ANNUAL REPORT

2013

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DFM

Dubai Financial Market (PJSC)

Annual Report 2013

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

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Adil Abdullah Al Fahim
Board Member

Table of Contents

Chairman's Statement

"In 2013, the DFM started to reap the fruit of many years of hard work to develop its infrastructure in line with international best practices."

Dear Shareholders,

On behalf of my fellow Board members, the senior management team and myself, I am pleased to present the seventh annual report of the Dubai Financial Market (PJSC). This report addresses the most important developments in your Company during 2013 and the financial statements of the Company for the year ended 31st December. I hereby present the main achievements and developments of DFM in 2013, all of which aimed to achieve the Company's growth strategy.

The DFM witnessed a boom in 2013 with local and foreign investors making a powerful come-back, which represents a new phase of thriving activity and reaffirms the soundness of the strategic directions taken by the Company under the supervision of its Board of Directors, heralding a new dawn for the DFM. In this context, DFM's main achievements and positive developments are summarized herewith:

1: In 2013, the DFM started to reap the fruit of many years of hard work to develop its infrastructure in line with international best practices and reflects the powerful fundamentals of the national economy. This placed it amongst the best-performing international markets in 2013. The DFM General Index recorded a phenomenal growth rate of 107.7% and its daily average trading value significantly increased by 231.8% to reach AED 642.1 million compared to AED 193.5 million in 2012. The total traded value also increased in 2013 by 229.1% to AED 159.9 billion, in comparison to AED 48.6 billion during the previous year. This impressive performance undoubtedly stems from the increasing awareness among different investor categories of the underlying values and attractive investment opportunities offered by the DFM.

2: Our numerous development efforts have received recognition from local and international investors alike. This sentiment was voiced at different levels by the increasing demand amongst investors during the past year, as well as the MSCI Inc. and S&P Dow Jones decision to upgrade the UAE market to "Emerging Market" status, which reflects the comprehensive market infrastructure of the DFM. In this context, as part of the ongoing development steps, during 2013 the DFM implemented key initiatives based on international best practices including Buyer Cash Compensation, the preparation of "Securities Lending and Borrowing" rules, and the expansion of Margin Trading services which increased the number of DFM-approved brokerage firms providing this service to 11 by the end of 2013. The DFM also launched the Direct Market Access (DMA) service and approved 6 brokerage firms to provide this service to international investors.

3: In line with its commitment to actively participate in Dubai's efforts towards becoming the capital of Islamic economy and to strengthen the Emirate's position as a global Sukuk centre, the DFM has worked unstintingly to encourage the issuing, listing and trading of Sukuk on the Dubai capital markets. This attracted several listings from local, regional and international institutions, raising the total value of listed Sukuk on the Emirate's markets by 44.5% to AED 48.8 billion (USD 13.3 billion) by the end of 2013 in comparison to AED 33.8 billion (USD 9.2 billion) at the outset of the same year. The DFM also pursued its extensive efforts towards creating a favorable environment for the prosperity of this sector, including the creation of standard frameworks or regulations which encourage local and foreign institutions to turn to Islamic financing solutions. Hence and in light of the increasing demand among investors for Shari'a-compliant products, the DFM introduced its Standard for Issuing, Acquiring and Trading Sukuk.

4: The DFM further increased its efforts in 2013 to provide electronic services and smart phone applications as part of the Company's innovation and development strategy adopted since its inception in the year 2000. These efforts are inspired by the renewed vision of His Highness Sheikh Mohammed bin Rashid Al Maktoum, the UAE Vice President, Prime Minister and Ruler of Dubai. Indeed, the direction given by His Highness to proactively reach out to the public with our services as opposed to waiting for them to approach us, has always been our greatest motivation to innovate, develop and make the most of state-of-the-art technology. The DFM participation in GITEX 2013 presented a unique opportunity to update current and potential DFM market participants on the latest electronic services, smart phone applications and innovative solutions whether directly provided by DFM or via licensed brokerage firms. More specifically, we developed an advanced infrastructure to support mobile trading and launched the DFM smart phone application which places our services in the palm of the hands of our respected market participants with all the latest updates, share prices, market news and company disclosures, among others.

5: The enormous success of the DFM International Investor Roadshow held in New York in September 2013 reflects the attractiveness and increasing presence of the DFM on the radar of an expanding category of international institutions, which are once again expressing an interest in the investment opportunities presented by the DFM, in light of the sound national economy and the continuous improvement of listed companies' performance. The event saw over 100 meetings held among investment fund managers, international institutional investors and senior executives of 10 companies listed on the DFM and NASDAQ Dubai.

6: During 2013, the DFM pursued its efforts to encourage the listing of family and private businesses – and particularly those operating in fast-growing economic sectors not represented on the market - with the aim of diversifying investment opportunities. In this context, the exchange organized the second DFM and NASDAQ Dubai IPO Forum - Going Public: Readiness, Timing and Attractiveness. The event brought together 80 senior officials from 53 companies including Chairmen, Board Members and CEOs of UAE companies to introduce them to the advantages of going public and the benefits of capital markets.

With regards to the financial performance of your Company during 2013, the return of market activity to its normal levels placing the DFM as the second best-performing market globally, had a positive effect on the financial results of the Company which achieved a net profit of AED 284.6 million compared to AED 35.2 million in 2012. Total revenues of the Company amounted to AED 453.1 million in 2013, compared to AED 191 million in 2012. The revenues are comprised of AED 400 million from operational activities and AED 53.1 million from investments and other activities.

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

Thank you,

Essa Abdulfattah Kazim
Chairman
Dubai Financial Market (PJSC)

DFM PJSC Financial Performance Summary

In 2013, the financial performance of the Dubai Financial Market continued its improvement, which started in 2012 as the markets began to recover from the global financial crisis. This improvement resulted from the increase in the annual trading value to reach AED 159.9 billion in 2013, a rise of 229.1% compared to the year 2012. The following table highlights the key financial performance indicators for the company in 2013:

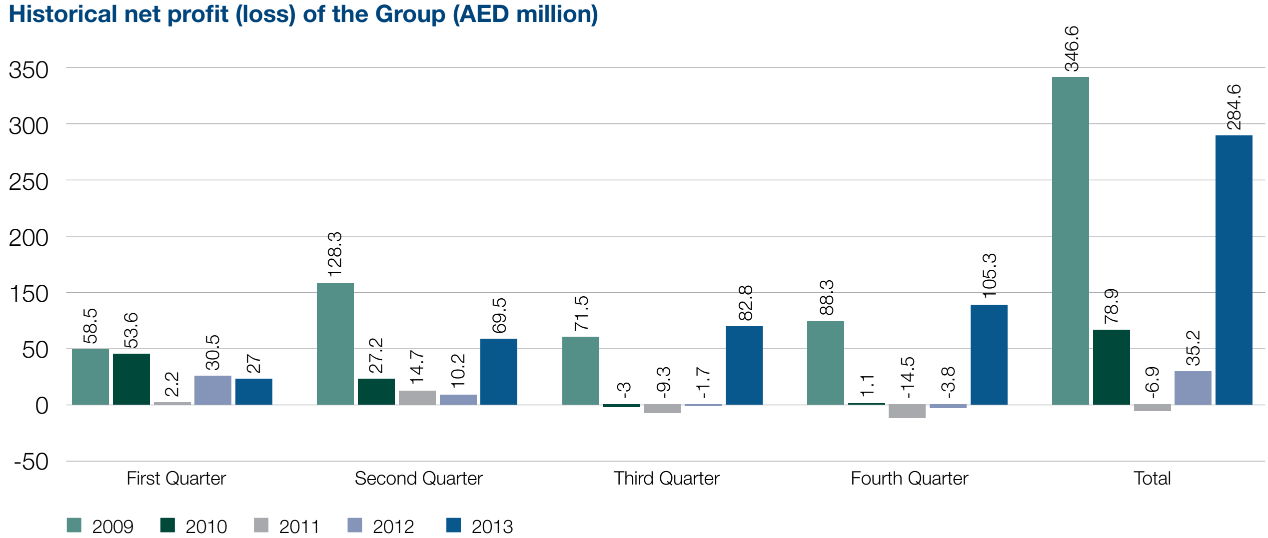
Key Financial Indicators

	2009	2010	2011	2012	2013	Change %
Total revenues (AED million)	502.9	260.5	176.5	191	453.1	137%
Total expenses (AED million)	156.3	181.6	183.4	155.8	168.5	8%
Net profit (loss) (AED million)	346.6	78.9	(6.9)	35.2	284.6	709%
Net profit before depreciation, amortization and interest (AED million)	433.7	171	89.5	108.1	353.7	227%
Total assets (AED million)	8,220.5	7,914.9	7,698	7,711.6	8,292.40	8%
Total liabilities (AED million)	197.3	360.4	196	233.5	340.3	46%
Shareholders' equity without minority interest (AED million)	8,023.2	7,523.2	7,479	7,457.9	7,935.30	6%
Share Price (AED)	1.88	1.51	0.84	1.02	2.47	142%
Earnings per share (AED)	0.04	0.01	(0.001)	0.004	0.035	800%
Return on average shareholders' equity	4.3%	1%	(0.091%)	0.47%	3.7%	687%
Return on average assets	4.1%	0.98%	(0.088%)	0.46%	3.6%	683%
Dividend payout	115%	-	-	-	140%	-

1. Net profit

- The DFM Group annual net profit for the financial year ending 31/12/2013 amounted to AED 284.6 million, compared to AED 35.2 million in 2012, marking an improvement of 709%.
- The DFM (without its subsidiary) realized a net profit of AED 291.5 million in 2013, compared to a profit of AED 41.6 million in 2012, marking an increase of 600%.

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

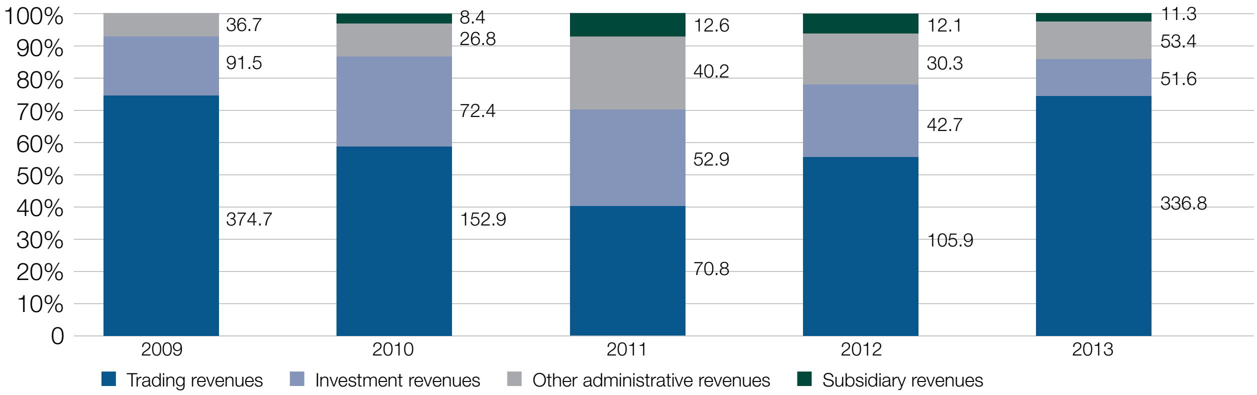


2. Revenues

- The total revenue of the Group during 2013 amounted to AED 453.1 million, marking an increase of 137%, compared to 2012. It is worth noting that the reasons for the increase were mainly due to the rise in the trading revenue in addition to other revenues such as clearing and settlement services due to non-recurring transactions, investment revenues and other revenue streams. However, revenue from broker fees as a result of the continued exit of brokers from the market has decreased, as well as revenue from its subsidiary.

- Trading revenues accounted for 74.3% of the Company's total revenue during 2013, while investment revenues accounted for 11.4%. The contribution of various administrative revenues resulting from the clearing, depository and settlement services, broker services and report fees, as well as a number of other new revenue streams in listings, selling of market data and others, all together accounted for 11.8%. The revenues of its subsidiary accounted for 2.5% of the total revenues.

Revenue breakdown (AED million)

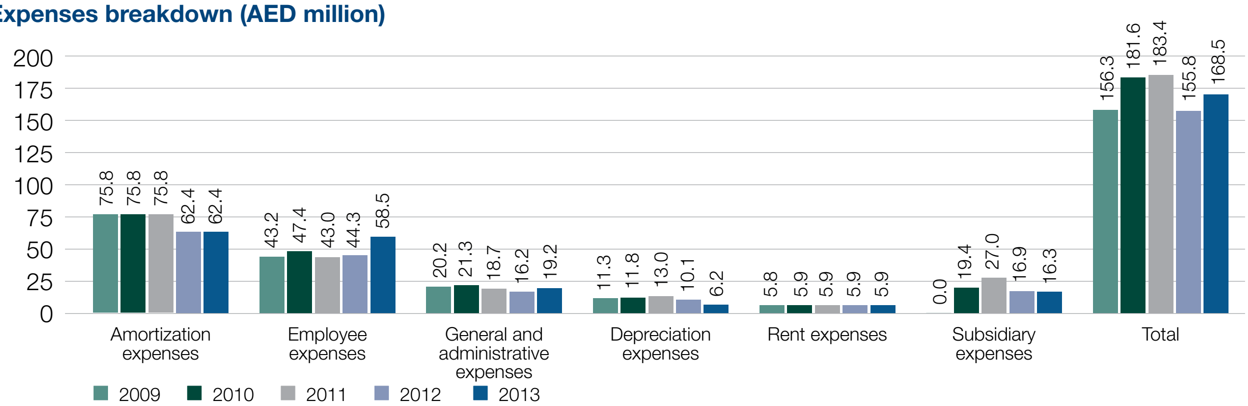


3. Expenses

- The total expenses of the Group amounted to AED 168.5 million in 2013 including subsidiary expenses in the amount of AED 16.3 million compared to AED 155.8 million in 2012, marking an increase of 8%. This increase in the expenses was a result of the annual salaries increment and general and administrative expenses as a result of inflation.

- The amortization expense of intangible assets accounted for AED 62.3 million, 37% of total expenses. Personnel expenses accounted for 35%, general and administrative expenses 11%, depreciation expenses of fixed assets 3.5% and rental expenses 3.5%, in addition to subsidiary expenses of 10%.

Expenses breakdown (AED million)



Macroeconomic Developments and Market Environment

The unfavorable economic performance continued throughout 2013, in developed as well as emerging and developing countries. The global economic growth rate slowed from 3.2% in 2012 to 2.9% in 2013. According to the latest available estimates of the global economic performance, this slowdown impacted various worldwide regions, where the growth rate of developed economies slowed from 1.5% to 1.2% and emerging and developing economies fell from 4.9% to 4.5%. This slowdown in the global economic performance was in line with unfavorable conditions for investment as well as the unclear vision that prevailed in most countries, especially during the first half of 2013 as a direct result of the economic policies adopted by developed countries failing to restore public confidence amongst investors and consumers alike to satisfactory levels, which would help to stimulate overall demand and hence boost economic growth rates.

With regard to the economic growth forecasts, developed economies witnessed positive developments during 2013, especially in the second half of the year, which are expected to be reflected on global economic growth in 2014, and possibly the next few years. While economic growth rates are expected to improve in developed economies, it seems that they will continue to decline in the emerging and developing economies whilst still remaining significantly higher than those expected in developed countries.

Perhaps the key factor that bolsters the possibility of such an improvement within developed countries during 2014 is the indication of growing economic activity in the USA, as a result of increasing overall demand by the private sector in light of the positive environment ensued by the American authorities who are successfully overcoming fears of the fiscal cliff. Despite the reverse effect which resulted from the decrease in government demand on account of the conservative fiscal policy adopted during the past few years, forecasts indicate that this effect will disappear in 2014. This, along with growing increase in the overall demand by the private sector, will form a favorable platform for stimulating economic growth. On the other hand, there is still some doubt about the possibility of achieving any significant improvement in growth rates of the remaining developed countries. Despite the satisfactory growth rates achieved in Japan over the past couple of years, such a tendency may not last due to the stringent fiscal policy adopted by the Japanese government. The same applies to the Euro countries whose growth rates are expected to remain low despite indications of their slow recovery from a period of significant economic inactivity.

With regard to developing and emerging countries, the reasons for the underlying slowdown in their growth rates vary from one region to another. In China and a number of emerging countries in Asia and Latin America, the slowdown is due to the necessity of some corrections following the speedy growth accompanying the global crisis recovery on the one hand, and structural factors of varying extent from one country to another, such as weak infrastructure, the failure to keep up with the investment environment as well as other supply-related impediments on the other hand. The decisive factor in the slowdown of economic growth in the Middle East, North Africa, Pakistan and Afghanistan is the political instability prevailing in many of these countries, in addition to the decline in oil production recently recorded in oil-exporting countries.

The optimistic economic forecasts, particularly in developed countries, reflected positively on the confidence of participants in financial markets worldwide and hence on the performance of these markets, especially in the region. The total traded value on the 53 members of the World Federation of Exchanges (WFE) increased by 2.9% during the first eleven months of 2013 compared to a decrease of 22.6% in 2012. Most of the international exchanges also witnessed a significant increase in their share prices, whereas the general indexes of the main international exchanges increased at rates varying from 2% (Hong Kong Stock Exchange) to 45.8% (Tokyo Stock Exchange). Such increases were reflected on the market capitalization of most exchanges worldwide where the market capitalization of the WFE members increased by 16.2% to USD 63.3 trillion by the end of November 2013 compared to USD 54.5 trillion at the end of 2012.

In the case of the United Arab Emirates, the positive economic and investment climate of 2013 remained much as it was over the past couple of years. On the one hand, the government's commitment to move forward with capital expenditures, particularly in the area of infrastructural projects, in accordance with plans and programs developed earlier and independently of the fluctuating oil prices, contributed to promoting confidence in the ability of the national economy to grow and sustain an attractive investment environment. On the other hand, the improved liquidity of the banks operating in the country added to the flexibility of the credit facility policies adopted by these banks which once again expanded this service and recorded a growth of 7.2% in the first 3 quarters of 2013. As a result the combined factors contributed to the significant improvement of the national economic performance. The most recent available estimates indicate an increase in the real growth rate from 4.4% in 2012 to 5% in 2013.

For the Emirate of Dubai, the positive momentum that characterized the non-oil sectors over the past few years still constitutes as the main driving force of Dubai. Although official data on the real GDP growth in the Emirate for 2013 are still not available, observations on the ground made it possible to expect with a high degree of confidence that the real GDP growth in the Emirate of Dubai in 2013 will be in the same range of last year's rate of 4.1%. Among the observations that support such optimism on the expected growth rate in the Emirate of Dubai was the return of significant activity in the real estate sector, where the value of sold land and properties registered at the Land Department exceeded AED 97 billion during the first three quarters of 2013 compared to AED 46 billion recorded over the same period in 2012. Several real estate projects were also launched in 2013 by a number of developers. In addition to the real estate sector, significant activity continued in the service sectors in general, and the wholesale and retail trade, tourism, transportation, storage and telecommunications sectors in particular.

As was the case for other countries, the positive economic developments in the UAE reflected well on its financial markets. The strengthened confidence in these markets and the increased liquidity flowing into them placed them among the highest performing exchanges in the world, if not at the forefront. DFM's performance was exceptional during 2013. The general index of the market significantly increased by 107.7% reaching 3369.8 points in 2013 compared to 20% in 2012, while the value of traded shares recorded an increase of 229.1% to reach AED 159.9 billion. The index of the Abu Dhabi Securities Exchange during 2013 also rose by 63.1% and its traded value reached AED 87.5 billion.

Outlook

The significant improvement in the performance of the Dubai Financial Market in 2013 and its leading position amongst regional exchanges, clearly demonstrate that the DFM has overcome the challenges it faced over the past years and its trading activity has returned to its normal levels. Whilst taking into consideration the challenges facing financial markets in general, the DFM strides towards the future with great optimism and expects market activity to return to its levels seen before the global financial crisis of 2008. The optimistic outlook for DFM is based on a number of positive factors that are expected to contribute to stimulating the level of activity in the market, such as:

1. Forecasts by international experts confidently indicate that despite the slowdown in the economic growth rates expected in developing and emerging countries, the national economy has the capacity to pursue its growth at a relatively high rate and is expected to be one of the highest in 2014, at both the regional and international level.

2. Dubai winning the bid to host the World Expo 2020 is evidence of global confidence in the Emirate's economy and in the capacity of its infrastructure to accommodate and host such a distinguished international event. It goes without saying that the coming years will experience great activity and more large-scale projects in Dubai in preparation for this event, which in turn will boost economic growth in general and financial services in particular.

3. The launch of the strategy of "Dubai the Capital of Islamic Economy", and the prompt actions to develop the institutional structure necessary for the implementation of this strategy, will create opportunities of growth in Shari'a-compliant economic activity both in Dubai and the UAE. This growth is expected to go hand in hand with significant foreign investment inflows, of which an important part will undoubtedly permeate the financial markets in the UAE, particularly for the DFM and NASDAQ Dubai.

4. The upgrade of the UAE markets to "Emerging Market" status following the Annual Market Classification Review of Morgan Stanley Capital International (MSCI), demonstrates international institutions' recognition of DFM's achievements and its pivotal role over the last three years to further enhance the UAE market infrastructure in collaboration with the Securities and Commodities Authority (SCA). The upgrade has undoubtedly placed the UAE's exchanges on the map of international exchanges and introduced international investors to the many opportunities offered by the UAE exchanges, and particularly the DFM.

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

   a. Implementation of the Buyer Cash Compensation for settlement and the Securities Lending and Borrowing regulations in 2013. The DFM management also held a series of fruitful meetings with different parties, particularly custodian banks and international investment institutions in international financial centres where it explained the measures, gathered feedback and took their observations into consideration.

   b. Ratification of the DFM Standard for Issuing, Acquiring and Trading Sukuk prepared by the Shari'a and Fatwa Supervisory Board following an in-depth study of available Sukuk standards as well as relevant Fatwas issued by reliable authorities. The coming years are expected to experience significant Sukuk listing activity considering the Islamic financial services sector is gaining momentum, especially with the continuous improvement of the economic climate and increasing demand among investors for Shari'a-compliant products, particularly Sukuk, instead of conventional bonds.

   c. Development of advanced services in support of mobile trading to facilitate investor trading and enabling them to follow up their investments wherever they might be without the need to personally visit the DFM or any brokerage firm. The DFM mobile trading activity recorded steady growth during 2013 and is gaining popularity amongst the DFM investors.

VISION

The World Class Regional Marketplace.

MISSION

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

INNOVATION

We believe the future depends on the innovation we empower today.

EFFICIENCY

We focus on building efficiency into every aspect of our operations.

TRANSPARENCY

We prioritise transparency across all our actions and decisions.

INTEGRITY

We conduct ourselves with unconditional integrity and ethics.

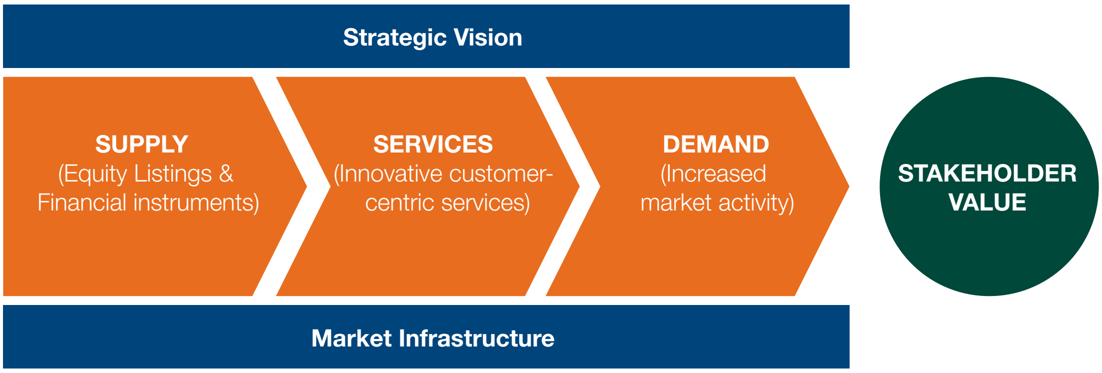
CONFIDENTIALITY

We accord the utmost confidentiality to our clients and their interests.

DFM PJSC Strategy

The DFM vision, mission and core values continue to define the corporate culture of the DFM and support DFM's overall strategic objectives.

Our strategy is to continue with confidence diversifying revenue streams and developing the supply of innovative products and services to increase market activity from members and participants, to generate stakeholder value, and ultimately drive strategic growth.



The DFM strategic priorities during 2013 focused upon the following:

1.	Infrastructural advancements based on international best practices
2.	Targeted focus on IPOs and drive market activity
3.	Development of new services and smart phone applications

The Dubai Financial Market business activities, resources and capabilities are strategically aligned to effectively implement developmental initiatives based on key performance indicators which are monitored annually. The achievements of which are highlighted in the next section.

Dubai Financial Market: A year of achievements

2013 was a highly successful year for the Dubai Financial Market during which it saw a significant increase in market activity.

Highlights included the announcement made at DFM by His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, to launch “Dubai, The Global Sukuk Centre”, the first executive plan of the “Dubai the Capital of Islamic Economy” initiative. By the end of the year, NASDAQ Dubai and DFM had listed 11 new Sukuk, putting Dubai into third place internationally for total listed value of Sukuk at 13.28 billion dollars.

In equities, the DFM General Index rose 107.7% during the year, making it the second best performing exchange globally.

DFM Achievements in 2013

Strategic Achievements

A. Infrastructural Advancements based on International Best Practices

1. **UAE Market Upgrade to "Emerging Market" Status**
The Morgan Stanley Capital International (MSCI) announced its decision to upgrade the UAE markets to Emerging Market status effective in 2014, following its Annual Market Classification Review. This step demonstrates international institutions' recognition of DFM's achievements and its pivotal role over the last three years to further enhance the UAE market infrastructure in collaboration with the Securities and Commodities Authority (SCA).

   The DFM has undertaken several measures with the aim of creating the necessary framework for the enhancement of the market structure at different levels. These measures include implementing the DvP settlement mechanism in 2011 as well as the Buyer Cash Compensation for settlement and the Securities Lending and Borrowing regulations in 2013. The DFM management also held a series of fruitful meetings with different parties, particularly custodian banks and international investment institutions in international financial centres where it explained the measures, gathered feedback and took their observations into consideration.

2. **Implementation of Buyer Cash Compensation for Settlement**
The DFM implemented the Buyer Cash Compensation for trades as of 5th May 2013, pursuant to Resolution No. 44 of 2012 issued by the Securities and Commodities Authority. The DFM management notified its clearing members and custodians of the new procedure for settlements aimed to address the issue where securities are unavailable for delivery by the DFM due to a rejection of a sell trade for settlement by the selling investor using local custodians for settlement. The new procedure means that a buying investor will be paid cash compensation in an unlikely event where securities are unavailable for delivery to the buying investor. This procedure has been discussed with and approved by the exchange's regulator, the Securities and Commodities Authority (SCA). The DFM has conducted two briefing sessions for its custodians and brokers to explain various features of the procedure.

3. **Issuance of Securities Lending and Borrowing Regulations**
The DFM issued the Securities Lending and Borrowing Regulations in 2013 as part of its continuous efforts to enhance its infrastructure in line with international best practices. The regulations will be implemented during the first quarter of 2014 onwards depending on the readiness of market participants.

   The DFM Securities Lending and Borrowing model allows foreign lenders and borrowers to arrange lending transactions based on international market practices, provided that they instruct approved local lending and borrowing agents to transfer the securities. Local lending and borrowing transactions can be carried out by approved lending and borrowing agents, including local brokerage firms, local custodians and any other institutions approved by the regulatory authority. During the preliminary phase, the transactions will be limited to market making activities and to the settlement of incomplete DvP transactions.

4. **Accreditation of Brokerage Firms for Margin Trading**
Margin Trading permits brokerage firms to fund a percentage of their customers' investments in securities by securing as collateral the same securities or any other collateral in the case set forth exclusively by the Securities and Commodities Authority (SCA) decision on Margin Trading. By the end of 2013, the number of DFM brokerage firms providing this service increased to eleven.

5. **Swift Transfer of Securities between the DFM and Kuwait Stock Exchange**
The DFM agreed on new arrangements with the Kuwait Clearing Company to promptly transfer securities between the DFM and Kuwait Stock Exchange (KSE). The DFM has started to implement these arrangements enabling shareholders of DFM-listed Kuwaiti companies to easily transfer their shares to and from the DFM.

   The new transfer system is highly confidential, secure, accurate and swift. The DFM adopted the new arrangements after going through a successful pilot stage and ensuring their compliance with all the work procedures. Prior to this development, the share transfer process generally took approximately 1 hour. The DFM currently lists 8 Kuwaiti companies.

6. **Ratification of the DFM Standard for Issuing, Acquiring and Trading Sukuk**
The Islamic financial services sector is gaining momentum, especially with the continuous improvement of the economic climate and the increasing demand among investors for Shari'a-compliant products, particularly for Sukuk instead of conventional bonds. In this context, the DFM launched the draft on its Standard for Issuing, Acquiring and Trading Sukuk, prepared by the Shari'a and Fatwa Supervisory Board following an in-depth study of available Sukuk standards as well as relevant Fatwas issued by reliable authorities.

DFM Achievements in 2013

The DFM organized a public hearing session to discuss the draft of its Standard for Issuing, Acquiring and Trading Sukuk. The session was attended by 45 experts and Islamic financial services practitioners, who interacted heavily with the draft and submitted numerous suggestions and recommendations, namely considering the possibility of issuing a separate standard for Sukuk governance or adding governance rules to the current standard to enhance the quality of Sukuk issuances. Other key suggestions and recommendations included reaffirming the independence of Special Purpose Vehicles (SPV), to represent the interests of Sukuk holders, to avoid conflict of interest with the Sukuk issuer, adding greater precision and more details to some of the items listed in the standard, such as those related to offering prizes in connection with Sukuk investment, in addition to ensuring the Sukuk prospectus includes the risks to which Sukuk holders may be exposed.

7. **Hosting the Africa & Middle East Depositories Association (AMEDA) 18th Conference**
As part of its efforts to promote best practices within Clearing, Settlement and Depository (CSD) at the regional level, the DFM hosted the 18th conference of the Africa & Middle East Depositories Association (AMEDA) for the first time, which took place from the 22nd to 25th of September 2013 with the participation of over 50 senior delegates and experts representing 29 member depositories.

The hosting of this event stems from DFM's devotion to share expertise and keep participants informed on the success story of CSD services at DFM which has 800,000 registered local, regional and international investors. The DFM Clearing, Settlement and Depository Division arm of DFM has always been at the forefront of the development process in this sector over the years, and has successfully introduced significant innovations which cater to investors evolving needs.

B. Targeted focus on IPOs and drive market activity

1. **DFM IPO Forum II**
The DFM endeavours to encourage family and private businesses to list on the DFM or NASDAQ Dubai, with the aim to diversify investment opportunities and enable investors to benefit from the high growth achieved by various sectors of the UAE economy. Within this framework, the second DFM and NASDAQ Dubai IPO Forum - Going Public: Readiness, Timing and Attractiveness, was organized in 2013. The event brought together 80 senior officials representing 53 companies including Chairmen, Board Members and CEOs from selected UAE companies including government, private and family businesses, in addition to numerous experts from IPO advisory companies.

The organization of this forum stems from DFM's commitment to enriching the discussions amongst market participants on various issues and demonstrating the role of capital markets in supporting businesses to achieve sustainable growth. This coincides at a time when the environment is favorable for launching a new era of vibrant IPO activity amid investors' growing interest to participate in any potential IPOs during the next few months. An online survey conducted by the DFM through its website during November 2013 revealed that 76 per cent of the surveyed investors were ready to participate in IPOs within the next 12 months. The majority of the respondents expressed particular interest in IPOs from government companies and private or family businesses. Hotel & Tourism and Retail came at the forefront of key sectors investors would like to see represented in the market through IPOs, in addition to the traditional sectors including Real Estate & Construction and Banking.

The IPO Forum provided a unique opportunity to listen to invaluable ideas from speakers and panelists on various IPO-related topics including local market dynamics and developments; UAE regulatory changes creating opportunities for companies; investor sentiment and the roadmap to listing successful IPOs; as well as key learnings shared by listed companies.

2. **DFM International Investor Roadshow in New York**
On the 24th and 25th of September 2013, the DFM organized its International Investor Roadshow in New York, in collaboration with Bank of America Merrill Lynch. The event brought together ten companies listed on the DFM and NASDAQ Dubai. This event is part of DFM's continued efforts to introduce international investment companies to the investment opportunities on the financial markets in Dubai, and hence attract international investors and diversify the investor base of the listed companies.

This year's event has gained more significance after the MSCI's decision to classify the UAE as an Emerging Market, which reflects the growing popularity of the local equity market amongst international investment institutions. This is a testimony to the local market's attractive investment opportunities and the sustainable high growth rates of the national economy.

The DFM International Investor Roadshow proved very successful with over 100 meetings held among investment fund managers, international institutional investors and senior executives of the companies listed on the DFM and NASDAQ Dubai. The agenda of the event was designed to enable as many one-on-one meetings as possible between the representatives of listed companies, investment fund managers and institutional investors. The meetings allowed companies the opportunity to demonstrate their future opportunities and investment strategies.

C. Development of New Services and Smart Phone Applications

The DFM showcased an all-inclusive array of new innovative electronic services and smart phone applications during its participation at GITEX 2013. It also displayed new electronic financial services including the "e-IPO" portal, the Annual General Meeting (AGM) management solution and the cash dividend distribution service via iVESTOR card.

1. **DFM Smart Phone Application**
As part of DFM's profound belief in the significance of providing investors advanced services to facilitate investor trading from anywhere in the world, the DFM has created a sophisticated platform supporting trading via smart phones without the need to personally visit the DFM and brokerage firms, or even make a phone call. Hence, it provides brokerage firms the required support to expand their online trading in general and smart phone trading in particular.

The DFM mobile trading activity recorded steady growth during 2013 and is gaining popularity amongst investors as a result of widespread collaboration between the DFM and brokerage firms which provide clients with simple and effective applications to trade shares through their handheld devices.

DFM's package of services for smart phone users includes tracking daily trade activity of all the companies, the DFM General Index as well as daily company disclosures and market news.

2. **DFM e-IPO Portal**
The "e-IPO" portal directly links IPO and Rights Issue receiving banks with the DFM clearing and depository system, aimed to swiftly complete the allotment and extra amounts refund process hence enabling the listing and trading of securities the day after concluding the IPO. Through this portal, investors can subscribe to IPOs by completing a form available on the IPO-dedicated website which ultimately saves their time and effort, reduces mistakes and ensures information accuracy. Investors are also able to peruse all the necessary IPO-related information including the prospectus and its summary, as well as the Memorandum of Association and Articles of Association of the company going public.

3. **Annual General Meeting (AGM) Management Solution**
During the exhibition, visitors of the DFM stand became acquainted with the AGM Registration kiosk, a DFM service offered to listed companies and investors which represents an efficient AGM solution for easily registering shareholders, enabling voting and Board elections using the iVESTOR card. It also ensures voting accuracy and generates statistical reports during the AGM. The Registration kiosk has been successfully operated during many AGMs including the DFM Annual Meeting held in 2013, and will be further developed to enable online voting for the first time in the UAE.

4. **Introduction of Vendor Registration Program**
During its participation in GITEX 2013, the DFM introduced a new registration program for technology vendors, which regulates the provision of Order Management Systems (OMS) and online trading solutions for DFM-licensed brokerage firms. The program aims to further enhance excellence in information technology services provided by vendors to brokerage firms, which ultimately benefits investors in line with the Smart City initiative announced by His Highness Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai, on the eve of the GITEX 2013 technology exhibition.

During the GITEX exhibition, the DFM had a number of discussions with several vendors keen to adopt this service, which was amongst a number of state-of-the-art electronic services showcased by the exchange at GITEX. As a result, the DFM signed agreements with Quod Financial and Financial Technologies.

The registration program supports DFM's drive to further encourage the use of electronic services and mobile trading by its large investor base.

5. **Introduction of iVESTOR Shabab Card**
Early in 2013, the DFM launched the iVESTOR Shabab card, an innovative solution for youth in the UAE aimed to promote financial knowledge and responsible spending under direct parental control. The Shari'a compliant card targets young people under 21 years of age and represents the junior version of the main iVESTOR card launched in 2010, a first of its kind initiative amongst stock exchanges across the world.

iVESTOR Shabab entitles cardholders to become an official DFM investor by automatically receiving a dedicated Investor Number to trade on the market in the long term. It is also a pre-paid

DFM Achievements in 2013

card enabling retail and online purchases and payments globally via any merchant accepting VISA. iVESTOR Shabab cardholders can withdraw cash from any Emirates NBD ATM and branch, or from any VISA or PLUS marked ATM and can be used to pay for reservations, travel and shopping from millions of VISA accepting retail outlets globally.

6. **Introduction of Electronic Communication Service**
In 2013, the DFM company launched a new service that enables secure electronic communication with the Board members who can securely log in to the service and download documents related to the Board and committees meetings. The service also allows Board members to peruse the minutes of previous meetings and other relevant documents, and includes a comprehensive library of the latest governance-related decisions, regulations, legislations and internal policies.

Supporting Achievements

A. Social Responsibility

1. **DFM Stock Game**
The DFM organized its 11th Annual Stock Game with the participation of more than 2,400 students from schools and universities in the UAE and the region. The Stock Game, which ran for almost three weeks, attracted students from 36 educational institutions, including 22 universities and 10 schools, 9 of them were taking part for the first time including Qatar University and Mohammad Bin Fahd University from Saudi Arabia.

The previous 10 rounds of the competition have attracted over 18,744 participants representing 40 educational institutions. Each contestant received a virtual amount of one million Dirhams to buy and sell shares listed on the DFM through its website, based on live prices during trading hours.

Over the past 11 years, the competition has proved to be the most popular financial initiative for students in the country. The DFM Stock Game gives students the chance to sharpen their skills and exhibit their talents. This initiative is DFM's response to the need to spread an investment culture amongst the younger generation and develop their abilities, as a key pillar of human resources development in the UAE.

2. **Summer Training Program**
The DFM successfully organized its Summer Training Program 2013 with participation from 25 UAE school and university students, thus reflecting its commitment to social responsibility, developing and nurturing local talent, as well as increasing the growing role of youth in society. The program ran for four weeks – from 30th June until 25th July 2013 for 6 hours per day. It included a variety of DFM-related training activities such as brokerage, IT, operations and market research, as well as participating in the DFM Stock Game.

The program's success in achieving its desired objectives over the previous rounds has encouraged the DFM to hold this event yearly. Every trainee received a cash allowance in addition to appreciation certificates.

3. **Investor Relations Graduate Program**
The DFM joined hands with NASDAQ Dubai and the Middle East Investor Relations Society (MEIRS) to launch the first ever investor relations (IR) graduate program for Emirati students. The program is aimed at introducing Emirati graduates to the field of IR, and providing them with the basic skill set to begin a career within this profession.

Six finance students from three universities in the UAE were selected for the program which allowed them to do a work placement within the IR teams of some of the major listed companies in the country. In addition to the work placement, students attended a total of eight training sessions on various IR-related topics which were delivered by leading financial services firms.

4. **DFM Educational Trading Floor at the American University in the Emirates**
The DFM inaugurated its educational trading floor at the American University in the Emirates (AUE). The fourth of its kind, the floor reaffirms the exchange's pioneering position amongst regional financial markets in educational initiatives. The educational trading floor at the AUE is the latest

of a chain of similar floors, building on the overwhelming success of the first educational trading floor, inaugurated at Dubai Men's College in early 2012, as well as supporting two similar floors at Sharjah University in collaboration with the Securities and Commodities Authority (SCA), which have been widely praised by students and lecturers for their key role in promoting financial knowledge and linking theoretical studies with real life practice.

The educational trading floors reflect DFM's firm commitment to social responsibility and strengthening the educational process through linking theoretical and practical studies and offering students the opportunity to learn through an interactive approach. As a micro version of DFM's main trading floor, the new educational facility at the AUE includes a screen and ticker directly linked with DFM's trading engine to display trading activity and real-time market data.

B. Human Resources

1. Launch of Leaders Training Program

The DFM inaugurated the Leaders Training Program to develop its senior cadres. The program proved to be vital and efficient, offering training to 60% of the employees - 32 hours on average per employee - with the aim of enhancing their capabilities and competencies, in order to better serve future HR aspirations.

Scholarships were also awarded in collaboration with the Hamdan bin Mohammed e-University enabling three employees to pursue a Master's degree in institutional development. This initiative is part of DFM's efforts to prepare qualified national human resources that are well prepared to face challenging work environments and requirements.

C. The Fatwa and Shari'a Supervisory Board

During 2013, the Shari'a and Fatwa Supervisory Board carried out the following duties:

1. Market Standards

1.1 The Fatwa and Shari'a Supervisory Board classified, studied and reviewed the proposals and observations following the hearing session which was held on the 6th of March 2013, and reviewed the exposure draft in order to prepare the final version for issuance.

1.2 The Board began initial studies for issuing the DFM standard for hedging investment and financing risks, also the Board identified the important areas and key activities of the market, in order to issue the related Shari'a standards.

2. Shari'a Supervision

2.1 The Board reviewed all the Shari'a Reports, as prepared by the DFM Shari'a Section at the end of every quarter, and provided the related recommendations prior to approval.

3. Fatwas

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

4. Listed Companies Classification

4.1 The Board reviewed and approved the lists of Shari'a Compliant Companies, as prepared by the DFM Shari'a Section in accordance with the DFM Standard for Acquiring and Trading in Shares.

5. Zakat for 2012

5.1 The Board reviewed and approved the Zakat on the DFM for the year 2012, as prepared by the Shari'a Section in accordance with the DFM Zakat budget. The Board then called upon the shareholders to pay the Zakat during the General Assembly Meeting held during 2013.

6. Non Compliance with Shari'a Income for 2012

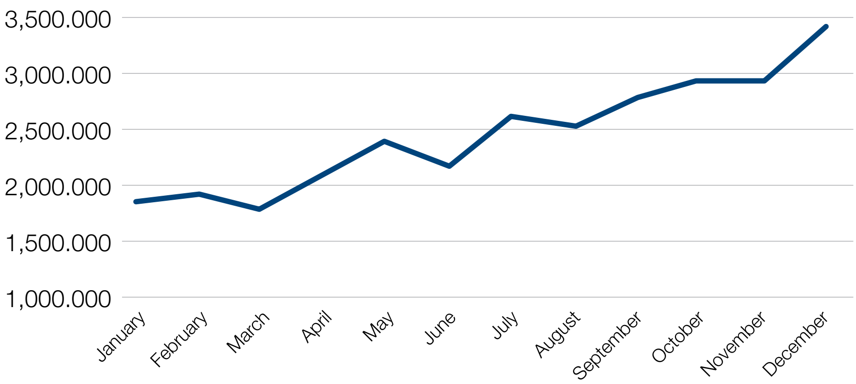
6.1 The Board reviewed and approved the total amount of Non Compliance with Shari'a income for 2012.

DFM Performance Summary 2013

"The value of shares traded during 2013 reached AED 159.9 billion compared to AED 48.6 billion recorded in 2012, an increase of 229.1%."

The Dubai Financial Market General Index increased by 107.7% to 3369.8 points at the end of the year compared to 1622.5 points at the end of 2012. At the sectoral level, indexes of seven out of the nine sectors represented on the DFM ended the year in the green, with the Financial & Investment Services sector increasing the most by 169.2%, followed by the Banking and Real Estate & Construction sectors by 120.6%, and 108.2% respectively. The Consumer Staples sector index decreased by 9.9%, and the Insurance sector index fell by 7.2%.

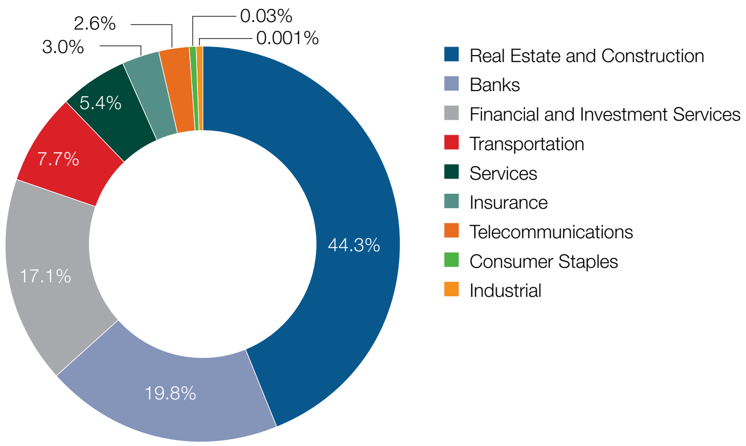
DFM General Index 2013



At the end of 2013, the market capitalization increased by 42.7% amounting to AED 259.6 billion compared to AED 181.9 billion at the end of the previous year. The value of shares traded during 2013 reached AED 159.9 billion compared to AED 48.6 billion recorded in 2012, an increase of 229.1%. The number of shares traded increased by 214.3% to reach 127.2 billion shares during the year compared to 40.5 billion shares traded last year. The number of transactions executed during 2013 rose by 115.3% to reach 1.3 million compared to 621.4 thousand deals carried out during the previous year.

As for the sectors' contribution to trading volumes, the Real Estate and Construction sector ranked first in terms of the traded value, to reach AED 70.9 billion, or 44.3% of the total traded value in the market. The Banking sector ranked second at AED 31.6 billion (19.8%), followed by the Financial and Investment Services sector with AED 27.3 billion (17.1%), the Transportation sector with AED 12.4 billion (7.7%), the Services sector with AED 8.6 billion (5.4%), the Insurance sector with AED 4.8 billion (3%), the Telecommunications sector with AED 4.2 billion (2.6%), whilst other sectors shared the rest of the trading volumes, as shown in the following chart:

Distribution of Traded Value by Sector 2013



The value of stocks bought by foreign investors during the year reached AED 69 billion comprising 43.1% of the total traded value. The value of stocks sold by foreign investors during the same period reached AED 67.3 billion comprising 42.1% of the total value traded. Accordingly, the DFM net foreign investment in-flow reached AED 1.7 billion.

Trading Activities in 2013 by Nationality

	Value of Stocks Bought - AED	Value of Stocks Sold - AED	Net Investment AED
Arab	34,925,065,180	34,520,985,199	404,079,981
GCC	11,940,537,893	12,566,491,522	(625,953,629)
Others	22,109,989,988	20,194,693,502	1,915,296,486
Total Non UAE	**68,975,593,060**	**67,282,170,222**	**1,693,422,838**
UAE	90,906,444,632	92,599,867,470	(1,693,422,838)
Grand Total	**159,882,037,692**	**159,882,037,692**	**0**

The value of stocks bought by institutional investors during the year reached AED 38.3 billion comprising 24% of the total traded value. The value of stocks sold by institutional investors during the same period reached AED 37.5 billion which constitutes 23.5% of the total value traded. Net institutional investment in-flow into DFM amounted to AED 790.2 million.

Trading Activities in 2013 by Type of Investor

	Value of Stocks Bought - AED	Value of Stocks Sold - AED	Net Investment AED
Institutions	38,330,063,681	37,539,885,745	790,177,936
Individuals	121,551,974,012	122,342,151,947	(790,177,936)
Grand Total	**159,882,037,692**	**159,882,037,692**	**0**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Corporate Governance Report for 2013

1. Corporate Governance Practices

Pursuant to the responsibility of the Board of Directors towards shareholders and its duty to protect and promote the value of the shareholders' equity, the management of the Dubai Financial Market (DFM) has endeavored to apply the rules and principles of corporate governance set forth in the Ministerial Resolution No. 518 of 2009 in an effective and transparent manner. To this end, the DFM has ensured the following:

- The Board of Directors nomination and election through secret cumulative voting which took place on 16/04/2013 was in conformity with the requirements of the law; and the Board has complied with the board functions and duties as set forth in the Ministerial Resolution and the Articles of Association of the DFM.
- The Board of Directors has complied with the requirement to hold 6 meetings during the year as per the meeting calendar.
- The Board members have complied with the annual disclosure of their independence during 2013, and the disclosure of any change affecting their independence, including their membership on other boards.
- The Board members have complied with the requirement to disclose their trades and trades of their first-degree relatives in the shares of the DFM company.
- The Audit Committee held four meetings, the Nomination and Remuneration Committee held five meetings and two meetings were held for the Investment Committee. The Committees performed their duties, submitted written reports to the Board of Directors on their results and recommendations, and followed up with implementation.
- The DFM has complied with the disclosure of the quarterly and annual financial statements within the legal timeline.
- The Board reviewed and approved the authority matrix of the Executive Management.
- Ongoing development of the skills and expertise of the Board members was fulfilled through seminars and workshops organized by the DFM, such as the workshop entitled DFM IPO Forum II which covered topics of how to go public, governance requirements and investor relations, which took place on 19/11/2013.
- The Board reviewed the Governance Manual, SLB regulation, disclosure and transparency, brokers trading and code of ethics, as well as bonus policy as on 15/12/2013 and approved other polices during the year.
- Launching secured e-communication channel with the Board of Directors. This service permits the Board members access to the DFM network and upload board meeting material in addition to accessing previous minutes of meetings and other documents. The service includes a library of the latest regulations, policies and circulars in relation to governance.

2. Trading in the Company's Shares by Board Members and their First-degree Relatives during 2013

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

According to the statements of the Board members in January 2014, trading transactions in the Company's shares were as follows:

- Mohammed Humaid Al Mari:
  Total Buy transactions: AED 12,125.
  Total Sell transactions: AED 12,300.

In addition to the approved policy pertaining to the Board members' dealings, the Company adopts a policy for its employees' trading in the shares of DFM listed companies (including the Company's shares). Under the Administrative Decision No. 6 of 2012 issued by the Company's Management, all DFM employees are regarded as insiders in the listed companies. They are required to provide their own investor number and that of their minor children to the Human Resources Department. Any employee wishing to trade (in person or through a third party), must complete a special form prepared for this purpose and submit the completed form to the Market Control department

Corporate Governance Report for 2013

for approval. The department shall, in turn, ensure that the request does not include any legal restraints, especially the period of ban on trading.

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

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

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

3. Formation of the Board of Directors

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

Name	Title	Independent / Non Independent	Executive / Non Executive	Date of first election	Membership period from date of first election until 31/12/2013
*Essa Abdulfattah Kazim	Chairman	Non-Independent	Executive	16/01/2007	Seven years
Rashid Hamad Al Shamsi	Vice Chairman	Independent	Non-Executive	16/01/2007	Seven years
Abdul Jalil Yousuf Darwish	Member	Independent	Non-Executive	21/04/2010	Three years and eight months
Majid Saif Al Ghurair	Member	Independent	Non-Executive	16/04/2013	Eight months
Ali Rashid Al Mazroei	Member	Independent	Non-Executive	21/04/2010	Three years and eight months
Adil Abdullah Al Fahim	Member	Independent	Non-Executive	21/04/2010	Three years and eight months
Mohammed Humaid Al Mari	Member	Independent	Non-Executive	21/04/2010	Three years and eight months

*As per the Decree issued by HH Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai on 22/10/2013, Mr. Kazim has been appointed as Chairman of DFM.

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

Essa Abdulfattah Kazim
H.E. Essa Kazim is the Governor of Dubai International Financial Centre (DIFC), Chairman of Borse Dubai and the Dubai Financial Market (DFM).

H.E. Kazim began his career as a Senior Analyst in the Research and Statistics Department of the UAE Central Bank in 1988 and then moved to the Dubai Department of Economic Development as Director of Planning and Development in 1993. He was then appointed as Director General of the DFM from 1999 to 2006.

H.E. Kazim holds an honorary Doctorate from Coe College, a Masters degree in Economics from the University of Iowa, a Masters Degree in Total Quality Management from the University of Wollongong and a Bachelor degree from Coe College.

H.E. Kazim currently sits on a number of official advisory committees and boards; he is a Member of the Higher Board of Directors of the Dubai International Financial Centre (DIFC), the Chairman of DIFC Authority, Chairman of DIFC Investments, Member of the Dubai Economic Council, Board Director of NASDAQ Dubai, Board Director of Noor Bank, Member of the Board of the Rochester Institute of Technology, Board Director of NASDAQ OMX, Member of the Board of Etisalat, Member of the Board of Governors of Hamdan Bin Mohammed E-University and Member of the Board and Secretary General of the Dubai Islamic Economy Development Centre.

Rashid Hamad Al Shamsi
Mr. Rashid Hamad Al Shamsi is Vice Chairman of Dubai Financial Market since the year 2007.

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

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

Abdul Jalil Yousuf Darwish
A professional banker and business entrepreneur. Mr. Darwish has served as:

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

Other appointments at present are as follows:
- Chairman of the UAE Enterprises Group.
- Member of the Board of Directors of the General Pension & Social Security Authority.
- Member of the Board of Directors and Treasurer of the Dubai Chamber of Commerce and Industry.
- Member of the Dubai Economic Council.
- Member of the Board of Trustees, American University of Sharjah.
- Member of the Board of Directors of Dubai Financial Market (DFM) Company.
- Member of the Board of Directors of the National Bank of Umm Al Qaiwain, since its establishment in 1982.
- Member of the Board of Trustees of Dubai University.

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

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

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

Adil Abdullah Al Fahim
Winner of the Financial Thought Leader MENA for the year 2012. Recipient of the IIA Lifetime Achievement Award (2013) from the Institute of Internal Auditors. A graduate from the faculty of Commerce at the Ain Shams University in Cairo. A holder of the CPA (Certified Public Accountant, USA), CFE (Certified Fraud Examiner, USA), CFC (Certified Financial Consultant, Canada) and ACL (Audit Command Language) Certified Trainer Qualifications.

In charge of the Finance Unit at Dubai Airports as the Chief Financial Officer (CFO) since 2006. Presently a member of the Board of Directors (BOD) for Dubai Financial Market (DFM).

Chairman's Statement
DFM PJSC Financial Performance Summary
Macroeconomic Developments and Market Environment
DFM PJSC Strategy
DFM Achievements in 2013
DFM Performance in 2013
Corporate Governance Report for 2013
Financial Statements

Corporate Governance Report for 2013

Previously served as the Director of Internal Audit at the Department of Finance (Government of Dubai) and worked as Deputy Director for Performance Audit and Training and Information Systems at H.H. Ruler's Court of the Dubai Government.

He holds/has held the following positions:
- Member of the Dubai Government "Financial Planning Committee".
- Member of the Board of Directors of "Dubai Financial Market".
- CFO at Dubai Airports Company where he joined in 2006 to date.
- Member of the Dubai Government "Planning & Budget Development and Automation Committee".
- Director of Internal Audit at the Department of Finance, Dubai at H.H Ruler of Dubai Court.
- Deputy Director of Performance Control, Information Systems Audit and Training Department at H.H Ruler's Court Dubai.
- Director General of the UAE Accountants and Auditors Association (2000-2002).
- Member of the Board of Directors and President of the Conferences Committee in the UAE "Accountants and Auditors Associations" (2002-2004).
- President of the "American Institute of Internal Auditors" (IIA) USA - Emirates Branch (2006-2007).
- Senior Vice President, "Internationally Certified Fraud Examiner" (CFE) USA - Emirates branch.
- Member and Secretary of the UAE "Auditors' Registration Committee".
- UAE Representative of the AGCC "E-Commerce Committee".
- Financial Expert & Arbitrator at Dubai Courts.

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

Ali Rashid Al Mazroei
Mr. Ali Al Mazroei has more than 13 years of hands-on financial and administrative experience in the banking and commercial sector.

He graduated from Southern New Hampshire University, USA, with a Master's degree in 2002, and from the American University in Dubai with a BA in 1999.

Mr. Mazroei holds/has held the following positions:
- Director & Group CFO of Bahri & Mazroei Trading Company since April 2007. The company was established in 1968 in Dubai. The Group manages general investments in the sectors of Commerce, Real Estate, Manufacturing, Tourism & Travel etc.
- Member of the Board of Directors of Dubai Financial Market and National Bonds Corporation (P.S.C.).
- Member of the Board of Directors of Emirates Investment and Development (PSC).
- From 2000 to 2007, Mr. Al Mazroei held various functional and administrative positions at CitiBank Group in Dubai, as a Resident Vice President in the Financial Control Unit in Citibank, he headed the Planning & Analysis Dept for Middle East, Turkey, & Africa as well as Director of the SME Department.

Majid Saif Al Ghurair
Majid Saif Al Ghurair is the Chief Executive Officer of Al Ghurair Group of Companies, one of the largest family-owned corporations in the United Arab Emirates, with businesses spanning a broad variety of industry sectors, including retail, industrial manufacturing and real estate.

Mr. Al Ghurair is also the Chairman of Drake & Scull International PJSC and a Board Member of National Cement Co., Dubai Financial Market and NASDAQ Dubai.

Mr. Al Ghurair is a Board Member of Dubai Economic Council, the UAE government body, and an active member in International Organizations like the World Economic Forum. He was involved in the formation of the Middle East Council of Shopping Centers (MECSC) and is currently its Chairman. He is the Chairman of Dubai Shopping Malls Group (DSMG) as well.

Mr. Al Ghurair is a graduate in Accounting from Al Ain University, and was awarded the "Business Leader Personality of the Year 2004" in the United Arab Emirates by H.H. Sheikh Mohammed bin Rashid Al Maktoum.

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

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

There will be no proposed remuneration for the Board of Directors for the year 2013.

A total amount of AED 786,000 was disbursed for attendance allowances, distributed as follows:

Meeting Type	BOD	Audit Committee	Nomination & Remuneration Committee	Investment Committee	Total
Essa Abdulfattah Kazim	90,000			12,000	**102,000**
Rashid Hamad Al Shamsi	90,000		30,000	12,000	**132,000**
Abdul Jalil Yousuf Darwish	90,000				**90,000**
Mohammed Humaid Al Mari	90,000	24,000			**114,000**
*Mussabeh Mohammed Al Qaizi	15,000		12,000	6,000	**33,000**
Majid Saif Al Ghurair	75,000		12,000	6,000	**93,000**
Ali Rashid Al Mazroei	90,000	24,000	30,000		**144,000**
Adil Abdullah Al Fahim	60,000	18,000			**78,000**

*Before the new Board election.

Meetings of the Board of Directors during the Fiscal Year

The Board of Directors held 6 meetings during 2013 as follows:

Personal Attendance	Date of the Meeting					
	18/02/2013	08/05/2013	24/06/2013	21/07/2013	04/11/2013	15/12/2013
Essa Abdulfattah Kazim	✓	✓	✓	✓	✓	✓
Rashid Hamad Al Shamsi	✓	✓	✓	✓	✓	✓
Abdul Jalil Yousuf Darwish	✓	✓	✓	✓	✓	✓
Mohammed Humaid Al Mari	✓	✓	✓	✓	✓	✓
*Mussabeh Mohammed Al Qaizi	✓	-	-	-	-	-
*Majid Saif Al Ghurair	-	✓	✓	✓	✓	✓
Ali Rashid Al Mazroei	✓	✓	✓	✓	✓	✓
**Adil Abdullah Al Fahim	✓	✓	✓	-	✓	✓

*Before the new Board election.
**Due to other commitments (Justified).

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

As per the resolution of the Board, the Executive Management was assigned the following duties and powers:

- The CEO is authorized to represent the Company before courts. His signature was authenticated by the notary public to sign agreements on behalf of the Chairman of the Board of Directors to facilitate the Company's business.
- Prepare feasibility studies in relation to the Company's projects.
- Develop internal policies and bylaws to regulate the work.
- Approve work procedures, administrative circulars and decisions governing the work environment.
- Form, change and dissolve executive committees.
- Approve the direct order purchasing authority up to AED 50,000 for Head of Purchasing and Contracting, up to AED 250,000 for the Head of Corporate Services and up to AED 500,000 for the CEO.
- Approve the authority of the CEO to contract through tendering up to AED 1 million.
- Approve the authority of the CEO to contract through limited or public bidding up to AED 5 million.
- It is the authority of the Head of Corporate Services to sign approved contracts up to AED 5 million in value and the authority of the CEO to sign approved contracts up to AED 50 million.
- The CEO and the head of the concerned sector have the authority to sign memorandums of understanding, limited representation agreements and sub-deposit agreements.
- The CEO has the authority to rent the market spaces and determine the rent value.
- The CEO approves the results of the annual fixed asset count.
- The decision to dispose of book fully-depreciated (retired) assets is taken by the CEO.
- It is the authority of the CEO to determine the service fees and

Corporate Governance Report for 2013

penalties, and to update the list of fees according to the market data.

- The head of the concerned sector has the authority to impose penalties/fines on brokerage firms.
- The Head of Corporate Services in conjunction with the head of the concerned sector, has the authority to cancel the first violation, and the authority of the CEO to cancel the second violation.
- The CEO is authorized to exempt investors, upon a request to be submitted by them, from the fees of services provided to them based on fixed percentage and depending on the transaction value.
- Head of CSD is authorized to exempt official and government entities from certain transactions fees.
- The CEO has the authority to invest in short-term deposits of unlimited amounts pursuant to recommendations from the internal Investment Committee, including breaking the deposit before its maturity.
- Invest in long-term investments (deposits) up to 50 million within CEO authority in accordance with the Investment Committee recommendation and investment policy.
- In the event of incomplete quorum of a Board meeting, the CEO is authorized to sign the reviewed interim financial statements after their approval by the Audit Committee.
- The authority to sign cheques and bank transfers up to AED 50 million is within the responsibility of the Executive Management.
- Renewal of bank facilities with unlimited amount within CEO authority.
- Transfer of allocated budget between accounts within CEO approval.

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

Name	Position	Date of Appointment	*Gross salaries and allowances paid in 2013 (AED)	Retirement & Social Security Contributions (AED)	Total Bonuses paid in 2013 (AED)
Essa Abdulfattah Kazim	**Managing Director & CEO	01/05/1999	2,193,413.00	238,950.00	-
Maryam Mohammed Fikri	Executive Vice President-COO Head of Clearing, Settlement and Depository Division	01/06/1999	874,450.00	107,370.00	-
Hassan Abdul Rahman Al Serkal	Executive Vice President – COO Head of Operations Division	01/06/1999	1,075,000.00	121,770.00	-
Ahmad Mohammed Al Jaziri	Senior Vice President - Head of Corporate Services Division	01/06/1999	902,675.00	107,370.00	-
Jamal Ibrahim Al Khadhar	Senior Vice President - Head of Human Resources and Strategic Planning Division	01/06/1999	962,479.00	121,770.00	-
Fahima Abdul Razzaq Al Bastaki	Senior Vice President - Head of Business Development Division	22/05/2004	939,125.00	103,770.00	-

*Includes car allowance, tickets, education and increments.

**As per the decree issued by HH Sheikh Mohammed bin Rashid Al Maktoum, UAE Vice President, Prime Minister and Ruler of Dubai on 22/10/2013, Mr Kazim has been appointed as Chairman of DFM and was previously holding his position as Managing Director & CEO until that date. Since then, the position is vacant and the Company is looking to appoint a CEO.

Related Party Transactions

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

Transactions during the year	2013 AED'000
Investment income	5,161
Interest expense	971

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

	2013 AED'000
Compensation of key management personnel	
Short-term benefits	7,971
General pension and social security	906
Board of Directors	
- Remuneration to the NASDAQ Board	1,152
- Meeting allowance for the Group	1,314
Balances	
Due from related parties	
Parent	
Investment deposits (Note 7)	145,781
Accrued income on investment deposits	2,720
Other related parties	
Due from a financial institution	265,378
Managed funds (Note 6)	244,499
Cash and bank balances	68,561
Investment deposits	647,468
Due to related parties	
Parent	
Expenses paid on behalf of the Group	2,329
Subordinated loan	22,268
Ultimate controlling party	
Dubai Government	48,500

In the initial public offering in 2006, 20% of the share capital amounting to AED 1,600,000,000 was offered for public subscription for the credit of Dubai Government, of which AED 48.5 million remains due to the Dubai Government. The balance does not bear any profit.

The subordinated loan has been provided by the parent, Borse Dubai Ltd., to NASDAQ Dubai Limited (Note 1). The subordinated loan is unsecured and bears interest at 12 month LIBOR plus 3.25% per annum and is subordinated to the rights of all other creditors of the subsidiary.

Due from a financial institution represents a wakala deposit with a government related entity.

4. The External Auditor

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

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

Based on the recommendations of the Audit Committee during its meeting held on 06/02/2013, and the Board approval of the Audit Committee's recommendations during its meeting held on 18/02/2013, as well as the shareholders' approval during the Ordinary General Assembly held on

Corporate Governance Report for 2013

16/04/2013, PricewaterhouseCoopers was reappointed for a second term as the auditor for the year 2013 at a cost of AED 183,500. PwC was the auditor since 2012. No other external auditors were appointed for any services during 2013.

Moreover, PricewaterhouseCoopers was appointed as an external auditor for Borse Dubai (DFM's parent company) at a cost of AED 120,000 and for NASDAQ Dubai at a cost of AED 130,000 for the year 2013.

5. The Audit Committee

The Audit Committee was formed in accordance with the Board of Directors' decision during its meeting held on 08/05/2013. The Audit Committee consists of the following members:

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

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

1. Implementing the policy related to contracting with an external auditor, monitoring the external auditing and discussing the nature and scope of the auditing process on 06/02/2013. Reviewing the mission and action plan of the external auditor and ensuring that the Finance Department and executive departments respond to the external auditor requirements.

2. Monitoring the soundness of the company financial statements and reports (annual, semi-annual and quarterly) and reviewing them as part of its regular work during the year, with particular focus on the following:

   - Any modifications in the accounting policies and practices.
   - Highlighting the aspects subject to the Board practices.
   - Significant modifications resulting from the audit.
   - The assumption of going concern.
   - Complying with the accounting standards decided by the Authority.
   - Complying with the listing and disclosure rules as well as other legal requirements related to the preparation of financial reports.

3. Meeting with the external auditor on a quarterly basis to discuss the quarterly and annual financial statements as well as the reports submitted to the Senior Management.

4. Reviewing the company's financial control, internal control and risk management systems as well as the efficiency of the Internal Control Department, appointing the needed resources and approving the internal audit plan prepared on the basis of risk approach related to each sector/department of DFM and NASDAQ Dubai on 06/02/2013 and followed up on the plan progress on a quarterly basis.

5. Reviewing and enhancing the Company's financial and accounting policies and procedures.

6. Coordinating with the Company's Board of Directors and Executive Management, and discuss the reports of the Internal Control and Financial Audit Department and follow up on the corrective actions on a quarterly basis.

7. Setting guidelines which enable the company's employees to confidentially report any possible violations in the financial reports, internal control or other issues, as well as the steps which allow the independent and fair investigation of such violations. The staff appointed for this purpose can be reached by email: whistleblower@dfm.ae, telephone: +971 4 305 5665 or fax: +971 4 305 5584.

8. Monitoring the Company's compliance with the standards of professional behavior.

The Audit Committee held four meetings in 2013. The following table highlights the date of each meeting and the personal attendance:

Personal Attendance	Date of the Meeting			
	06/02/2013	29/04/2013	15/07/2013	23/10/2013
Mohammed Humaid Al Mari	✓	✓	✓	✓
*Adil Abdullah Al Fahim	✓	✓	✓	-
Ali Rashid Al Mazroei	✓	✓	✓	✓

*Due to other commitments (Justified).

6. The Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed by virtue of the Board's decision taken during its meetings held on 08/05/2013. It consists of the following non-executive and independent members:

- Rashid Hamad Al Shamsi - Chairman
- Majid Saif Al Ghurair - Member
- Ali Rashid Al Mazroei - Member

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

- Reviewed list of nominees for board membership on 18/03/2013.
- Verified the independence of the DFM Board's members for the year 2013 through forms completed and signed by each independent member.
- Endorsed Human Resources policies with respect to employee salaries and benefits, as per an independent company's study.
- Verified that the remunerations and benefits granted to the Senior Executive Management are reasonable and in line with the Company's performance.
- Assessed the performance appraisal and increment for the year 2012.
- Determined the Company's needs for competencies at the Senior Executive Management level and employee level, and determined the basis for choosing them, as well as the employee training policy on 11/03/2013.

The Nomination and Remuneration Committee held 5 meetings during 2013. The following table shows the dates of these meetings and the personal attendance:

Personal Attendance	Date of the Meeting				
	11/03/2013	18/03/2013	25/03/2013	12/06/2013	15/12/2013
Rashid Hamad Al Shamsi	✓	✓	✓	✓	✓
Ali Rashid Al Mazroei	✓	✓	✓	✓	✓
*Mussabeh Mohammed Al Qaizi	✓	-	✓	-	-
*Majid Saif Al Ghurair	-	-	-	✓	✓

*Before new Board election and due to other commitments (Justified).

7. The Internal Control System

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

The Board of Directors acknowledges its responsibility for the internal control system in the Company and for reviewing it and ensuring its effectiveness through the Internal Control Department (ICD). The ICD, in its turn, submits regular reports in accordance with the standard No. 2060 of the international standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors in the USA to the Board of Directors and Executive Management on the objectives, authorities and responsibilities of the internal audit activity, as well as the achievements against the approved plan. The ICD also evaluates the adequacy and effectiveness of the internal control systems within the Company and its subsidiaries.

b. Work Mechanism of the Internal Control Department

The Internal Control Department reports to the Senior Management of the Company, and to the Board of Directors through the Audit Committee in such a manner to ensure its independence. In performing its duties, the ICD applies the latest international standards issued by the IIA in the USA as well as international best practices in the following areas:

- Preparing the department's Balanced Scorecard in relation to the Company's strategic plan.
- Performing the required updates for the internal audit manual and charter to be consistent with the latest international standards as approved by the Audit Committee.
- Developing an audit plan based on the risks related to every sector/department/section in order to prioritize the sections with high risks. The plan is discussed with the

Corporate Governance Report for 2013

management, CEO and approved by the Audit Committee and Board of Directors.

- At the end of each audit, preparing an audit report for every audited department whereby the objectives, scope, methodology and findings of the audit are presented. The reports also evaluate the notes in terms of the risk levels, in addition to an extensive assessment of the audited sector or department according to the assessment matrix.
- Submitting to DFM and NASDAQ Dubai Audit Committees all the internal control and follow-up reports as well as the executive measures taken by the concerned department to enhance its internal control during the year. This enables the Audit Committees to assess the internal control of their respective companies and raise the necessary recommendations to the Board of Directors.
- 84% of the endorsed audit plan was implemented including financial audits, Shari'a audits, compliance with the rules, regulations and policies, and work procedures, as well as information security and risks.
- The ICD submitted 41 recommendations that have been agreed upon with the different audited sectors during 2013, whether to DFM or NASDAQ Dubai, which enhanced the level of the internal control environment and minimized the risks in line with the definition of internal audit in terms of adding value to the Company and its shareholders by improving the effectiveness and efficiency of corporate governance, risk management and control in the company.
- The ICD followed up on the implementation of corrective actions according to the reports issued by the internal and external auditors.
- The ICD prepared quality reports on assurances during the year to ensure the efficiency of the completed audit assignments and the availability of permanent and temporary files for each assignment in line with international best practices.
- Coordinating with the external auditor and the Financial Audit Department as well as the quality auditors.
- Offering consulting services with the aim of developing and improving work procedures in a manner which does not compromise the independence of the auditors, and in accordance with the stipulations of the work charter of the ICD.
- Monitoring the communication channels used for confidential reporting.
- Preparing the Corporate Governance Report for the year 2013 in light of the provisions of the Ministerial Resolution No. 518 circulated by the SCA.

The Internal Control Department comprises of four qualified employees as follows:

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

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

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

- **Reda Farouq Shehata:** Deputy Manager – Shari'a Section/Internal Control, holder of CIB 2013, CRMA and CFC 2012, Higher Diploma in Financial Accounting from Ain Shams University - 2003, and a Bachelor's degree in Accounting from Ain Shams University - 1998.

- **Mohammad Ahmed Assaleh:** Compliance Officer/Internal Control, holder of an ACCA certificate - 2009, CRMA - 2012 and a Bachelor's degree in Accounting from Yarmouk University - 2003.

- **Farah Hani Al Ananni:** Senior Auditor/Internal Control, holder of CPA - 2010, and a Bachelor's degree in Accounting from Jordanian University - 2007.

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

The Company was not subject to any significant risks during 2013; however, and pursuant to the ICD work guide, the Department deals with any problems the Company may face through the following process:
- Determine the nature of the problem and classify it in terms of level of risks through determining the size of the problem and its negative consequences that may affect the Company.
- Communicate with the executive departments through the heads of various sectors and the CEO to discuss the remedy and solution for the problem and make the necessary recommendations.
- Report the matter along with the related recommendations to the Audit Committee, which in turn, after the discussion and assessment of the situation, will forward the matter to the Board of Directors to inform it about the problem

and take the appropriate decision thereon.
- The Department follows up on the implementation of the approved solution.
- Communicate with the external auditor of the Company, if required.

8. Since its inception and through 2013, the Company has not committed any violations.

9. DFM's Corporate Social Responsibility in 2013

Educational Achievements:
- Opening of the Educational Trading Hall in the American University in the UAE in April.
- Organization of DFM's 11th Annual Stock Game with the participation of 2,483 students and 38 educational institutions between 22nd of April and 6th of May 2013.
- Organization of DFM's Summer Stock Game with the participation of 18 trainees between 21st and 29th of July 2013.

Providing Community Services:
- Launching a blood donation campaign in cooperation with the Health Authority of Dubai in May.
- Official sponsor of the sixteenth session of the Dubai International Holy Qur'an Award Ceremony in July.
- Launching Health Day in May for employees and market participants.
- Organization of campaign to dress 1 million needy children around the world in July.
- Organizing free lectures: continuous preparation and organization of free technical and financial workshops and lectures for college and university students. A total of 51 lectures were organized in 2013 with the participation of 1,800 students from 51 colleges and universities.
- Donation of old furniture and equipment to charity societies in August.

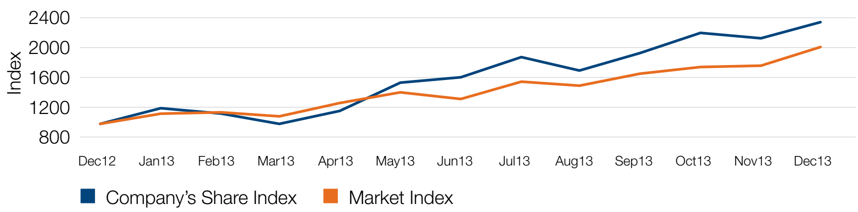
10. General Information

a. The Company's (highest and lowest) share price at the end of each month of the fiscal year 2013.

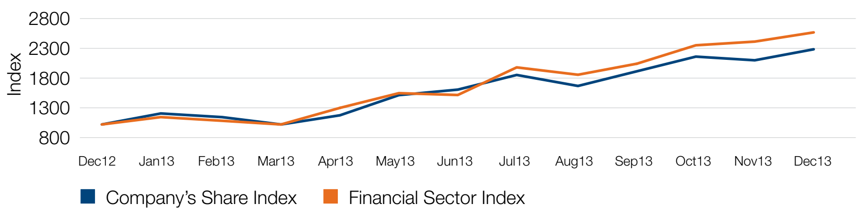
Month	Highest price during the month (AED)	Lowest price during the month (AED)	Closing price at the end of the month (AED)	Market Index (Index Figure)	Sector Index (Index Figure)
January	1.31	1.02	1.28	1887.59	1785.06
February	1.28	1.17	1.21	1927.1	1723.22
March	1.22	1.06	1.06	1829.24	1621.24
April	1.26	1.05	1.25	2135.4	2084.18
May	1.65	1.22	1.63	2366.79	2465.36
June	2.14	1.63	1.71	2222.57	2428.28
July	2.08	1.71	2	2588.53	3202.72
August	2.18	1.72	1.8	2523.13	2985.51
September	2.09	1.47	2.05	2762.5	3268.3
October	2.39	2	2.33	2922.18	3784.92
November	2.35	2.09	2.25	2945.91	3875.53
December	2.51	2.24	2.47	3369.81	4132.51

Corporate Governance Report for 2013

b. Company's Share Index compared to the Market Index



c. Company's Share Index compared to Financial Sector Index



d. Distribution of shareholders' ownership according to the trading activities on 31/12/2013 and settlement thereof on 05/01/2014.

No	Description	Nationality	Shares	Ownership %
1	Company	Arabic	3,989,656	0.05
2	Company	Gulf	62,413,059	0.78
3	Company	Foreign	198,395,591	2.48
4	Company	Local	6,816,025,120	85.20
5	Government	Local	5,538,726	0.07
6	Individual	Arabic	121,208,448	1.52
7	Individual	Gulf	17,619,109	0.22
8	Individual	Foreign	97,968,128	1.22
9	Individual	Local	676,842,163	8.46

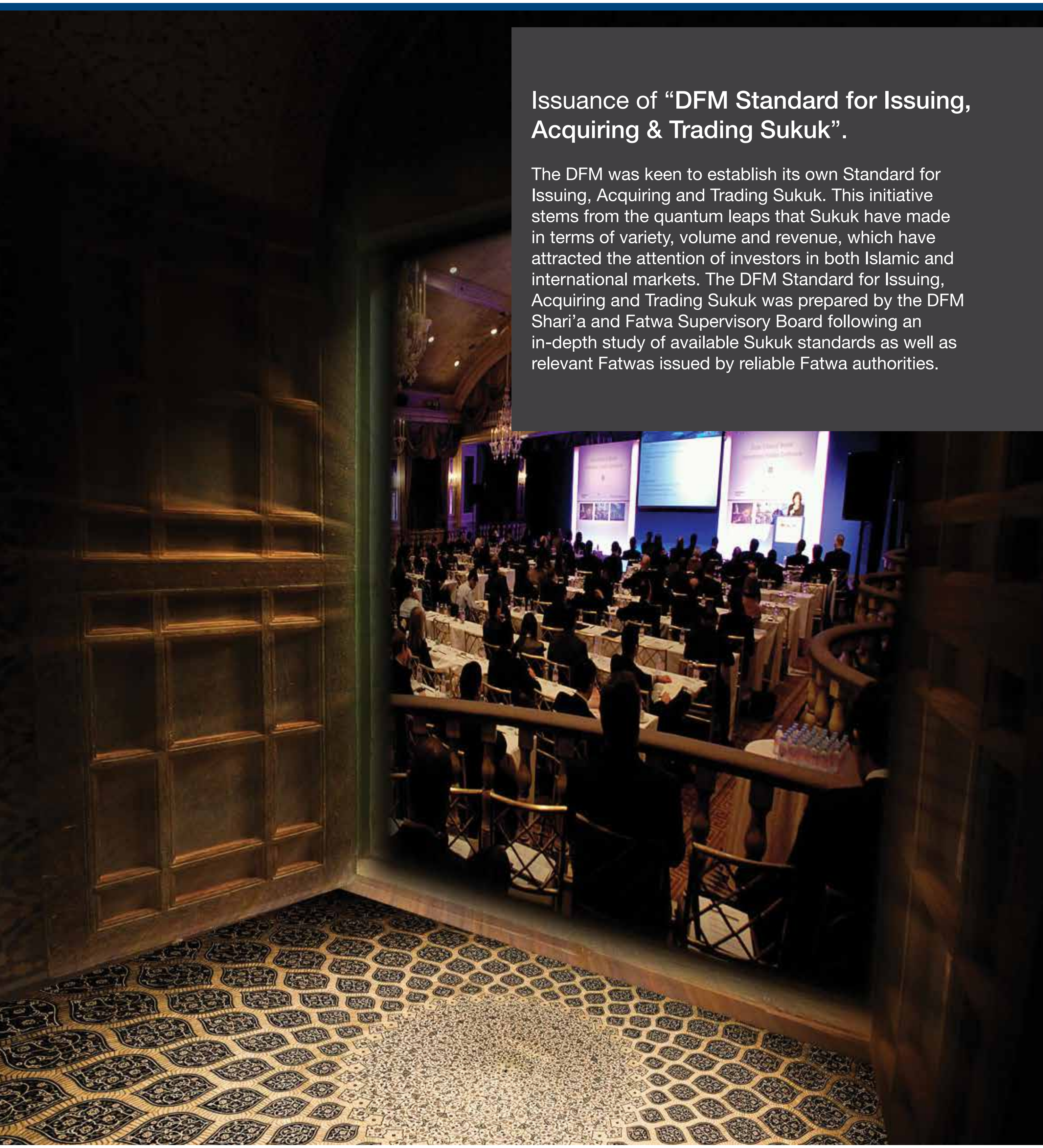
e. Borse Dubai owns 6,370,000,000 DFM shares, accounting for 79.63% of the Company's shares.

f. No events that can be described as material occurred in the Company during 2013.

Essa Abdulfattah Kazim
Chairman

30/1/2014

سوق دبي المالي
DUBAI FINANCIAL MARKET



Issuance of “**DFM Standard for Issuing, Acquiring & Trading Sukuk**”.

The DFM was keen to establish its own Standard for Issuing, Acquiring and Trading Sukuk. This initiative stems from the quantum leaps that Sukuk have made in terms of variety, volume and revenue, which have attracted the attention of investors in both Islamic and international markets. The DFM Standard for Issuing, Acquiring and Trading Sukuk was prepared by the DFM Shari’a and Fatwa Supervisory Board following an in-depth study of available Sukuk standards as well as relevant Fatwas issued by reliable Fatwa authorities.

Financial Statements

Independent Auditor's Report

Independent auditor's report to the shareholders of
Dubai Financial Market PJSC.

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Dubai Financial Market PJSC (DFM) and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements
As required by the UAE Federal Law No (8) of 1984, as amended, we report that:

(i) we have obtained all the information we considered necessary for the purpose of our audit;

(ii) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended and the Articles of Association of DFM;

(iii) DFM has maintained proper books of account and the financial statements are in agreement therewith;

(iv) the financial information included in the Chairman's report and Directors' report is consistent with the books of account of DFM; and

(v) nothing has come to our attention, which causes us to believe that DFM has breached any of the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2013.

PricewaterhouseCoopers
30 January 2014

Paul Suddaby

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Consolidated Statement of Financial Position

As at 31 December 2013

ASSETS	Notes	2013 AED'000	2012 AED'000
Non-current assets			
Goodwill	4	**2,878,874**	2,878,874
Other intangible assets	4	**2,446,658**	2,509,021
Property and equipment	5	**11,539**	14,664
Due from financial institution	15	**265,378**	257,260
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	6	**587,941**	377,494
Investment deposits	7	**460,000**	810,000
Total non-current assets		**6,650,390**	6,847,313
Current assets			
Prepaid expenses and other receivables	8	**40,935**	20,888
Investment deposits	7	**1,493,429**	778,126
Cash and bank balances	9	**107,629**	65,295
Total current assets		**1,641,993**	864,309
Total assets		**8,292,383**	7,711,622
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**8,000,000**	8,000,000
Treasury shares		**(4,364)**	(4,364)
		7,995,636	7,995,636
Investments revaluation reserve – FVTOCI	11	**(789,102)**	(1,002,816)
Statutory reserve	11	**278,998**	250,535
Retained earnings		**449,684**	214,516
Equity attributable to owners of the company		**7,935,216**	7,457,871
Non-controlling interest		**16,838**	20,288
Total equity		**7,952,054**	7,478,159
Non-current liabilities			
Subordinated loan	15	**22,268**	21,297
Provision for employees' end of service indemnity	12	**9,838**	8,294
Total non-current liabilities		**32,106**	29,591
Current liabilities			
Payables and accrued expenses	13	**238,163**	134,164
Dividends payable	14	**19,231**	19,377
Due to related parties	15	**50,829**	50,331
Total current liabilities		**308,223**	203,872
Total liabilities		**340,329**	233,463
Total equity and liabilities		**8,292,383**	7,711,622

These consolidated financial statements were approved on 30 January 2014 by the Board of Directors and signed on its behalf by:

Essa Abdulfattah Kazim
Chairman

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

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	2013 AED'000	2012 AED'000
Revenues			
Trading commission fees		**341,645**	109,865
Brokerage fees		**12,520**	14,199
Ownership transfer and mortgage fees		**36,317**	13,301
Other fees		**14,537**	12,332
Operating income		**405,019**	149,697
Investment income	16	**53,373**	45,328
Other income		**368**	2,073
Total income		**458,760**	197,098
Expenses			
General and administrative expenses	17	**(114,243)**	(101,842)
Amortization of intangible assets	4	**(62,363)**	(62,363)
Interest expense	15	**(971)**	(931)
Total expenses		**(177,577)**	(165,136)
Net profit for the year		**281,183**	31,962
Attributable to:			
Owners of the Company		**284,633**	35,185
Non-controlling interest		**(3,450)**	(3,223)
		281,183	31,962
Earnings per share – AED	18	**0.035**	0.004

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 AED'000	2012 AED'000
Net profit for the year	**281,183**	31,962
Other comprehensive income/(loss)		
Fair value changes on financial assets measured at fair value through other comprehensive income (FVTOCI)	**213,714**	(46,848)
Total comprehensive income/(loss) for the year	**494,897**	(14,886)
Attributable to:		
Owners of the Company	**498,347**	(11,663)
Non-controlling interest	**(3,450)**	(3,223)
Total comprehensive income/(loss) for the year	**494,897**	(14,886)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital	Treasury shares	Investments revaluation reserve FVTOCI	Statutory reserve	Retained earnings	Attributable to owners of the company	Non-controlling interest	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
As at 1 January 2012	**8,000,000**	**(4,364)**	**(981,821)**	**247,016**	**218,190**	**7,479,021**	**23,511**	**7,502,532**
Net profit for the year	-	-	-	-	35,185	35,185	(3,223)	31,962
Other comprehensive loss for the year	-	-	(46,848)	-	-	(46,848)	-	(46,848)
Total comprehensive loss for the year	-	-	(46,848)	-	35,185	(11,663)	(3,223)	(14,886)
Transfer of non-shari'a compliant income (Note 20 and 13)	-	-	-	-	(9,487)	(9,487)	-	(9,487)
Transfer to statutory reserve	-	-	-	3,519	(3,519)	-	-	-
Transfer on disposal and write off of investments	-	-	25,853	-	(25,853)	-	-	-
As at 31 December 2012	**8,000,000**	**(4,364)**	**(1,002,816)**	**250,535**	**214,516**	**7,457,871**	**20,288**	**7,478,159**
As at 1 January 2013	**8,000,000**	**(4,364)**	**(1,002,816)**	**250,535**	**214,516**	**7,457,871**	**20,288**	**7,478,159**
Net profit for the year	-	-	-	-	284,633	284,633	(3,450)	281,183
Other comprehensive income for the year	-	-	213,714	-	-	213,714	-	213,714
Total comprehensive income for the year	-	-	213,714	-	284,633	498,347	(3,450)	494,897
Transfer of non-shari'a compliant income (Note 20 and 13)	-	-	-	-	(21,002)	(21,002)	-	(21,002)
Transfer to statutory reserve	-	-	-	28,463	(28,463)	-	-	-
As at 31 December 2013	**8,000,000**	**(4,364)**	**(789,102)**	**278,998**	**449,684**	**7,935,216**	**16,838**	**7,952,054**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 AED'000	2012 AED'000
Cash flows from operating activities			
Net profit for the year		**281,183**	31,962
Adjustments for:			
Depreciation of property and equipment	5	**6,998**	10,812
Provision for employees' end of service indemnity	12	**2,042**	2,026
Amortization of intangible assets	4	**62,363**	62,363
Provision for doubtful accounts expense	8	**-**	318
Interest expense	15	**971**	931
Income on investment deposits	16	**(48,449)**	(41,316)
Dividend income	16	**(4,924)**	(4,012)
Operating cash flow before changes in operating assets and liabilities		**300,184**	63,084
Increase in prepaid expenses and other receivables		**(21,052)**	(1,439)
Increase in due to a related party	15	**498**	2,748
Increase in payables and accrued expenses		**82,997**	24,569
Cash generated from operations		**362,627**	88,962
Employees' end of service indemnity paid		**(498)**	(449)
Net cash generated from operating activities		**362,129**	88,513
Cash flows from investing activities			
Proceeds from sale and redemption of investments		**353,266**	32,058
Purchase of property and equipment	5	**(3,873)**	(3,587)
Net investment deposits	7	**(571,420)**	(363,066)
Investment deposit income received		**49,454**	40,713
Dividend received	16	**4,924**	4,012
Net cash used in investing activities		**(167,649)**	(289,870)
Cash flows from financing activities			
Dividends paid to shareholders		**(146)**	(694)
Net cash used in financing activities		**(146)**	(694)
Net increase/(decrease) in cash and cash equivalents		**194,334**	(202,051)
Cash and cash equivalents at the beginning of the year		**232,345**	434,396
Cash and cash equivalents at the end of the year	9	**426,679**	232,345

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. Establishment and Operations

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

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

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

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

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

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

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

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

NASDAQ Dubai Limited has the following subsidiary:

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

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

2. Summary of Significant Accounting Policies

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

2.1 Basis of preparation

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

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

2.2 New and revised IFRSs effective for accounting periods beginning 1 January 2013

(a) New and amended standards adopted by the Group
The following applicable new standards and amendments to an existing standard have been published and are effective for the Group's accounting periods beginning on 1 January 2013.

- IAS 27, (revised 2011) 'Separate financial statements'. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. This standard shall be applied in accounting for investments in subsidiaries, joint ventures and associates when an entity prepares or elects to prepare separate financial statements.

Notes to the Consolidated Financial Statements *(contd..)*

For the year ended 31 December 2013

- IFRS 10, Consolidated Financial Statements - Replaces the part of IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements and replaces SIC 12 Consolidation — Special Purpose Entities. Under IFRS 10 there is only one basis of consolidation that is control, for which a new definition has been included.

- IFRS 13, 'Fair value measurement'. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.

Management has assessed the impact of the above new standards and amendment to an existing standard and has concluded that there is no significant impact expected from their adoption on the Group's consolidated financial statements.

(b) Amendments to published standards issued but not effective for the Company's financial year beginning 1 January 2013 and not early adopted by the Group

The Group has not early adopted the following amendments to published standards that have been issued but are not yet effective:

Amendments to published standards:	Effective for annual periods beginning on or after
Amendments to IAS 32 "Financial Instruments" requires presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: • the meaning of 'currently has a legally enforceable right of set-off' • the application of simultaneous realisation and settlement • the offsetting of collateral amounts • the unit of account for applying the offsetting requirements	1 January 2014
Amendment to IAS 36 "Impairment of Assets" to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.	1 January 2014
Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" relate only to investment entities, therefore will not apply to the Group.	1 January 2014

2.3 Consolidation

Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2.4 Intangible assets

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

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

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

2.5 Goodwill

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

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

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

2.6 Property and equipment

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

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

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

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

Notes to the Consolidated Financial Statements *(contd..)*

For the year ended 31 December 2013

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

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

The gain or loss arising on the disposal of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

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

2.7 Due from financial institutions and investment deposits

Amounts due from financial institutions and investment deposits are initially 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.

2.8 Financial instruments

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

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

2.9 Financial assets

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

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

Classification of financial assets
Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment (except for debt instruments that are designated as at fair value through profit or loss on initial recognition to eliminate an accounting mismatch):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

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

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit taking; or

- it is a derivative that is not designated or effective as a hedging instrument, or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve.

The cumulative gain or loss is not reclassified to consolidated income statement on disposal of the investments.

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

Dividends on these investments in equity instruments are recognised in the consolidated income statement when the Group's right to receive the dividends is established. Dividends earned are recognised in the consolidated income statement and are included in the 'investment income' (Note 16).

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

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

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

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

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

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

Objective evidence of impairment could include:

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

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

Notes to the Consolidated Financial Statements *(contd..)*

For the year ended 31 December 2013

2.10 Financial liabilities

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

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

2.11 Cash and cash equivalents

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

2.12 Trade receivables

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

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

2.13 Employees' benefits

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

U.A.E. National employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per Federal Labour Law No. 7 of 1999, the Group is required to contribute between 12.5% - 15% of the "contribution calculation salary" of U.A.E. payroll costs to the retirement benefit scheme to fund the benefits.

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

2.14 Provisions

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

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

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

2.15 Offsetting financial instruments

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

2.16 Revenue recognition

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

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

Return on Islamic investment deposits

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

2.17 Foreign currency transactions

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

(a) Functional and presentation currency

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

(b) Transactions and balances

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

3. Critical accounting estimates and judgements

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

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

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

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

Impairment for goodwill and intangibles
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.

Intangible assets that are subject to amortisation are tested annually for impairment. They are reviewed 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 assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets 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 intangible assets are reviewed for possible reversal at each reporting date.

Notes to the Consolidated Financial Statements *(contd..)*

For the year ended 31 December 2013

4. Goodwill and intangible assets

	Goodwill	License to operate as a Stock Exchange	Relationships with market participants (Brokers)	Historical trading database	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Cost					
At 1 January 2012 and 2013	2,878,874	2,824,455	58,744	67,455	5,829,528
At 31 December 2012 and 2013	**2,878,874**	**2,824,455**	**58,744**	**67,455**	**5,829,528**
Amortisation					
At 1 January 2013	-	338,934	35,244	67,455	441,633
Charge for the year		56,489	5,874	-	62,363
At 31 December 2013	-	395,423	41,118	67,455	503,996
At 1 January 2012	-	282,445	29,370	67,455	379,270
Charge for the year	-	56,489	5,874	-	62,363
At 31 December 2012	**-**	**338,934**	**35,244**	**67,455**	**441,633**
Carrying amount					
At 31 December 2013	**2,878,874**	**2,429,032**	**17,626**	**-**	**5,325,532**
At 31 December 2012	2,878,874	2,485,521	23,500	-	5,387,895

There was no evidence of impairment of the goodwill at 31 December 2013 on the basis that the fair value of the business, based on the Company's quoted market price at 31 December 2013 was in excess of its net assets at that date.

5. Property and equipment

	Computers and information system	Leasehold improvement	Furniture and office equipment	Motor vehicles	Capital work-in-progress	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost						
At 31 December 2011	132,371	11,266	13,551	252	974	158,414
Additions	2,323	7	817	-	440	3,587
Transfers	73	-	-	-	(73)	-
At 31 December 2012	134,767	11,273	14,368	252	1,341	162,001
Additions	674	-	652	-	2,547	3,873
Disposal	(1,344)	-	(173)	-	-	(1,517)
Transfers	911	-	449	-	(1,360)	-
At 31 December 2013	**135,008**	**11,273**	**15,296**	**252**	**2,528**	**164,357**
Accumulated depreciation						
At 31 December 2011	113,640	11,266	11,367	252	-	136,525
Charge for the year	10,043	-	769	-	-	10,812
At 31 December 2012	123,683	11,266	12,136	252	-	147,337
Charge for the year	6,047	2	949	-	-	6,998
Disposal	(1,300)	-	(217)	-		(1,517)
At 31 December 2013	**128,430**	**11,268**	**12,868**	**252**	**-**	**152,818**
Carrying amount						
At 31 December 2013	**6,578**	**5**	**2,428**	**-**	**2,528**	**11,539**
At 31 December 2012	11,084	7	2,232	-	1,341	14,664

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

	2013 AED'000	2012 AED'000
Investment in equity securities	**294,921**	139,441
Managed funds – Note (a)	**293,020**	238,053
	587,941	377,494

Investments by geographic concentration are as follows:

	2013 AED'000	2012 AED'000
- Within U.A.E.	**535,903**	314,439
- Outside U.A.E.	**52,038**	63,055
	587,941	377,494

(a) Managed funds include funds of AED 244.5 million (2012: AED 177.6 million) (Note 15) managed by a shareholder of the parent.

Notes to the Consolidated Financial Statements *(contd..)*

For the year ended 31 December 2013

7. Investment deposits

	2013 AED'000	2012 AED'000
Current:		
Investment deposits maturing in less than 3 months (Note 9)	**319,050**	167,050
Investment deposits maturing up to 1 year but more than 3 months – Note (a)	**1,174,379**	611,076
	1,493,429	778,126
Non-current:		
Investment deposits maturing above 1 year	**460,000**	810,000
	1,953,429	1,588,126

Investment deposits are placed with financial institutions in the UAE, and carry profit rates ranging from 1% to 3.1% (2012: 1.2% to 4%) per annum.

Investment deposits of AED 86.73 million (2012: AED 86.73 million) have been pledged as collateral against unutilised bank overdraft facilities provided to the Group.

(a) Investment deposits also include an amount of AED 145.78 million (2012: AED 140.47 million) placed with the parent and carries a profit rate of 3.07% (2012: 3.72%) per annum (Note 15).

8. Prepaid expenses and other receivables

	2013 AED'000	2012 AED'000
Accrued income on investment deposits	**8,089**	9,094
Accrued trading commission fees	**7,627**	1,245
Due from brokers	**1,332**	2,205
Prepaid expenses	**6,400**	6,253
Other receivables	**19,579**	4,899
	43,027	23,696
Less: allowance for doubtful debts	**(2,092)**	(2,808)
	40,935	20,888

Net movement in allowance for doubtful debts:

	2013 AED'000	2012 AED'000
Opening balance	**2,808**	2,490
Release / (charge) during the year	**(716)**	318
Ending balance	**2,092**	2,808

9. Cash and bank balances

	2013 AED'000	2012 AED'000
Cash on hand	**326**	363
Bank balances:		
Current accounts	**23,800**	17,664
Savings accounts	**23,305**	20,332
Mudarabah accounts	**60,198**	26,936
	107,629	65,295
Add: deposits maturing in less than three months (Note 7)	**319,050**	167,050
Cash and cash equivalents	**426,679**	232,345

The rate of return on the saving and mudarabah accounts is 0.25% to 0.35% per annum (31 December 2012: 0.5%).

10. Share capital

	2013 AED'000	2012 AED'000
Authorised, issued and paid up share capital: 8,000,000,000 (2012: 8,000,000,000 shares) of AED 1 each (2012: AED 1 each)	**8,000,000**	8,000,000

11. Reserves

Statutory reserve
In accordance with the U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Group has established a statutory reserve by appropriation of 10% of the Company's net profit for each year which will be increased until the reserve equals 50% of the share capital. This reserve is not available for distribution, except as stipulated by the law.

	Statutory reserve AED'000
Balance as of 31 December 2011	247,016
Transfer from net income for the year	3,519
Balance as of 31 December 2012	250,535
Transfer from net income for the year	28,463
Balance as of 31 December 2013	**278,998**

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

Notes to the Consolidated Financial Statements *(contd..)*

For the year ended 31 December 2013

12. Provision for employees' end of service indemnity

	2013 AED'000	2012 AED'000
Balance at the beginning of the year	**8,294**	6,717
Charged during the year	**2,042**	2,026
Paid during the year	**(498)**	(449)
Balance at the end of the year	**9,838**	8,294

13. Payables and accrued expenses

	2013 AED'000	2012 AED'000
Dividends payable on behalf of companies listed on the DFM	**75,850**	47,473
iVESTOR cards	**41,402**	32,985
Members' margin deposits	**20,159**	8,652
Accrued expenses and other payables	**32,144**	15,097
Unearned revenue	**7,209**	6,526
Brokers' retention	**18,583**	11,746
Due to U.A.E. Securities and Commodities Authority	**12,327**	2,198
Non-shari'a compliant income (Note 20)	**30,489**	9,487
	238,163	134,164

14. Dividends payable

During 2013 and 2012, the Group did not declare any dividends. The payable balance represents dividends which have not been claimed by the investors since 2007.

15. Related party transactions

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

Transactions during the year	**2013 AED'000**	2012 AED'000
Investment income	**5,161**	5,517
Interest expense	**971**	931

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

	2013 AED'000	2012 AED'000
Compensation of key management personnel		
Short-term benefits	**7,971**	6,647
General pension and social security	**906**	657
Board of Directors		
- Remuneration to the NASDAQ Board	**1,152**	1,006
- Meeting allowance for the Group	**1,314**	1,988
Balances		
Due from related parties		
Parent		
Investment deposits (Note 7)	**145,781**	140,477
Accrued income on investment deposits	**2,720**	2,862
Other related parties		
Due from a financial institution	**265,378**	257,260
Managed funds (Note 6)	**244,499**	177,601
Cash and bank balances	**68,561**	28,059
Investment deposits	**647,468**	390,468
Due to related parties		
Parent		
Expenses paid on behalf of the Group	**2,329**	1,831
Subordinated loan	**22,268**	21,297
Ultimate controlling party		
Dubai Government	**48,500**	48,500

In the initial public offering in 2006, 20% of the share capital amounting to AED 1,600,000,000 was offered for public subscription for the credit of Dubai Government, of which AED 48.5 million remains due to the Dubai Government. The balance does not bear any profit.

The subordinated loan has been provided by the parent, Borse Dubai Ltd., to NASDAQ Dubai Limited (Note 1). The subordinated loan is unsecured and bears interest at 12 month LIBOR plus 3.25% per annum and is subordinated to the rights of all other creditors of the subsidiary.

Due from a financial institution represents a wakala deposit with a government related entity.

Notes to the Consolidated Financial Statements *(contd..)*

For the year ended 31 December 2013

16. Investment income

	2013 AED'000	2012 AED'000
Return on investment deposits	**48,449**	41,316
Dividends	**4,924**	4,012
	53,373	45,328

17. General and administrative expenses

	2013 AED'000	2012 AED'000
Payroll and other benefits	**71,667**	57,473
Rent	**7,582**	7,612
Depreciation	**6,998**	10,812
Professional expenses	**1,550**	1,385
Maintenance expenses	**11,187**	10,529
Other	**15,259**	14,031
	114,243	101,842

18. Earnings per share

	2013 AED'000	2012 AED'000
Net profit for the year attributable to the owners of the Company (AED'000)	**284,633**	35,185
Authorised, issued and paid up share capital ('000)	**8,000,000**	8,000,000
Less: Treasury shares ('000)	**(4,237)**	(4,237)
Number of shares issued ('000)	**7,995,763**	7,995,763
Earnings per share - AED	**0.035**	0.004

19. Commitments

	2013 AED'000	2012 AED'000
Commitments for the purchase of property and equipment	**7,927**	1,343

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

20. Non Shari'a compliant income

Non Shari'a compliant income of AED 21 million relating to 2012 (2012: AED 9.4 million relating to 2011) as approved by the Company's Shari'a 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 Shari'a Supervisory Board, it is the sole responsibility of the individual shareholders to donate their respective shares of this amount for charitable purposes. Non Shari'a income will be distributed as dividends by the Company to the shareholders. Accordingly, the amount has been dealt with as an appropriation from retained earnings in this consolidated financial information.

21. Financial risk management objectives

21.1 Financial risk factors

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

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

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

21.2 Market risk

(a) Foreign exchange risk

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

(b) Price risk

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

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

If equity prices had been 5% higher/lower:

- Investment revaluation reserve would increase/decrease by AED 29 million (2012: AED 19 million) as a result of the changes in fair value of the investments.

(c) Profit rate risk

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

21.3 Credit risk

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

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

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

	2013 AED'000	2012 AED'000
Financial assets		
Due from a financial institution	**265,378**	257,260
Investment deposits	**1,953,429**	1,588,126
Other receivables	**34,535**	14,635
Cash and bank balances	**107,303**	64,932
Total financial assets	**2,360,645**	1,924,953

The Group has made a full provision of AED 2 million (2012: AED 2.8 million) against its doubtful receivables as at 31 December 2013. The remaining receivables were neither past due nor impaired at the consolidated financial position date.

Notes to the Consolidated Financial Statements *(contd..)*

For the year ended 31 December 2013

21.4 Liquidity risk management

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

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

The liquidity profile of financial liabilities were as follows:

	Within 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2013	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Financial liabilities						
Payables and accrued expenses	250,185	-	-	-	-	250,185
Subordinated loan	-	-	-	22,268	-	22,268
Due to a related party	-	-	50,829	-	-	50,829
Provision for employees end of service benefits	-	-	-	-	9,838	9,838
Total financial liabilities	**250,185**	**-**	**50,829**	**22,268**	**9,838**	**333,120**
31 December 2012						
Financial liabilities	-	-	-	-	-	-
Payables and accrued expenses	147,015	-	-	-	-	147,015
Subordinated loan	-	-	-	21,297	-	21,297
Due to a related party	-	-	50,331	-	-	50,331
Provision for employees end of service benefits	-	-	-	-	8,294	8,294
Total financial liabilities	**147,015**	**-**	**50,331**	**21,297**	**8,294**	**226,937**

21.5 Fair value of financial instruments

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

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

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

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

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2013 and 31 December 2012.

	31 December 2013			
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through other comprehensive income				
- Equities	286,248	-	8,673	294,921
- Managed funds	-	281,946	11,074	293,020
Total	**286,248**	**281,946**	**19,747**	**587,941**

	31 December 2012			
	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Financial assets at fair value through other comprehensive income				
- Equities	130,315	-	9,126	139,441
- Managed funds	-	186,743	51,310	238,053
Total	**130,315**	**186,743**	**60,436**	**377,494**

There are no transfers between Level 1 and Level 2 during the period. However, there has been a transfer from Level 3 to Level 2.

Reconciliation of Level 3 fair value measurements of financial assets

	Measured at FVTOCI Unquoted equities	
	2013 AED'000	2012 AED'000
Opening balance	**60,436**	69,408
Disposal during the year	**-**	(5,577)
Transfer from level 3 to level 2	**(35,013)**	-
In other comprehensive loss	**(5,676)**	(3,395)
Closing balance	**19,747**	60,436

Sensitivity analysis for level 3 items

Level 3 assets represent unquoted equity and mutual fund investments whose fair value is determined based on varying unobservable assumptions which depend on a broad range of macroeconomic factors.

Notes to the Consolidated Financial Statements *(contd..)*

For the year ended 31 December 2013

22. Financial assets and liabilities

Financial assets by category

	2013 AED'000	2012 AED'000
Assets as per consolidated statement of financial position		
Financial assets measured at fair value through other comprehensive income (FVTOCI)	**587,941**	377,494
Amortised cost		
Cash and bank balances	**107,629**	65,295
Investment deposits	**1,953,429**	1,588,126
Due from financial institution	**265,378**	257,260
Other receivables	**34,535**	14,635
	2,360,971	1,925,316

Financial liabilities by category

	2013 AED'000	2012 AED'000
Liabilities as per consolidated statement of financial position		
Other financial liabilities at amortised cost		
Payables and accrued expenses	**250,185**	147,015
Subordinated loan	**22,268**	21,297
Due to a related party	**50,829**	50,331
Provision for employee's end of service benefits	**9,838**	8,294
	333,120	226,937

23. Capital risk management

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

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

24. Segment reporting

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