgement involved in testing such items for impairment. Together they account for 51% of the total assets of the Group and any impairment charge could have a material impact on the reported financial performance of the Group and on their carrying values in the consolidated statement of financial position.</p> <p>In accordance with International Accounting Standards (IAS) 36, goodwill is required to be tested annually for impairment. If impairment indicators are identified, its carrying amount is reduced to its estimated recoverable amount which is defined under IAS 36 as the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use. Management has determined that the fair value less cost to sell exceeded the carrying amount.</p> <p>For other intangible assets, at the end of each reporting period, an entity is required to assess whether there is any indication that an asset may be impaired or if there is a change in the estimated useful life.</p> <p>Management of the Group has carried out impairment assessments of goodwill and other intangible assets. In the case of goodwill, management considers the Group to comprise only one cash generating unit as defined by IAS 36.</p> <p>Refer to Notes 4.2, 4.3, 5 and 6 to the consolidated financial statements for details.</p>	<p>Goodwill was tested by management for impairment as at 31 December 2022, by comparing the net assets of DFM at that date to the fair value less cost to sell of DFM, based on its quoted market price of DFM as at 31 December 2022. We performed the following audit procedures on goodwill and other intangible assets included in the Group's consolidated financial statements for the year ended 31 December 2022.</p> <ul style="list-style-type: none"><li>➤ We re-performed management's impairment assessment of goodwill including the review of the underlying assumptions.</li><li>➤ We assessed management's identification of DFM as a single cash generating unit based on our understanding of the Group's business and the requirements of IFRS.</li><li>➤ We reviewed management's estimate of the useful economic life of the stock exchange license, which is the most significant component of other intangible assets. Our review was based on the analysis of relevant factors relating to the expected period over which the stock exchange license is expected to generate cash inflows to the Group. We also compared the appropriateness of the useful life of the stock exchange license to similar licenses of other stock exchanges.</li><li>➤ We assessed the consolidated financial statement disclosures to ensure compliance with IAS 36.</li></ul>



## Independent auditor's report to the shareholders of Dubai Financial Market P.J.S.C. (continued)

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### Other information

Management is responsible for the other information. The other information comprises the Chairman's Statement and the Group's Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement and the Group's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### Responsibilities of management and those charged with governance 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 their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:



## Independent auditor's report to the shareholders of Dubai Financial Market P.J.S.C. (continued)

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### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Independent auditor's report to the shareholders of Dubai Financial Market P.J.S.C. (continued)

### Report on other legal and regulatory requirements

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Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;
- iii) the Group has maintained proper books of account;
- iv) as disclosed in note 27.5 to the consolidated financial statements the Group has purchased or invested in shares during the year ended 31 December 2022;
- v) note 15 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
- vi) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021 or in respect of the Company, its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2022; and
- vii) as disclosed in Note 31 to the consolidated financial statements, the Group has not made any material monetary social contributions during the year ended 31 December 2022.

PricewaterhouseCoopers  
31 January 2023

A handwritten signature in blue ink, appearing to read 'Rami Sarhan', is written over a horizontal line.

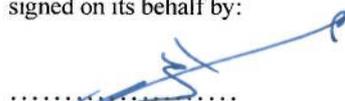
Rami Sarhan  
Registered Auditor Number 1152  
Dubai, United Arab Emirates

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

### Consolidated statement of financial position as at 31 December 2022

	Notes	2022 AED'000	2021 AED'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	6	2,878,874	2,878,874
Other intangible assets	6	1,920,631	1,977,120
Property and equipment	7	320,469	335,257
Financial assets measured at fair value through other comprehensive income (FVTOCI)	8	969,455	813,221
Investments at amortised cost	9	273,990	296,071
Investment deposits	10	204,189	222,225
<b>Total non-current assets</b>		<b>6,567,608</b>	<b>6,522,768</b>
<b>Current assets</b>			
Prepaid expenses and other receivables	11	143,750	124,775
Investment deposits	10	2,313,230	3,031,117
Cash and cash equivalents	12	469,401	258,990
<b>Total current assets</b>		<b>2,926,381</b>	<b>3,414,882</b>
<b>Total assets</b>		<b>9,493,989</b>	<b>9,937,650</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	8,000,000	8,000,000
Treasury shares		(4,364)	(4,364)
		7,995,636	7,995,636
Investments revaluation reserve – FVTOCI	14	(693,211)	(742,729)
Statutory reserve	14	493,156	478,445
Retained earnings		134,727	211,322
<b>Equity attributable to owners of the Company</b>		<b>7,930,308</b>	<b>7,942,674</b>
Non-controlling interest		17,241	20,458
<b>Total equity</b>		<b>7,947,549</b>	<b>7,963,132</b>
<b>Non-current liabilities</b>			
Subordinated loan	15	32,189	31,837
Lease liabilities	16	-	7,570
Provision for employees' end of service benefits	17	23,162	22,277
<b>Total non-current liabilities</b>		<b>55,351</b>	<b>61,684</b>
<b>Current liabilities</b>			
Payables and accrued expenses	18	1,470,424	1,798,671
Dividends payable	15, 19	3,087	103,087
Due to a related party	15	17,578	11,076
<b>Total current liabilities</b>		<b>1,491,089</b>	<b>1,912,834</b>
<b>Total liabilities</b>		<b>1,546,440</b>	<b>1,974,518</b>
<b>Total equity and liabilities</b>		<b>9,493,989</b>	<b>9,937,650</b>

These consolidated financial statements were approved on 31 January 2023 by the Board of Directors and signed on its behalf by:

  
.....  
Chairman

The notes on pages 11 to 52 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on pages 1-5.

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

### Consolidated statement of income for the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
<b>Income</b>			
Trading commission fees		200,493	168,078
Brokerage fees		13,646	14,571
Clearing, settlement and depository fees		25,679	18,205
Listing and market data fees		9,981	9,813
Other fees		7,108	5,139
<b>Operating income</b>		<b>256,907</b>	215,806
Investment income	20	79,989	72,208
Dividend income	21	13,781	6,857
Other income		320	3,196
Profit income	22	3,639	-
<b>Total income</b>		<b>354,636</b>	298,067
<b>Expenses</b>			
General and administrative expenses	23	(149,577)	(139,533)
Amortisation of other intangible assets	6	(56,489)	(56,489)
Interest expense	15, 16	(1,035)	(2,904)
<b>Operating expenses</b>		<b>(207,101)</b>	(198,926)
Profit expense	22	(3,639)	-
<b>Total expenses</b>		<b>(210,740)</b>	(198,926)
<b>Net profit for the year</b>		<b>143,896</b>	99,141
<b>Profit attributable to:</b>			
Owners of the Company		147,113	103,840
Non-controlling interest		(3,217)	(4,699)
		<b>143,896</b>	99,141
<b>Basic and diluted earnings per share - AED</b>	24	<b>0.018</b>	0.013

The notes on pages 11 to 52 form an integral part of these consolidated financial statements.

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

### Consolidated statement of comprehensive income for the year ended 31 December 2022

	2022 AED'000	2021 AED'000
Net profit for the year	143,896	99,141
<i>Other comprehensive income</i>		
<b>Items that will not be reclassified to profit or loss</b>		
Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI)	<u>49,518</u>	<u>94,756</u>
<b>Total comprehensive income for the year</b>	<b><u>193,414</u></b>	<b><u>193,897</u></b>
<b>Attributable to:</b>		
Owners of the Company	196,631	198,596
Non-controlling interest	<u>(3,217)</u>	<u>(4,699)</u>
	<b><u>193,414</u></b>	<b><u>193,897</u></b>

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

### Consolidated statement of changes in equity for the year ended 31 December 2022

	Share capital AED'000	Treasury shares AED'000	Investments revaluation reserve FVOCI AED'000	Statutory reserve AED'000	Retained earnings AED'000	Attributable to owners of the Company AED'000	Non- controlling interest AED'000	Total AED'000
<b>As at 1 January 2021</b>	<b>8,000,000</b>	<b>(4,364)</b>	<b>(841,395)</b>	<b>468,062</b>	<b>152,964</b>	<b>7,775,267</b>	<b>25,275</b>	<b>7,800,542</b>
Net profit for the year	-	-	-	-	103,840	103,840	(4,699)	99,141
Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	94,756	-	-	94,756	-	94,756
Total comprehensive income for the year	-	-	94,756	-	103,840	198,596	(4,699)	193,897
<i>Transactions with owners of the Company</i>								
Appropriation of non-sharia compliant income (Note 26)	-	-	-	-	(30,914)	(30,914)	-	(30,914)
Transfer to statutory reserve (Note 14)	-	-	-	10,383	(10,383)	-	-	-
Realised loss on disposal of investments	-	-	3,910	-	(3,910)	-	-	-
Zakat	-	-	-	-	(36)	(36)	-	(36)
Others	-	-	-	-	(239)	(239)	(118)	(357)
<b>As at 31 December 2021</b>	<b>8,000,000</b>	<b>(4,364)</b>	<b>(742,729)</b>	<b>478,445</b>	<b>211,322</b>	<b>7,942,674</b>	<b>20,458</b>	<b>7,963,132</b>
<b>As at 1 January 2022</b>	<b>8,000,000</b>	<b>(4,364)</b>	<b>(742,729)</b>	<b>478,445</b>	<b>211,322</b>	<b>7,942,674</b>	<b>20,458</b>	<b>7,963,132</b>
Net profit for the year	-	-	-	-	147,113	147,113	(3,217)	143,896
Fair value changes on financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	49,518	-	-	49,518	-	49,518
Total comprehensive income for the year	-	-	49,518	-	147,113	196,631	(3,217)	193,414
<i>Transactions with owners of the Company</i>								
Dividends declared, net of appropriation of non-sharia compliant income (Note 19)	-	-	-	-	(192,135)	(192,135)	-	(192,135)
Appropriation of non-sharia compliant income (Note 26)	-	-	-	-	(16,824)	(16,824)	-	(16,824)
Transfer to statutory reserve (Note 14)	-	-	-	14,711	(14,711)	-	-	-
Zakat	-	-	-	-	(38)	(38)	-	(38)
<b>As at 31 December 2022</b>	<b>8,000,000</b>	<b>(4,364)</b>	<b>(693,211)</b>	<b>493,156</b>	<b>134,727</b>	<b>7,930,308</b>	<b>17,241</b>	<b>7,947,549</b>

The notes on pages 11 to 52 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on pages 1-5.

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

### Consolidated statement of cash flows for the year ended 31 December 2022

	<i>Notes</i>	2022 AED'000	2021 AED'000
<b>Cash flows from operating activities</b>			
Net profit for the year		143,896	99,141
<b>Adjustments for:</b>			
Depreciation of property and equipment	7	21,799	23,194
Provision for employees' end of service benefits	17	2,674	2,774
Amortisation of other intangible assets	6	56,489	56,489
Interest expense		1,035	2,904
Investment income	20	(79,989)	(72,208)
Dividend income	21	(13,781)	(6,857)
Profit income	22	(3,639)	-
Profit expense	22	3,639	-
Provision for expenses		-	2,905
<b>Operating cash flows before changes in operating assets and liabilities</b>		<b>132,123</b>	<b>108,342</b>
Increase in prepaid expenses and other receivables		(1,521)	(810)
(Decrease) / increase in payables and accrued expenses		(293,930)	238,158
Increase / (decrease) in due to a related party		6,502	(1,329)
<b>Cash (used in)/generated from operations</b>		<b>(156,826)</b>	<b>344,361</b>
Employees' end of service benefits paid	17	(1,789)	(6,042)
<b>Net cash (used in)/ generated from operating activities</b>		<b>(158,615)</b>	<b>338,319</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	7	(8,218)	(6,567)
Movement in investment deposits		735,923	(160,787)
Purchase of financial assets measured at FVTOCI		(115,000)	(261,536)
Purchase of investments at amortised cost		(37,097)	-
Redemptions of financials assets measured at FVTOCI and investments at amortised cost		67,427	215,637
Investment deposits income received		61,150	82,562
Dividends received	21	13,781	6,857
<b>Net cash generated from/(used in) investing activities</b>		<b>717,966</b>	<b>(123,834)</b>
<b>Cash flows from financing activities</b>			
Lease liabilities	16	(9,067)	(9,670)
Dividends paid to shareholders	15,19	(339,873)	(366,500)
<b>Net cash used in financing activities</b>		<b>(348,940)</b>	<b>(376,170)</b>
<b>Net increase /(decrease) in cash and cash equivalents</b>		<b>210,411</b>	<b>(161,685)</b>
Cash and cash equivalents at the beginning of the year		258,990	420,675
<b>Cash and cash equivalents at the end of the year</b>	12	<b>469,401</b>	<b>258,990</b>

During the year ended 31 December 2022, the principal non-cash transactions relate to the recognition of right-of-use assets amounting to AED 8 million (31 December 2021: AED 18 million) and lease liabilities amounting to AED 8 million (31 December 2021: AED 18 million) respectively. (Refer to Note 16).

The notes on pages 11 to 52 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on page 1-5.

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

### Notes to the consolidated financial statements

for the year ended 31 December 2022

#### 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 (“UAE”), pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on 6 February 2007, and is subject to the provisions of the UAE Federal Decree Law No. 32 of 2021 (“Companies law”). The Company received its registration under Federal Law No. 4 of 2000 with the Securities and Commodities Authority (‘SCA’) on 4 November 2000.

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.

The ultimate parent and controlling party is the Government of Dubai which owns 80.66% (31 December 2021: 80.66%) of DFM through Borse Dubai Limited (the “Parent”), a Government of Dubai entity.

These consolidated financial statements comprise DFM – (P.J.S.C.) and its subsidiaries (together referred to as “the Group”). Details of the subsidiaries as at 31 December 2022 and 2021 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	UAE	100%
Nasdaq Dubai Limited**	Electronic Financial Market	UAE	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	UAE	100%
Dubai Central Securities Depository LLC	Securities Depository Services	UAE	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	UAE	100%

\*\*\*The remaining 33% is held by Borse Dubai Limited (Note 25).

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

### **Notes to the consolidated financial statements** *for the year ended 31 December 2022 (continued)*

#### **1. Establishment and operations (continued)**

##### *Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes*

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax regime in the UAE. The Law was previously gazetted on 10 October 2022, becoming law 15 days later. The Corporate Tax regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance).

However, there are a number of significant decisions that are yet to be finalised by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Group has determined that the Law was not practically operational as at 31 December 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Group shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status and the applicability of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on its consolidated financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

#### **2. Basis of preparation**

##### **(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting standards (“IFRS”) as issued by International Accounting Standard Board (“IASB”), and applicable requirements of the laws of the United Arab Emirates.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 (“Companies Law”) was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Group is in the process of reviewing the new provisions and will apply the requirements thereof.

##### **(b) Basis of measurement**

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets measured at fair value through other comprehensive income (FVTOCI). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

##### **(c) Functional and presentation currency**

The consolidated financial statements are 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.

##### **(d) Use of estimates and judgements**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

### **Notes to the consolidated financial statements** *for the year ended 31 December 2022 (continued)*

#### **2. Basis of preparation (continued)**

##### **(d) Use of estimates and judgements (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are disclosed in note 5.

#### **3. Application of new and revised International Financial Reporting Standards (“IFRS”)**

##### **(a) New and revised IFRS adopted in the consolidated financial statements**

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior years.

- **Narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16**

Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, ‘provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

- **IFRIC Agenda decision – Lessor forgiveness of lease payments (IFRS 9 and IFRS 16)**

In October 2022, the IASB finalised the agenda decision approved by the IFRS Interpretation Committee (IFRS IC) on ‘Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)’. The agenda decision addresses the accounting from the perspective of the lessor, and in particular:

- how the expected credit loss (‘ECL’) model in IFRS 9 should be applied to the operating lease receivable when the lessor expects to forgive payments due from the lessee under the lease contract before the rent concession is granted.
- whether to apply the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 when accounting for the rent concession.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 3. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

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

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (Effective for annual periods beginning on or after 1 January 2023)**

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- **Amendment to IFRS 16 – Leases on sale and leaseback (Effective for annual periods beginning on or after 1 January 2023)**

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

- **Amendment to IAS 1 – Non current liabilities with covenants (Effective for annual periods beginning on or after 1 January 2024)**

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The Group is currently assessing the impact of these standards, interpretations and amendments on the future consolidated financial statements and intends to adopt these, if applicable, when they become effective.

There are no other relevant new standards and amendments to published standards or International Financial Reporting Interpretations Committee (IFRS IC) interpretations that have been issued but are not effective for the first time for the Group’s financial year beginning on 1 January 2022 that would be expected to have a material impact on the consolidated financial statements of the Group.

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

### **Notes to the consolidated financial statements** *for the year ended 31 December 2022 (continued)*

#### **4. Summary of significant accounting policies**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those audited annual consolidated financial statements for the year ended 31 December 2021.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

##### **4.1 Consolidation**

###### **Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. 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 financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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 except if related to the issue of debt or equity securities.

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 statement of income.

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 statement of income.

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

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

###### *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest ("NCI") and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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

### **Notes to the consolidated financial statements** *for the year ended 31 December 2022 (continued)*

#### **4. Summary of significant accounting policies (continued)**

##### **4.2 Other intangible assets**

Other intangible assets acquired by the Group which have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in the consolidated statement of income.

The estimated useful lives for current and comparative periods are as follows:

License to operate as a Stock Exchange	50 years
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Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

##### **4.3 Goodwill**

Goodwill is initially measured at cost, being 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.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. 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. The impairment policy is disclosed in detail in note 4.8.

##### **4.4 Property and equipment**

Property and equipment are measured 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.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 4. Summary of significant accounting policies (continued)

##### 4.4 Property and equipment (continued)

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The carrying amount of the land is its initial fair value together with any incidental costs. Subsequent to the initial recognition, the land is carried at historical cost less accumulated impairment and is not depreciated. Subsequent costs are included in the land's carrying amount 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.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in the consolidated statement of income. Land is not depreciated.

The estimated useful lives of property and equipment for current and comparative periods are as follows:

	<b>Years</b>
Computers and information systems	3-5
Leasehold improvements	7
Furniture and office equipment	3-10
Motor vehicles	4
Right-of-use assets	3-5

Depreciation method, useful lives and assets' residual values are reviewed at each reporting date and adjusted if appropriate.

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.

Any gain or loss on disposal of an item of property and equipment is recognised in the consolidated statement of income.

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

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

### **Notes to the consolidated financial statements**

*for the year ended 31 December 2022 (continued)*

#### **4. Summary of significant accounting policies (continued)**

##### **4.5 Cash and cash equivalents and investment deposits**

Cash and cash equivalents and investment deposits are initially recognised 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.

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

##### **4.6 Financial instruments**

###### **(i) Recognition and initial measurement**

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

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

###### **(ii) Classification and subsequent measurement**

###### **(a) Financial assets**

On initial recognition, a financial asset is classified as measured at amortised cost; FVTOCI – debt investment; FVTOCI – equity instrument; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets 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.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 4. Summary of significant accounting policies (continued)

##### 4.6 Financial instruments (continued)

###### (ii) Classification and subsequent measurement (continued)

###### (a) Financial assets (continued)

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### *Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether Group management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

###### *Assessment whether contractual cash flows are solely payments of principal and interest*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 4. Summary of significant accounting policies (continued)

##### 4.6 Financial instruments (continued)

###### (ii) Classification and subsequent measurement (continued)

###### (a) Financial assets (continued)

*Assessment whether contractual cash flows are solely payments of principal and interest (continued)*

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

###### Subsequent measurement and gains and losses:

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of income.

Equity investments at FVTOCI are subsequently measured at fair value. Dividends are recognised as income in the consolidated statement of income (Note 21) unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the consolidated statement of income.

###### Derecognition of financial assets:

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

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

### Notes to the consolidated financial statements

for the year ended 31 December 2022 (continued)

#### 4. Summary of significant accounting policies (continued)

##### 4.6 Financial instruments (continued)

###### (ii) Classification and subsequent measurement (continued)

###### (a) Financial assets (continued)

###### Impairment of non – derivative financial assets

The Group recognises loss allowances Expected Credit Loss (“ECL”) on:

- financial assets measured at amortised cost; and
- debt investments measured at FVTOCI;

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

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

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

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

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 4. Summary of significant accounting policies (continued)

##### 4.6 Financial instruments (continued)

###### (ii) *Classification and subsequent measurement (continued)*

###### (a) *Financial assets (continued)*

###### Impairment of non – derivative financial assets (continued)

###### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

###### *Credit-impaired financial assets*

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

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVTOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

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

### **Notes to the consolidated financial statements** *for the year ended 31 December 2022 (continued)*

#### **4. Summary of significant accounting policies (continued)**

##### **4.6 Financial instruments (continued)**

###### *(ii) Classification and subsequent measurement (continued)*

###### *(b) Financial liabilities*

All financial liabilities are initially recognised at fair value and in the case of loans, at fair value of the consideration received less directly attributable transactions costs and subsequently measured at amortised cost using the effective interest method. Financial liabilities comprise payables, dividends payable, due to a related party, subordinated loan and non-current lease liabilities.

Interest expense and foreign exchange gains and losses are recognised in the consolidated statement of income. Any gain or loss on derecognition is also recognised in the consolidated statement of income.

###### Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement of income.

##### **4.7 Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### **4.8 Impairment on non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

### **Notes to the consolidated financial statements** *for the year ended 31 December 2022 (continued)*

#### **4. Summary of significant accounting policies (continued)**

##### **4.8 Impairment on non-financial assets (continued)**

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### **4.9 Employees' end of service benefits**

Provision is made for the employees' end of service benefits in accordance with the UAE Labour Law for their periods of service up to the financial position date. In addition, in accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the reporting date, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using an appropriate discount rate based on management's assumption of average annual increment/promotion costs. The present value of the obligation as at 31 December 2022 is not materially different from the provision computed in accordance with the UAE Labour Law. 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.

U.A.E. National 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 statement of income.

The Group provides for staff terminal benefits based on an estimation of the amount of future benefit that employees have earned in return for their service until their retirement. This calculation is performed based on a projected unit credit method.

##### **4.10 Provisions**

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the consolidated statement of profit or loss when the changes arise.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 4. Summary of significant accounting policies (continued)

##### 4.11 Share capital

###### *Ordinary shares*

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

###### *Treasury shares*

When shares recognised as equity are unallotted, these are recognised as a deduction from equity. Unallotted shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

##### 4.12 Revenue recognition

###### Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Trading commission fees	Trading commission fees represent the fees charged by DFM on each trade (both buy and sell) undertaken by the brokers as per laws & regulations of SCA.	Revenue is recognised at the time when the underlying trade has been consummated.
Brokerage fees	Brokerage revenue comprises of various license and services provided to the broker. Invoices are issued to broker based on annual/daily subscriptions and are payable on presentation.	Revenue is recognised at the time when the broker utilises the services provided by DFM i.e. over the period of the annual subscriptions.  Revenue for one-time services are recognised at the time when the service is provided to the broker.
Clearing, settlement and depository fees	These services are subscribed by a customer/company on a daily/annual basis which is payable on presentation of the invoice.	Revenue is recognised at the time when the underlying service is provided to the customer/company.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 4. Summary of significant accounting policies (continued)

##### 4.12 Revenue recognition (continued)

###### *Performance obligations and revenue recognition policies (continued)*

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Listing and market data fees	<p>Listing fee is charged to companies that list their stocks on DFM.</p> <p>Market data fee is charged for the use of DFM's market data.</p> <p>The listing and market data fees are applicable for one year or monthly basis and is payable on presentation of the invoice.</p>	Revenue is recognised over the period of the listing and the period for which the customer has access to the market data feed as per the contract period.
Other fees	Invoices are issued based on the customer/company requests and are payable on presentation of the invoice.	Revenue is recognised at the time when the underlying service is provided to the customer/company.

##### 4.13 Foreign currency transactions

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 statement of income.

##### 4.14 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

###### As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

### **Notes to the consolidated financial statements** *for the year ended 31 December 2022 (continued)*

#### **4. Summary of significant accounting policies (continued)**

##### **4.14 Leases (continued)**

###### **As a lessee (continued)**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate which is determined by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property and equipment' and non-current lease liabilities in the statement of financial position and current lease liability in payables and accrued expenses.

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

### **Notes to the consolidated financial statements** *for the year ended 31 December 2022 (continued)*

#### **4. Summary of significant accounting policies (continued)**

##### **4.14 Leases (continued)**

**As a lessee (continued)**

###### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **5. Critical accounting estimates and judgments**

In the application of the Group's accounting policies, which are described in Note 4 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, net asset value of the investee company / funds or other valuation models.

###### *Estimated useful lives of other intangible assets*

Management has estimated the useful economic lives of the other intangible assets based on analysis of relevant factors relating to the expected period over which the other intangible assets are expected to generate cash inflows to the Group in the foreseeable future. Management assesses the estimated useful lives on a periodic basis.

###### *Impairment for goodwill and other intangible assets*

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 of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Refer to note 6 for estimates and judgments.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 5. Critical accounting estimates and judgments (continued)

##### *Impairment for goodwill and other intangible assets (continued)*

On an annual basis, the Group determines whether goodwill is impaired. This requires an estimation of the recoverable amount using higher of fair value less costs to sell or value in use of the cash generating units to which the goodwill is allocated. The Group has considered DFM as a single CGU for impairment testing purposes considering it is managed as one unit which is engaged in a single segment of operating stock exchanges and related clearing house. Estimating the fair value less costs to sell requires the Group to make an estimate for the control premium in order to calculate the fair value less costs to sell. Estimating the value in use requires the Group to make an estimate for expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Other intangible assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows. Prior impairment of other intangible assets are reviewed for possible reversal at each reporting date.

##### *Impairment of land*

On an annual basis, the Group determines whether land is impaired. This requires an estimation of the recoverable amount using higher of fair value less costs to sell or value in use of the land. The fair value less costs to sell of the land is estimated using an independent third party valuer. The value in use calculation requires the Group to make an estimate of the expected future cash flows from the land and the discount rate to be used to calculate the present value of those cash flows.

##### *Depreciation of property and equipment*

The cost of property and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial. Management assesses the estimated useful lives on a periodic basis.

##### *Impairment loss on trade receivables*

At each reporting date, the Group assesses on a forward-looking basis the expected credit loss associated with financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Refer to Note 27.3 for detailed assessment of credit risk.

##### *Provision for employees' end of service benefits*

The Group provides end of service benefits for its expatriate employees in accordance with UAE Labour Law. The entitlement to these benefits is based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Pension and national insurance contributions for the UAE citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 6. Goodwill and other intangible assets

	<b>Goodwill AED'000</b>	<b>License to operate as a stock exchange AED'000</b>
<b>Cost</b>		
<b>At 1 January 2021 and 2022</b>	<u>2,878,874</u>	<u>2,824,455</u>
<b>Amortisation</b>		
At 1 January 2022	-	<b>847,335</b>
Charge for the year	-	<b>56,489</b>
<b>At 31 December 2022</b>	<u>-</u>	<u><b>903,824</b></u>
At 1 January 2021	-	790,846
Charge for the year	-	56,489
At 31 December 2021	<u>-</u>	<u>847,335</u>
<b>Carrying amount</b>		
<b>At 31 December 2022</b>	<u><b>2,878,874</b></u>	<u><b>1,920,631</b></u>
At 31 December 2021	<u>2,878,874</u>	<u>1,977,120</u>

#### Impairment testing of goodwill

Determining whether goodwill is impaired requires an estimation of recoverable amount of the cash generating units to which goodwill has been allocated. DFM as a standalone market institution is considered a single cash generating unit ("CGU") for impairment testing purposes. Management assesses the recoverable amount of the CGU using the higher of value in use ("VIU") model and fair value less costs to sell. Management has concluded the fair value less costs to sell of the CGU exceeded its carrying amount as at 31 December 2022 (31 December 2021: fair value less costs to sell exceeded the carrying amount). To arrive at the fair value less costs to sell for the CGU to which goodwill is allocated, the management has used the closing quoted market price of DFM as at 31 December 2022 and a control premium (net of costs to sell) of 15% (31 December 2021: 15%) to calculate the recoverable amount.

The estimated recoverable amount of the CGU is AED 13,892 million as at 31 December 2022 which exceeds its carrying amount of AED 7,947 million by approximately AED 5,945 million (31 December 2021: AED 18,165 million) as at that date. Management of the Group, therefore does not believe that there is any impairment of goodwill as at the reporting date.

*The following key assumptions were used in 2022:*

Closing quoted market price as at 31 December 2022	<b>AED 1.51/ share</b>
Control premium - net of costs to sell	<b>15%</b>

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

### **Notes to the consolidated financial statements** *for the year ended 31 December 2022 (continued)*

#### **6. Goodwill and other intangible assets (continued)**

##### **Impairment testing of Goodwill (continued)**

*The following key assumptions were used in the model in 2022: (continued)*

This fair value less costs to sell measurement would be considered as level 2 in the fair value hierarchy.

Management has identified that any reasonable possible change in the two key assumptions would not cause the carrying amount to exceed the recoverable amount.

The Board of the Group believe that the key assumptions are appropriate as at 31 December 2022 and there is no impairment of the goodwill as at that date.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 7. Property and equipment

	Computers and information systems AED'000	Right-of-use assets AED'000	Leasehold improvement AED'000	Furniture and office equipment AED'000	Motor vehicles AED'000	Capital work-in-progress			Total AED'000
						Others AED'000	Building under construction AED'000	Land AED'000	
<b>Cost</b>									
At 31 December 2020	149,592	47,005	22,843	28,857	137	703	55,920	231,306	536,363
Additions	4,101	-	169	372	-	1,565	360	-	6,567
Disposals	(45,732)	-	-	(2,293)	-	-	-	-	(48,025)
Transfers	901	-	-	-	-	(901)	-	-	-
At 31 December 2021	108,862	47,005	23,012	26,936	137	1,367	56,280	231,306	494,905
Additions	2,369	-	25	321	-	5,503	-	-	8,218
Disposals	(5,699)	(1,948)	-	(620)	-	(339)	-	-	(8,606)
Transfers	803	-	-	38	-	(841)	-	-	-
<b>At 31 December 2022</b>	<b>106,335</b>	<b>45,057</b>	<b>23,037</b>	<b>26,675</b>	<b>137</b>	<b>5,690</b>	<b>56,280</b>	<b>231,306</b>	<b>494,517</b>
<b>Accumulated depreciation</b>									
At 31 December 2020	125,665	19,438	17,881	21,384	137	-	-	-	184,505
Charge for the year	9,480	9,719	1,648	2,347	-	-	-	-	23,194
Disposals	(45,767)	-	-	(2,284)	-	-	-	-	(48,051)
At 31 December 2021	89,378	29,157	19,529	21,447	137	-	-	-	159,648
Charge for the year	9,029	9,615	1,661	1,494	-	-	-	-	21,799
Disposals	(5,380)	(1,472)	-	(547)	-	-	-	-	(7,399)
<b>At 31 December 2022</b>	<b>93,027</b>	<b>37,300</b>	<b>21,190</b>	<b>22,394</b>	<b>137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>174,048</b>
<b>Carrying amount</b>									
At 31 December 2022	<b>13,308</b>	<b>7,757</b>	<b>1,847</b>	<b>4,281</b>	<b>-</b>	<b>5,690</b>	<b>56,280</b>	<b>231,306</b>	<b>320,469</b>
At 31 December 2021	19,484	17,848	3,483	5,489	-	1,367	56,280	231,306	335,257

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 8. Financial assets measured at fair value through other comprehensive income (FVTOCI)

	2022 AED'000	2021 AED'000
<u>Designated as equity instruments</u>		
Investment in equity securities	393,547	257,564
Managed funds – Note 8.1	313,678	275,711
Investment in sukuk– Note 8.2	<u>262,230</u>	<u>279,946</u>
	<u><b>969,455</b></u>	<u><b>813,221</b></u>

The Group has made an irrevocable election to designate investment in equity securities, managed funds and investment in Tier 1 Bank sukuk as FVTOCI at initial recognition as per IFRS 9 and subsequent changes in fair value are presented in Other Comprehensive Income (“OCI”). These are strategic investments not held for trading and the Group considers this classification to be more relevant. All investments have been assessed and were classified as equity instruments in the underlying entities. The underlying entities were not subject to classification as equity merely because of the puttable exemption in IAS 32.

Investments by geographic concentration are as follows:

	2022 AED'000	2021 AED'000
- Within U.A.E.	893,043	734,050
- Outside U.A.E.	<u>76,412</u>	<u>79,171</u>
	<u><b>969,455</b></u>	<u><b>813,221</b></u>

8.1. Managed funds include funds of AED 296 million (31 December 2021: AED 258 million) (Note 15) managed by a shareholder of the Parent.

8.2. The investments in sukuk are perpetual instruments, callable at the option of the issuers and are measured at fair value through other comprehensive income. The sukuk carry profit rates ranging from 3.375% to 5% per annum (31 December 2021: 3.375% to 5% per annum), which are payable at the discretion of the issuers.

#### 9. Investments at amortised cost

	2022 AED'000	2021 AED'000
Investment in sukuk	<u><b>273,990</b></u>	<u><b>296,071</b></u>

Investments in sukuk in the UAE mature in 5-9 years and carry fixed profit rates ranging from 2.591% -5% per annum (31 December 2021: 3.2% - 5.112%) per annum.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 10. Investment deposits

	2022 AED'000	2021 AED'000
<b>Current:</b>		
Investment deposits maturing in less than 3 months	36,730	371,117
Investment deposits maturing up to 1 year but more than 3 months	<u>2,276,500</u>	<u>2,660,000</u>
	<u>2,313,230</u>	<u>3,031,117</u>
<b>Non-current:</b>		
Investment deposits maturing after 1 year	<u>204,189</u>	<u>222,225</u>
	<u>2,517,419</u>	<u>3,253,342</u>

- 10.1. Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging from 2.80% to 5.50% (2021: 1.20 % to 1.65%) per annum.
- 10.2. Investment deposits of AED 36.73 million (2021: AED 136.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.
- 10.3. Dividends received from and payable on behalf of companies listed on DFM held in myAccount and iVESTOR card balances as at 31 December 2022 aggregate AED 1,266 million (31 December 2021: AED 1,151 million), which is available for the Company to invest at its discretion in income earning assets such as investments in short term deposits of AED 1,130 million (31 December 2021: AED 1,010 million), investments at amortised cost of AED 93 million (31 December 2021: AED 100 million) and mudarabah and current accounts of AED 43 million (31 December 2021: AED 41 million). As such, the Group assumes an obligation to pay such amounts to the shareholders of the listed companies (refer to Note 18.1). Until this obligation is discharged, the Group recognises the profit on these investments in its consolidated statement of income.
- 10.4. The prior year investment deposits include AED 430 million which represent funds from margin deposits which have been placed by a related party. Refer to Notes 15.1 and 18.2.

#### 11. Prepaid expenses and other receivables

	2022 AED'000	2021 AED'000
Accrued income on investment deposits	37,677	19,518
Central counterparty balances (Note 11.1)	91,174	92,340
Prepaid expenses	5,956	5,948
Accrued trading commission fees	1,134	1,003
Other receivables	5,312	2,542
Due from brokers	1,041	1,998
VAT receivable on capital expenditure	<u>2,210</u>	<u>2,641</u>
	144,504	125,990
Less: Allowance for doubtful debts	<u>(754)</u>	<u>(1,215)</u>
	<u>143,750</u>	<u>124,775</u>

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 11. Prepaid expenses and other receivables (continued)

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

	<b>2022</b>	2021
	<b>AED'000</b>	AED'000
Opening balance	<b>1,215</b>	738
(Reversal) / provision for the year	<b>(461)</b>	477
Closing balance	<b>754</b>	1,215

11.1. These balances relate to Dubai Clear LLC and Nasdaq Dubai Limited which act as central counterparties for all trades which are usually settled on a T+2 basis. The balance represents receivable from brokers against unsettled trades at year end. The corresponding payable balance of the same amount has been recorded as a liability at year end (Note 18).

11.2 The Group does not hold any collateral over prepaid expenses and other receivables.

#### 12. Cash and cash equivalents

	<b>2022</b>	2021
	<b>AED'000</b>	AED'000
Cash on hand	<b>150</b>	140
Bank balances:		
Current accounts	<b>14,128</b>	16,258
Savings accounts (Note 12.1)	<b>21</b>	2,165
Mudarabah accounts (Notes 12.2, 12.3 & 15.1)	<b>134,310</b>	140,422
	<b>148,609</b>	158,985
Add: Investment deposits with original maturities not exceeding three months	<b>320,792</b>	100,005
Cash and cash equivalents	<b>469,401</b>	258,990

12.1. The average rate of return on savings accounts is 0.30% per annum (31 December 2021: 0.30% per annum).

12.2. The average rate of return on mudarabah accounts is 1% per annum (31 December 2021: 0.09% per annum).

12.3. Dividends received from and payable on behalf of companies listed on DFM held in myAccount and iVESTOR card balances as at 31 December 2022 aggregate AED 1,266 million (31 December 2021: AED 1,151 million), which is available for the Company to invest at its discretion in income earning assets such as investments in short term deposits of AED 1,130 million (31 December 2021: AED 1,010 million), investments at amortised cost of AED 93 million (31 December 2021: AED 100 million) and mudarabah and current accounts of AED 43 million (31 December 2021: AED 41 million). As such, the Group assumes an obligation to pay such amounts to the shareholders of the listed companies (refer to Note 18.1). Until this obligation is discharged, the Group recognises the profit on these investments in its consolidated statement of income.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 12. Cash and cash equivalents (continued)

12.4. At 31 December 2022 and 31 December 2021, the Group has assessed the recoverability of its cash and cash equivalents and considered provision for expected credit loss to be immaterial.

#### 13. Share capital

	2022 AED'000	2021 AED'000
Authorised, issued and paid up share capital: 8,000,000,000 shares (31 December 2021: 8,000,000,000 shares) of AED 1 each (31 December 2021: AED 1 each)	<u>8,000,000</u>	<u>8,000,000</u>

#### 14. Reserves

##### *Statutory reserve*

In accordance with the UAE Federal Decree Law No. 32 of 2021, 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 2020	468,062
Transfer from net profit for the year 2021	<u>10,383</u>
Balance as of 31 December 2021	478,445
Transfer from net profit for the year 2022	<u>14,711</u>
<b>Balance as of 31 December 2022</b>	<b><u>493,156</u></b>

##### *Investments revaluation reserve - FVTOCI*

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

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 15. 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 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. Key management personnel include the heads of various divisions. During the year, the Group entered into transactions with related parties in the ordinary course of business. These transactions were carried out at market rates.

The transactions with related parties and balances arising from these transactions are as follows:

<b>Transactions during the year</b>	<b>2022</b>	<b>2021</b>
	<b>AED'000</b>	<b>AED'000</b>
<b><i>Fellow subsidiaries and associates of the Group</i></b>		
Investment income	<b>22,349</b>	26,481
Interest expense	<b>352</b>	1,347
Dividend income	<b>13,173</b>	6,706
Lease payments and other related expenses	<b>8,630</b>	8,930
Interest on lease	<b>540</b>	1,290

#### ***Compensation of key management personnel***

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

Salaries and short-term benefits	<b>10,936</b>	10,279
General pension and social security	<b>816</b>	873
Board of Directors		
- Remuneration to the Nasdaq Dubai Board	<b>838</b>	793
- Meeting allowance for the Group	<b>799</b>	648
- DFM board remuneration	<b>2,118</b>	2,100

#### **Balances**

##### ***Fellow subsidiaries and associates***

Managed funds managed by a shareholder of the Parent (Note 8.1)	<b>295,953</b>	257,986
Financial assets measured at FVTOCI (Note 8)	<b>482,085</b>	352,957
Investments at amortised cost (Note 9)	<b>198,206</b>	208,654
Investment deposits (Note 10)	<b>432,845</b>	584,273
Cash and cash equivalents (Note 12)	<b>142,228</b>	155,521

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 15. Related party transactions and balances (continued)

	2022 AED'000	2021 AED'000
<i>Due to related parties</i>		
Dubai World Trade Centre – lease liability	8,114	14,316
Member's margin deposits (Notes 15.1 and 18.2)	<u>38,917</u>	<u>450,000</u>
<i>Parent</i>		
Expenses paid on behalf of the Group	17,578	11,076
Subordinated loan (Note 15.2)	<u>32,189</u>	<u>31,837</u>
Dividends payable	<u>-</u>	<u>100,000</u>

15.1 Member's margin deposits comprise mudarabah account of AED 39 million (31 December 2021: AED 20 million) placed on behalf of a related party. The prior year balance also included investment deposits of AED 430 million (refer to Note 18.2).

15.2 The subordinated loan has been provided by Borse Dubai Limited, to Nasdaq Dubai Limited. The subordinated loan is unsecured, has no fixed repayment date and does not bear any interest rate effective 1 April 2022. This loan is subordinated to the rights of all other creditors of the subsidiary. The Parent has agreed not to call for the subordinated loan from its subsidiary for at least 1 year from the date of issuing the financial statements for the year ended 31 December 2022.

The Group has not provided any loans to its directors during the year ended 31 December 2022 and 2021.

The Group obtains approval from the shareholders with regards to the transactions with related parties in order to comply with the provisions of the UAE Federal Decree Law No. 32 of 2021.

The Group has applied the partial exemption allowed under IAS 24 to Government owned entities and has disclosed the nature and amount of each individually significant transaction and for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of its extent. The ultimate parent and controlling party is the Government of Dubai which owns 80.66% (31 December 2021: 80.66%) of Dubai Financial Market P.J.S.C. through Investment Corporation of Dubai, a Government of Dubai entity. The Group in the usual course of operating Dubai stock exchange incur expenses and receives fees based on the standard terms applicable in the market from Government related entities. In addition the Group carries out investment activities with Government related entities on its own behalf. There are no other transactions that are individually or collectively significant.

#### 16. Leases

##### Leases as a lessee (IFRS 16)

The Group leases office premises. The leases typically run for a period of 3-5 years, with an option to renew the lease after that date. Lease payments are renegotiated every 3-5 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The property leases were entered into as combined leases and renewed on an annual basis.

Information about leases for which the Group is a lessee is presented below.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 16. Leases (continued)

##### Leases as lessee (IFRS 16) (continued)

##### *i. Right-of-use assets*

Right-of-use assets related to leased office premises are presented under Property and equipment (Note 7).

##### *ii. Lease liabilities*

	2022 AED'000	2021 AED'000
Non-current lease liabilities	-	7,570
Current lease liabilities	<u>8,885</u>	<u>9,945</u>
	<u>8,885</u>	<u>17,515</u>

##### *iii. Amounts recognised in the consolidated statement of income*

	2022 AED'000	2021 AED'000
Interest expense on lease liabilities	<u>683</u>	<u>1,557</u>

##### *iv. Amounts recognised in the consolidated statement of cash flows*

	2022 AED'000	2021 AED'000
Total cash outflow for lease liabilities	<u>9,067</u>	<u>9,670</u>

#### 17. Provision for employees' end of service benefits

	2022 AED'000	2021 AED'000
Balance at the beginning of the year	22,277	25,545
Charged during the year	2,674	2,774
Paid during the year	<u>(1,789)</u>	<u>(6,042)</u>
Balance at the end of the year	<u>23,162</u>	<u>22,277</u>

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 18. Payables and accrued expenses

	2022 AED'000	2021 AED'000
Dividends payable on behalf of companies listed on the DFM ("MyAccount") (Note 18.1)	877,499	820,010
iVESTOR cards (Note 18.1)	388,866	330,921
Members' margin deposits (Note 18.2)	48,403	468,073
Non-sharia compliant income (Note 26)	-	30,914
Brokers' retention	26,270	21,917
Accrued expenses and other payables	19,787	14,540
Central counterparty balances (Note 11.1)	91,174	92,340
Due to UAE Securities and Commodities Authority	545	315
Unearned revenue	4,818	4,377
Zakat	1,086	1,048
Current lease liabilities (Note 16)	8,885	9,945
Customer initial public offering ("IPO") subscriptions	18	-
VAT payable	3,073	4,271
	<u>1,470,424</u>	<u>1,798,671</u>

18.1. Dividends received from and payable on behalf of companies listed on DFM held in myAccount and iVESTOR card balances as at 31 December 2022 aggregate AED 1,266 million (31 December 2021: AED 1,151 million), which is available for the Company to invest at its discretion in income earning assets such as investments in short term deposits of AED 1,130 million (31 December 2021: AED 1,010 million), investments at amortised cost of AED 93 million (31 December 2021: AED 100 million) and mudarabah and current accounts of AED 43 million (31 December 2021: AED 41 million). As such, the Group assumes an obligation to pay such amounts to the shareholders of the listed companies). Until this obligation is discharged, the Group recognises the profit on these investments in its consolidated statement of income.

18.2 Clearing members are required to provide margins in respect of their clearing and settlement obligations to the Group. Margins are held in segregated accounts in the name of DFM at clearing banks. Margins provided by clearing members are used by the Group towards discharging the clearing members' obligations to the Group in the event of default by the clearing member in connection with trade settlements. Refer to Notes 10.4 and 15.1.

#### 19. Dividends payable

19.1 At the Annual General Meeting held on 22 March 2022, the Company declared dividends for 2021 of AED 240 million representing AED 0.03 per share including non sharia compliant income of AED 16.8 million for the year ended 31 December 2021 (31 December 2021: non sharia compliant income of AED 30.9 million for the year ended 31 December 2020 declared at the Annual General Meeting held on 22 March 2021. The Company did not declare any dividends for the year ended 31 December 2020).

19.2 Unpaid dividends for shareholders other than the Parent company is AED 3 million (31 December 2021: AED 3 million).

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 20. Investment income

	2022 AED'000	2021 AED'000
Investment income from other financial assets measured at FVTOCI	11,644	10,031
Investment income from investments at amortised cost	11,402	12,987
Investment income from investment deposits	56,852	49,190
	<u>79,898</u>	<u>72,208</u>

#### 21. Dividend income

For the year ended 31 December 2022, dividends received from financial assets measured at FVTOCI amounting to AED 13.8 million (31 December 2021: AED 6.9 million) were recognised as dividend income in the consolidated statement of income.

#### 22. Profit income and expense

The Group has incurred a profit expense of AED 3.6 million (31 December: Nil) on the member's margin deposits (Note 15.1) which is placed with the Group at an equivalent rate of profit.

#### 23. General and administrative expenses

	2022 AED'000	2021 AED'000
Payroll and other benefits	85,288	82,299
Depreciation (Note 7)	21,799	23,194
Maintenance expenses	13,338	12,799
Telecommunication expenses	7,429	6,692
Professional expenses	4,494	2,347
iVESTOR expenses	5,328	2,661
Board of Directors remuneration and expenses	3,755	3,541
Other expenses	8,146	6,000
	<u>149,577</u>	<u>139,533</u>

#### 24. Basic and diluted earnings per share

	2022 AED'000	2021 AED'000
Net profit for the year attributable to the owners of the Company (AED'000)	<u>147,113</u>	<u>103,840</u>
Authorised, issued and paid up share capital ('000)	8,000,000	8,000,000
Less: Treasury shares ('000)	<u>(4,237)</u>	<u>(4,237)</u>
Number of shares issued ('000)	<u>7,995,763</u>	<u>7,995,763</u>
Basic and diluted earnings per share - AED	<u>0.018</u>	<u>0.013</u>

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 25. Commitments

	2022 AED'000	2021 AED'000
Commitments for the purchase of property and equipment	<u>10,147</u>	<u>1,179</u>

In 2010, the Company entered into an agreement with Borse Dubai Limited to acquire the remaining 33% (31 December 2021: 33%) shareholding of Nasdaq Dubai Limited against a consideration of AED 148 million (31 December 2021: AED 148 million). The exercise and completion of this 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.

#### 26. Non sharia compliant income

Non-sharia compliant income as approved by the Company's Sharia and Fatwa Supervisory Board, 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 and Fatwa Supervisory Board, it is the sole responsibility of the individual shareholders to donate their respective shares of this amount for charitable purposes.

Year	AED'000
2018	24,801
2019	22,539
2020	30,914
2021	16,824

Non sharia compliant income of AED 16.8 million relating to 2021 (31 December 2021: AED 30.9 million relating to 2020 appropriated in 2021) as approved by the Company's Sharia and Fatwa Supervisory Board, has been appropriated from retained earnings during the year period ended 31 December 2022 and has been distributed by the Group to its shareholders towards disbursement by the shareholders for charitable purposes.

#### 27. Financial risk management objectives

##### 27.1 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 minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse 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.

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

### **Notes to the consolidated financial statements**

*for the year ended 31 December 2022 (continued)*

#### **27. Financial risk management objectives (continued)**

##### **27.1 Financial risk factors (continued)**

The Group's 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, price risk and profit rate risk), credit risk and liquidity risk.

##### **27.2 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 AED or United States Dollar (USD) to which the AED is pegged.

###### **(b) Price risk**

The Group is exposed to equity price risk arising from quoted equity investments. Equity investments are held for strategic rather than trading purposes and the Group does not actively trade in these investments. The Group limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Group actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees. The Group as at 31 December 2022 has an equity investment portfolio measured at FVTOCI amounting to AED 969 million (31 December 2021: AED 813 million).

###### **Equity price sensitivity analysis**

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

If equity prices had been 5% higher/lower:

- Investment revaluation reserve would increase/decrease by AED 48 million (31 December 2021: AED 41 million) as a result of the changes in fair value of the equity 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. The principal risk to which financial assets and liabilities are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. The Group's long term financial assets and liabilities are priced generally on a floating rate basis, which tracks the changes in market interest rates.

Financial assets which potentially subject the Group to profit rate risk consist principally of investment deposits, balances with banks and other financial institutions, investments at amortized cost and investment in sukuk measured at FVTOCI. A shift of +/- 50bps in the yield curve would result in an increase/ decrease in investment income and equity by AED 15.9 million (31 December 2021: AED 16.4 million).

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

### Notes to the consolidated financial statements

for the year ended 31 December 2022 (continued)

#### 27. Financial risk management objectives (continued)

##### 27.3 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 investments at amortised cost, investment deposits, other receivables and cash and cash equivalents.

The maximum exposure to credit risk before collaterals held or other credit enhancements is as follows:

	2022 AED'000	2021 AED'000
<b>Financial assets</b>		
Investments at amortised cost (Note 9)	273,990	296,071
Investment deposits (Note 10)	2,517,419	3,253,342
Other receivables (Note 11)	135,583	116,186
Cash and cash equivalents (Note 12)	469,401	258,990
<b>Total financial assets</b>	<b>3,396,393</b>	<b>3,924,589</b>

The above table represents a worst-case scenario of credit risk exposure to the Group without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on carrying amounts of the financial assets as reported in the statement of financial position.

##### *Investment deposits and cash and cash equivalents*

The Group held current investment deposits of AED 2,313 million (31 December 2021: AED 3,031 million) and cash and cash equivalents of AED 469 million as at 31 December 2022 (31 December 2021: AED 258 million) with banks and financial institution counterparties, which are rated P1 or P2, based on Moody's and Fitch ratings. Impairment on cash and cash equivalents and current investment deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents and current investment deposits have low credit risk based on the external credit ratings of the counterparties and therefore no ECL has been recognised.

The rating of the banks as per Moody's and Fitch and the respective current investment deposit and cash and cash equivalents balances are as follows:

	2022 AED'000	2021 AED'000
<b>Bank ratings</b>		
P1	708,173	36,730
P2	2,074,144	3,253,237
<b>Total</b>	<b>2,782,317</b>	<b>3,289,967</b>

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

### **Notes to the consolidated financial statements**

*for the year ended 31 December 2022 (continued)*

#### **27. Financial risk management objectives (continued)**

##### **27.3 Credit risk (continued)**

*Investment deposits and cash and cash equivalents (continued)*

For non-current investment deposits held with other counterparties, a full IFRS 9 ECL model has been applied and an impairment loss of AED 282 million as at 31 December 2022 (31 December 2021: AED 272 million) has been recognised.

*Investments at amortised cost*

The Group limits its exposure to credit risk by investing only in sukuk issued by reputed UAE financial institutions, government owned entities and other UAE based entities which are unrated.

For rated entities, the Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings by supplementing it with available press and regulatory information about issuers. For unrated entities the Group evaluates the financial performance of the issuers periodically to monitor changes in credit risk and further supplements with available press and regulatory information about issuers.

For ECL on investments at amortised cost, the 12-month and lifetime probabilities of default are based on historical data supplied by Moody's and Fitch ratings. Loss given default (LGD) parameters generally reflect an assumed recovery rate of 27% for reputed UAE financial institutions and 40% for other entities except when a security is credit-impaired, in which case the estimate of loss is based on the instrument's current market price and original effective interest rate.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 27. Financial risk management objectives (continued)

##### 27.3 Credit risk (continued)

The following table presents an analysis of the credit quality of sukuk classified as investment at amortised cost and non-current investment deposits with counterparties other than banks. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

The impairment and loss allowance for the year ended 31 December 2022 are as follows:

<i>In thousands of AED</i>	<b>At amortised cost 31 December 2022</b>		
	<b>Stage 1 12-month ECL</b>	<b>Stage 2 Lifetime ECL – not credit-impaired</b>	<b>Stage 3 Lifetime ECL - credit-impaired</b>
Gross carrying amounts (amortised cost before impairment)	273,990	195,323	290,675
Impairment	-	(17,583)	(263,722)
Loss allowance	-	(447)	(57)
Carrying amount	<u>273,990</u>	<u>177,293</u>	<u>26,896</u>

The impairment and loss allowance for the year ended 31 December 2021 are as follows:

<i>In thousands of AED</i>	<b>At amortised cost 31 December 2021</b>		
	<b>Stage 1 12-month ECL</b>	<b>Stage 2 Lifetime ECL – not credit-impaired</b>	<b>Stage 3 Lifetime ECL - credit-impaired</b>
Gross carrying amounts (amortised cost before impairment)	296,071	256,131	287,746
Impairment	-	(13,493)	(257,865)
Loss allowance	-	(447)	(57)
Carrying amount	<u>296,071</u>	<u>242,191</u>	<u>29,824</u>

The Group did not have any investment in sukuk that were non-performing at 31 December 2022 and 31 December 2021.

The Group has no collateral in respect of the above investments and there was no movement between stages during the years ended 31 December 2022 and 31 December 2021.

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 27. Financial risk management objectives (continued)

##### 27.3 Credit risk (continued)

###### *Other receivables*

The Group applies the simplified approach permitted by IFRS 9 for trade receivables of AED 135 million as at 31 December 2022 (31 December 2021: AED 116 million), which requires lifetime expected credit losses to be recognized from initial recognition of the financial assets. The Group has made a full provision of AED 0.7 million (31 December 2021: AED 1.2 million) against its doubtful receivables as at 31 December 2022. 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.

##### 27.4 Liquidity risk

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 is as follows:

	<b>Within 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>1 to 5 Years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>31 December 2022</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
<b><i>Financial liabilities</i></b>						
Payables and accrued expenses	1,465,606	-	-	-	-	<b>1,465,606</b>
Lease liabilities (non-current)	-	-	-	-	-	-
Subordinated loan	-	-	-	32,189	-	<b>32,189</b>
Due to a related party	-	-	17,578	-	-	<b>17,578</b>
Dividends payable	3,087	-	-	-	-	<b>3,087</b>
<b>Total financial liabilities</b>	<b>1,468,693</b>	<b>-</b>	<b>17,578</b>	<b>32,189</b>	<b>-</b>	<b>1,518,460</b>

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 27. Financial risk management objectives (continued)

##### 27.4 Liquidity risk (continued)

	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 Years	Over 5 years	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2021						
<i>Financial liabilities</i>						
Payables and accrued expenses	1,794,294	-	-	-	-	1,794,294
Lease liabilities (non-current)	-	-	-	7,570	-	7,570
Subordinated loan	-	-	-	33,287	-	33,287
Due to a related party	-	-	11,076	-	-	11,076
Dividends payable	103,087	-	-	-	-	103,087
Total financial liabilities	1,897,381	-	11,076	40,857	-	1,949,314

##### 27.5 Fair value of financial instruments

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The Group's financial assets and financial liabilities comprise of cash and cash equivalents, investment deposits, financial assets measured at FVTOCI, investments at amortized cost, subordinated loan, receivables and payables whose maturity is short term. Non-current investment deposits carry market rates of return. Consequently, their fair value approximates the carrying value, after taking into account impairment, stated in the consolidated 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 of quoted equity investments classified as FVTOCI.

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

### Notes to the consolidated financial statements

for the year ended 31 December 2022 (continued)

#### 27. Financial risk management objectives (continued)

##### 27.5 Fair value of financial instruments (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market inputs 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 private 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:

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

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used for the year ended 31 December 2021.

*Fair value of the Group's financial assets that are measured at fair value on recurring basis*

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table presents these financial assets measured at fair value as at 31 December 2022 and 2021:

	31 December 2022			
	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
<b><i>Financial assets measured at fair value through other comprehensive income</i></b>				
- Equities	387,120	6,427	-	393,547
- Managed funds	-	313,678	-	313,678
- Investments in sukuk	262,230	-	-	262,230
<b>Total</b>	<b>649,350</b>	<b>320,105</b>	<b>-</b>	<b>969,455</b>
	31 December 2021			
	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
<b><i>Financial assets measured at fair value through other comprehensive income</i></b>				
- Equities	251,137	6,427	-	257,564
- Managed funds	-	275,711	-	275,711
- Investments in sukuk	279,946	-	-	279,946
<b>Total</b>	<b>531,083</b>	<b>282,138</b>	<b>-</b>	<b>813,221</b>

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

### Notes to the consolidated financial statements

for the year ended 31 December 2022 (continued)

#### 27. Financial risk management objectives (continued)

##### 27.5 Fair value of financial instruments (continued)

There were no transfers between each of level during the year. There are no financial liabilities which should be categorised under any of the level in table above.

The Group has purchased or invested in shares during the year ended 31 December 2022 amounting to AED 115 million (31 December 2021: AED 1 million).

The following table summarises the carrying amount and fair value of the investments at amortised cost as at 31 December 2022, all of which are classified as level 2 in fair value hierarchy:

	<u>Carrying amount</u>	<u>Fair value</u>
	AED'000	AED'000
<b>Investments at amortised cost</b>		
Investment in sukuk	<u>273,990</u>	<u>247,640</u>

The following table summarises the carrying amount and fair value of the investments at amortised cost as at 31 December 2021:

	<u>Carrying amount</u>	<u>Fair value</u>
	AED'000	AED'000
<b>Investments at amortised cost</b>		
Investment in sukuk	<u>296,071</u>	<u>304,092</u>

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

### Notes to the consolidated financial statements for the year ended 31 December 2022 (continued)

#### 28. Financial assets and liabilities

The table below sets out the Group's classification of each category of financial assets and liabilities and their carrying amounts as at 31 December 2022 and 31 December 2021.

##### Financial assets by category

	2022 AED'000	2021 AED'000
<b>Assets as per consolidated statement of financial position</b>		
<b>Financial assets at FVTOCI</b>		
Financial assets measured at fair value through other comprehensive income (FVTOCI) (Note 8)	<u>969,455</u>	<u>813,221</u>
<b>Financial assets at amortised cost</b>		
Investments at amortised cost (Note 9)	273,990	296,071
Investment deposits (Note 10)	2,517,419	3,253,342
Other receivables (Note 27.3)	135,583	116,186
Cash and cash equivalents (Note 12)	<u>469,401</u>	<u>258,990</u>
	<u><u>3,396,393</u></u>	<u><u>3,924,589</u></u>

##### Financial liabilities by category

	2022 AED'000	2021 AED'000
<b>Liabilities as per consolidated statement of financial position</b>		
<b>Financial liabilities at amortised cost</b>		
Subordinated loan (Note 15)	32,189	31,837
Lease liabilities (Note 16)	-	7,750
Payables and accrued expenses (Note 18)	1,465,606	1,794,114
Dividends payable (Notes 15 & 19)	3,087	103,087
Due to a related party (Note 15)	<u>17,578</u>	<u>11,076</u>
	<u><u>1,518,460</u></u>	<u><u>1,947,864</u></u>

The carrying amounts of financial assets and liabilities measured at amortised cost are not materially different from their fair values at the balance sheet date.

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

### **Notes to the consolidated financial statements** *for the year ended 31 December 2022 (continued)*

#### **29. 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.

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.

#### **30. 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 assessing 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.

#### **31. Social contributions**

The Group has made no material monetary social contributions during the year ended 31 December 2022 (31 December 2021: AED Nil).

#### **32. Subsequent events**

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2022.