

**Tamweel PJSC and its subsidiaries**

**Report and consolidated financial statements  
for the year ended 31 December 2013**

These audited consolidated financial statements are subject to approval of the Central Bank of the U.A.E. and adoption by shareholders at the annual general meeting.

## **DIRECTORS' REPORT**

The Board of Directors of Tamweel P.J.S.C. (the "Company") and subsidiaries (together the "Group") has pleasure in submitting the consolidated statement of financial position of the Group as of 31 December 2013, and the related consolidated statements of income, cash flows and changes in equity for the year ended 31 December 2013.

### *Principal activities*

The Company is licensed by the UAE Central Bank as a finance company and is primarily engaged in Islamic Sharia'a compliant financing and investment activities predominantly in the area of residential mortgages where the Company is amongst the largest players in the country. The activities of the Company and its Subsidiaries (together the "Group") are conducted in accordance with Islamic Sharia'a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. Additionally, the Group is also engaged in the business of property leasing and trading. The Company is a 86.45% subsidiary of Dubai Islamic Bank PJSC (DIB).

### *Directors*

The current Board of Directors consists of:

Abdulla Ali AlHamli	(Chairman)
Mohamed Abdulla Al Nahdi	(Vice Chairman)
Dr. Adnan Chilwan	(Director)
Mohammed Saeed AlSharif	(Director)
Hamad Essa Rashed Al Huraiz	(Director)
Saeed Ahmed Belhasa	(Director)
Yasser Abdulrahman Ahmad Zayed	(Director)

### *Highlights of 2013*

The UAE economy has shown sustained signs of growth and improving economic confidence during 2013. Whilst sectors such as tourism, hospitality, trade and transportation had been performing well even during the economic downturn, the anticipation of, and the eventual successful bid leading to UAE's win to host the World Expo 2020 has led to a significant improvement in the somewhat subdued property and real estate sector with an immediate positive effect on investor sentiment. Several infrastructure and real estate projects were announced during the year by Government Related Entities and large developers. UAE freehold market witnessed substantial increase in the property prices and property transactions.



## DIRECTORS' REPORT - continued

### *Highlights of 2013 (Contd.)*

With a large number of under construction projects, including delayed projects being delivered during the year, Tamweel has managed to convert a portfolio of approximately AED 623 Million from under-construction stage to ready property. As a result, the Group's Home Finance portfolio now comprises higher component of Ijara based financing for ready properties. Aligned to positive market conditions, portfolio quality continues to improve with a deliberate reduction in under-construction property exposure and overall improvement in finance to value ratios. . Operational profitability was sustained during the year by keeping costs under tight control with total general and administrative costs ending lower than previous year.

Having obtained the approvals from the shareholders and regulators, in March 2013, DIB acquired an additional 28.20% of the Company's shares by offering DIB equity as exchange consideration to the minority shareholders. With this additional acquisition, Dubai Islamic Bank P.J.S.C. now owns 86.45% of the Company. At the Extraordinary General Assembly Meeting held on 7 July 2013, the shareholders have approved the conversion of the Company to Private Joint Stock Company and delisting its shares from Dubai Financial Market, subject to relevant regulatory approval. On 26 September 2013, the Securities and Commodities Authority approved the suspension of trading in the Company's shares on Dubai Financial Market with effect from 1 October 2013.

DIB has settled all bilateral liabilities of the Company amounting to approximately AED 4 billion, two years ahead of scheduled maturity. These outstanding obligations comprised of the liabilities which were a part of a 5 year moratorium agreed with creditors in late 2010 and were to mature in October 2015. The Company also settled two Sukuks of AED 2.2 Billion that matured during the year. Settlement of Sukuks and external bilateral liabilities with DIB's support resulted in substantial savings in the funding synergy for the Company. This benefit was passed on to the customers by reducing the Tamweel Base Rate by 1% with effect from 1 September 2013.

*Financial results*

The net profit for the year increased from AED 72.5 million for 2012 to AED 103.9 million for 2013 showing an improvement of 43%. Group has recorded an operating income of AED 549.3 million in 2013 (2012: operating income of AED 603.2 million). The growth in profit resulted from 3% improvement in the operating income net of depositor's share of profit, cost reductions and lower charge for impairment provisions.

Islamic financing and investing assets in 2013 decreased to AED 7,676 million compared to AED 9,324 million in 2012.

In accordance with the Articles of Association of the Company and UAE Commercial Companies Law of 1984, an appropriation of AED 10.391 million is made to statutory reserve. The Board of Directors has not proposed any transfer to general reserve as the reserve is in excess of 50% of the paid up capital of the Company. In accordance with Articles of Association of the Company, this is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

Total equity as at 31 December 2013 amounts to AED 2,380 million (2012: AED 2,299 million).

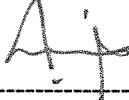
*Proposed dividend*

The Board of Directors has proposed a dividend of AED 0.05 per share totaling to AED 50 million (2012: AED 50 million), which is subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company.

*Auditors*

Deloitte were appointed as external auditors of the Group for the year ended 31 December 2013. Deloitte is eligible for reappointment for 2014.

On behalf of the Board



Abdulla Ali AlHamli  
Chairman  
16 January 2014

**Tamweel PJSC and its subsidiaries**

**Report and consolidated financial statements  
for the year ended 31 December 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Tamweel PJSC and its subsidiaries  
Dubai  
United Arab Emirates

### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Tamweel PJSC** (the "Company") and its subsidiaries (together referred to as the "Group"), **Dubai, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's responsibility for the consolidated financial statements*

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

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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.

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## INDEPENDENT AUDITOR'S REPORT (continued)

### *Opinion*

In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of **Tamweel PJSC and its subsidiaries, Dubai, United Arab Emirates** 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**

Also, in our opinion, proper books of account are maintained by the Company. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. (8) of 1984 (as amended), or the Articles of Association of the Company which might have a material effect on the financial position of the Company or its financial performance.

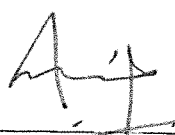
Deloitte & Touche (M.E.)




Anis Sadek  
Registration Number 521  
16 January 2014

Consolidated statement of financial position  
as at 31 December 2013

	Notes	2013 AED'000	2012 AED'000
<b>ASSETS</b>			
Bank balances and cash	6	233,169	1,178,812
Islamic financing and investing assets	7	7,676,168	9,324,190
Other investments carried at FVTOCI	8	33,767	-
Investment properties	9	376,881	381,749
Advances, prepayments and other receivables	10	39,594	37,236
Property and equipment	11	21,600	24,879
<b>TOTAL ASSETS</b>		<b>8,381,179</b>	<b>10,946,866</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Zakat payable		4,870	48,584
Accounts payable, accruals and other liabilities	12	243,470	324,221
Financing obligations	13	5,752,500	8,275,080
<b>Total liabilities</b>		<b>6,000,840</b>	<b>8,647,885</b>
<b>Equity</b>			
Share capital	14	1,000,000	1,000,000
Employees' benefit plan	15	-	(10,883)
Statutory reserve	16	212,975	202,584
General reserve	17	538,980	538,980
Special reserve	18	102,951	102,951
Investment fair value reserve		22,427	-
Retained earnings		503,006	465,349
<b>Total equity</b>		<b>2,380,339</b>	<b>2,298,981</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,381,179</b>	<b>10,946,866</b>

  
 Abdulla Ali Al-Hamli  
 Chairman

  
 Varun Sood  
 Acting Chief Executive Officer

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



**Consolidated income statement  
for the year ended 31 December 2013**

	Notes	2013 AED'000	2012 AED'000
Income from Islamic financing and investing assets	19	510,757	552,333
Other income	20	38,547	50,960
<b>Operating income</b>		<u>549,304</u>	<u>603,293</u>
General and administrative expenses	21	(93,359)	(97,344)
Impairment and other provisions	22	(54,895)	(75,656)
<b>Profit before depositors'/investors' share of profit and related costs</b>		<u>401,050</u>	<u>430,293</u>
Depositors'/investors' share of profit and related costs	23	(297,145)	(357,815)
<b>Profit for the year</b>		<u><u>103,905</u></u>	<u><u>72,478</u></u>
<b>Earnings per share:</b>			
Basic and diluted earnings per share (AED)	24	<u><u>0.10</u></u>	<u><u>0.07</u></u>

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

**Consolidated statement of comprehensive income  
for the year ended 31 December 2013**

	2013 AED'000	2012 AED'000
<b>Profit for the year</b>	<b>103,905</b>	72,478
Other comprehensive income		-
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value gain on other investments carried at FVTOCI	<b>22,590</b>	-
<b>Total comprehensive income for the year</b>	<b>126,495</b>	72,478

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

**Consolidated statement of changes in equity  
for the year ended 31 December 2013**

	Share capital AED'000	Employees' benefit plan AED'000	Statutory reserve AED'000	General reserve AED'000	Special reserve AED'000	Investment fair value reserve AED'000	Retained earnings AED'000	Convertible sukuk equity component AED'000	Total AED'000
Balance at 1 January 2013	1,000,000	(10,883)	202,584	538,980	102,951	-	465,349	-	2,298,981
Profit for the year	-	-	-	-	-	-	103,905	-	103,905
Other comprehensive income for the year	-	-	-	-	-	22,590	-	-	22,590
Total comprehensive income for the year	-	-	-	-	-	22,590	103,905	-	126,495
Transfer to other investments carried at FVTOCI (Note 8)	-	10,883	-	-	-	-	-	-	10,883
Reclassification of realized gain on disposal of other investments carried at FVTOCI	-	-	-	-	-	(163)	163	-	-
Directors' remuneration (Note 34)	-	-	-	-	-	-	(1,150)	-	(1,150)
Dividend paid (Note 33)	-	-	-	-	-	-	(50,000)	-	(50,000)
Transfer to statutory reserve (Note 16)	-	-	10,391	-	-	-	(10,391)	-	-
Zakat	-	-	-	-	-	-	(4,870)	-	(4,870)
<b>Balance at 31 December 2013</b>	<b>1,000,000</b>	<b>-</b>	<b>212,975</b>	<b>538,980</b>	<b>102,951</b>	<b>22,427</b>	<b>503,006</b>	<b>-</b>	<b>2,380,339</b>

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

**Consolidated statement of changes in equity  
for the year ended 31 December 2013 (continued)**

	Share capital AED'000	Employees' benefit plan AED'000	Statutory reserve AED'000	General reserve AED'000	Special reserve AED'000	Investment fair value reserve AED'000	Retained earnings AED'000	Convertible sukuk equity component AED'000	Total AED'000
Balance at 1 January 2012	1,000,000	(10,701)	195,336	538,980	102,951	-	451,155	14,799	2,292,520
Total comprehensive income for the year	-	-	-	-	-	-	72,478	-	72,478
Shares forfeited under employees' benefit plan	-	(182)	-	-	-	-	(3)	-	(185)
Directors' remuneration (Note 34)	-	-	-	-	-	-	(1,500)	-	(1,500)
Equity component of convertible sukuk	-	-	-	-	-	-	14,799	(14,799)	-
Dividend paid (Note 33)	-	-	-	-	-	-	(50,000)	-	(50,000)
Transfer to statutory reserve (Note 16)	-	-	7,248	-	-	-	(7,248)	-	-
Zakat	-	-	-	-	-	-	(14,332)	-	(14,332)
Balance at 31 December 2012	1,000,000	(10,883)	202,584	538,980	102,951	-	465,349	-	2,298,981

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

**Consolidated statement of cash flows  
for the year ended 31 December 2013**

	2013 AED'000	2012 AED'000
<b>Operating activities</b>		
Profit for the year	103,905	72,478
Adjustments for:		
Depreciation of property and equipment	4,119	4,408
Depreciation on investment properties	4,422	-
Amortisation of deferred cost	3,173	5,960
Provision for employees' end of service benefits	2,522	2,095
Impairment and other provisions	54,895	75,656
Depositors'/investors' share of profit and related costs	293,972	351,855
Income on mudaraba deposits and wakala investments	(2,652)	(14,082)
	<u>464,356</u>	<u>498,370</u>
<b>Operating cash flows before changes in operating assets and liabilities</b>		
Decrease in Islamic financing and investing assets	1,592,026	41,085
Increase in advances, prepayments and other receivables	(9,493)	(8,429)
(Decrease)/increase in financing obligations	(2,522,580)	859,949
(Decrease)/increase in accounts payable, accruals and other liabilities	(41,009)	4,204
	<u>(516,700)</u>	<u>1,395,179</u>
<b>Cash (used in)/generated from operating activities</b>		
Depositors'/investors' share of profit and related cost paid	(335,607)	(328,746)
Employees' end of service benefits paid	(629)	(1,024)
Zakat paid	(48,584)	(32,074)
Directors' remuneration paid	(1,150)	(1,500)
Dividend paid	(50,000)	(50,000)
	<u>(952,670)</u>	<u>981,835</u>
<b>Net cash (used in)/generated from operating activities</b>		
<b>Investing activities</b>		
Additions to property and equipment	(840)	(1,914)
Deposit under lien with original maturity over 3 months	-	(66,114)
Income received on mudaraba deposits and wakala investments	6,181	11,372
Proceeds from sale of investment properties	1,686	-
	<u>7,027</u>	<u>(56,656)</u>
<b>Net cash generated from/(used in) investing activities</b>		
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(945,643)</u>	<u>925,179</u>
Cash and cash equivalents at beginning of the year	1,112,698	187,519
<b>Cash and cash equivalents at end of the year (Note 6)</b>	<u><u>167,055</u></u>	<u><u>1,112,698</u></u>

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

**Notes to the consolidated financial statements  
for the year ended 31 December 2013**

**1. General information**

Tamweel PJSC (the “Company”) was registered on 3 June 2006 as a Public Joint Stock Company in accordance with U.A.E. Federal Law No (8) of 1984, as amended. The share capital of the Company comprises 1,000,000,000 shares of AED 1 each.

The Company is licensed by the U.A.E. Central Bank as a finance company and is primarily engaged in Islamic Sharia’a compliant financing and investment activities such as Ijara, Murabaha, Istisna’a etc. The activities of the Company and its Subsidiaries (together the “Group”) are conducted in accordance with Islamic Sharia’a, which prohibits usury, and within the provisions of its Articles and Memorandum of Association. The Group is also engaged in the business of property leasing and trading.

The registered head office of the Group is located at Business Avenue Building, Emirate of Dubai, U.A.E. The Group has one branch each in the Emirates of Dubai and Abu Dhabi.

The Group consists of Tamweel PJSC (the “Parent Company”) and its subsidiaries registered up to 31 December 2013, as listed below:

<b>Subsidiaries</b>	<b>Beneficial ownership</b>	<b>Principal activity</b>	<b>Country of incorporation</b>
Tamweel Property (1) Limited	100%	SPE for purchase of assets	DIFC, U.A.E
Tamweel Funding III Limited	100%	SPE for issuance of sukuk	Cayman Islands
Tamweel ESOT Limited	100%	SPE for employees’ benefit plan	British Virgin Islands
<b>Under liquidation</b>			
Tamweel Properties & Investments LLC	100%	Business of property leasing and trading	U.A.E
Tahfeez Middle East Limited	100%	General trading	JAFZA, U.A.E

Following the regulatory approvals and the approval of Dubai Islamic Bank P.J.S.C. (“DIB”) shareholders in March 2013, DIB acquired an additional 28.20% of the Company’s shares by offering DIB shares in exchange for the Company’s shares to the minority shareholders. At 31 December 2013, the Company is a 86.45% subsidiary of Dubai Islamic Bank P.J.S.C. At the Extraordinary General Assembly Meeting held on 7 July 2013, the shareholders have approved the conversion of the Company to Private Joint Stock Company and delisting its shares from Dubai Financial Market, subject to relevant regulatory approval. On 26 September 2013, the Securities and Commodities Authority approved the suspension of trading in the Company’s shares on Dubai Financial Market with effect from 1 October 2013.

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

**2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements**

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory effective for an accounting period that begins on or after 1 January 2013.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

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

**2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements  
(continued)**

i IFRS 10 *Consolidated Financial Statements* and IAS 27 (as revised in 2011) *Separate Financial Statements*

IFRS 10 and IAS 27 (as revised in 2011) replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation - Special Purpose Entities* that deal with consolidated financial statements. Based on new requirements of IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor’s returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

ii IFRS 11 *Joint Arrangements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*

IFRS 11 and IAS 28 (as revised in 2011) replace IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

iii International Financial Reporting Standard 12 *Disclosure of Interests in Other Entities*

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

iv IFRS 13 *Fair Value Measurements*

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases* and measurements that have some similarities to fair value but are not fair value (e.g. value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also IFRS 13 includes extensive disclosure requirements.

Other than additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

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

**2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements  
(continued)**

- v Amendments to IAS 1 *Presentation of Financial Statements* – statement of comprehensive income items

The amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- vi Amendments to IAS 1 *Presentation of Financial Statements* – comparative amounts

The annual improvements to IFRSs 2009-2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when (i) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and (ii) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

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

- Amendments to IFRS 7 *Financial Instruments : Disclosure* - Enhancing Disclosures about Offsetting of Financial Assets and Financial Liabilities
- Amendments to IFRS 9 *Financial Instruments* – Including new general hedge accounting model
- Amendments to IAS 16 *Property, Plant and Equipment - servicing equipment*
- IAS 19 (as amended in 2011) *Employee Benefits* - Amended standard resulting from the post-employment benefits and termination benefits projects
- Amendments to IAS 32 *Financial Instruments: Presentation* - Offsetting of Financial Assets and Financial Liabilities
- Amendments to IAS 32 *Financial Instruments - Presentation* - Tax effect of equity distribution
- IAS 34 *Interim Financial Reporting* – Interim reporting of segment assets
- IFIRC 20 *Stripping Costs in the Production Phase of a Surface Mine*



**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

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

**2.2 New and revised standards in issue but not yet effective**

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
• Amendments to IFRS 10 <i>Consolidated Financial Statements</i> - Amendments for investment entities	1 January 2014
• Amendments to IFRS 12 <i>Disclosure of interests in Other Entities</i> - Amendments for investment entities	1 January 2014
• Amendments to IAS 27 <i>Separate Financial Statements (as amended in 2011)</i> - Amendments for investment entities	1 January 2014
• Amendments to IAS 32 <i>Financial instruments: Presentation</i> - Amendments relating to the offsetting of assets and liabilities	1 January 2014
• Amendments to IAS 36 <i>Impairment of Assets</i> – Amendments arising from Recoverable Amount Disclosures for Non-Financial Asset	1 January 2014
• Amendments to IAS 39 <i>Financial Instruments: Recognition and Measurement</i> - Amendments for Novation of Derivatives	1 January 2014
• IFRIC 21 <i>Levies</i>	1 January 2014

As of date of issuance of these consolidated financial statements, management are still in the process of evaluating the impact of these new and revised standards on the consolidated financial statements.

**3. Definitions of significant terms**

The following terms are used in these consolidated financial statements with the meaning specified hereunder:

*Sharia'a*

Sharia'a is the body of Islamic law and is essentially derived from The Quran and The Sunna'h. The Group, being an Islamic Financial Institution, incorporates the principles of Sharia'a in its activities, as interpreted by its Sharia'a Supervisory Board.

*Ijara*

Ijara (Ijara Muntahia Bittamleek) is an agreement whereby the Group (in its capacity as a lessor,) leases an asset to the customer (as lessee), after acquiring the specified asset according to the customer's request, against certain rental payments for specified lease term. The duration of the lease term, as well as the basis for rental, are set and agreed in advance. The Group retains legal ownership of the asset throughout the arrangement. The arrangement could end by transferring the ownership of the asset to the lessee.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****3. Definitions of significant terms (continued)***Istisna'a*

Istisna'a is a sale contract whereby the Group undertakes to construct for the customer, a specific asset or property according to certain agreed upon specifications at a pre-determined price and for a fixed date of delivery. The work undertaken is not restricted to be accomplished by the Group alone and the whole or part of the construction can be undertaken by third parties under the Group's control and responsibility.

*Murabaha*

Murabaha is an agreement whereby the Group makes a sale to a customer of an asset that is acquired principally based on a promise received from the customer to buy the relevant asset according to the relevant specific terms and conditions. While making the sale, the Group expressly mentions the costs incurred on the asset that are sold and the profit thereon, to the customer.

*Forward Ijara*

Forward Ijara (Ijara Mausoofa Fiz Zimma) is an arrangement whereby the Group agrees to provide, on a specified future date, certain described property on lease to the customer upon its completion and delivery by the developer, from whom the Group has purchased the property. The lease rental under Forward Ijara commences only upon the customer having received possession of the property from the Group. The arrangement could end by transferring the ownership of the asset to the lessee.

*Mudaraba*

Mudaraba is an agreement in which the customer contributes capital and the Group applies its effort. The proportionate share of profit is determined by mutual agreement. The loss, if any, unless caused by negligence or violation of the terms of the agreement, is borne only by the owner of the capital in which case the Group gets nothing for its efforts. The fund provider is known as 'Rab-Al-Mal' and the Group as 'Mudareb'.

*Wakala*

An agreement whereby the Group provides a certain sum of money to an investment agent, who invests it according to specific conditions in return for a certain fee (a lump sum of money or percentage of the amount invested). The agent may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. The agent is obliged to return the invested amount in case of default, negligence or violation of the terms and conditions of the Wakala.

*Sukuk*

These comprise asset based, Sharia'a compliant trust certificates.

**4. Significant accounting policies****Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates laws.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****4. Significant accounting policies (continued)****Basis of preparation**

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

The principal accounting policies are set out below.

**Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group. Control is achieved where the Group has:

- power over an investee,
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders and other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial period are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid/payable or received/receivable is recognised directly in equity and attributed to owners of the Parent.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****4. Significant accounting policies (continued)****Basis of consolidation (continued)**

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary, and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

**Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue is recognised in the consolidated income statement as follows:

*Ijara income*

Ijara income is recognised on a time-apportioned basis over the lease term based on the fixed rental amount outstanding.

*Murabaha income*

Murabaha income is recognised on a time-apportioned basis over the period of the contract based on the net Murabaha amount outstanding.

*Istisna'a income*

Istisna'a associated profit margin (difference between the cash price of al-masnoo to the customer and the Group's total Istisna'a cost) is accounted for on a time-apportioned basis over the construction period.

*Forward Ijara income*

Forward Ijara income during the construction period of the properties is accounted for on a time-apportioned basis over the construction period on account of rentals. Upon completion of the properties, income is recognised on a time-apportioned basis over the period of the contract based on the fixed rental amount outstanding.

*Processing fees*

Processing fees are recognised when the services are provided.

*Other income*

Income earned on mudaraba deposits and wakala investments is recognised on a time apportioned basis. All other income is recognised when the right to receive the income is established.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****4. Significant accounting policies (continued)****Financial instruments**

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

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and 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.

**Financial assets**

All financial assets are recognised and derecognised on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, except for those financial assets measured subsequently at fair value through profit or loss, which are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

*Classification of financial assets*

An instrument is classified as an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are classified as 'debt instruments'.

*Financial assets measured at amortised cost*

Investment in debt instruments are measured at amortised cost if both of the following conditions are met:

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

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at fair value through profit or loss - FVTPL). They are subsequently measured at amortised cost using the effective profit method less any impairment, with profit revenue recognised on an effective profit method in the consolidated statement of income.

Subsequent to initial recognition, the Group is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria is no longer met.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****4. Significant accounting policies (continued)****Financial assets (continued)***Financial assets at fair value through other comprehensive income (FVTOCI)*

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value, within equity. Where the asset is disposed of, the cumulative gain or loss previously accumulated is not transferred to the consolidated statement of income, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividend is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

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

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

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

Non-equity instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of financing and investing instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the consolidated income statement.

Dividend income on investments in equity instruments at FVTPL is recognised in the consolidated income statement when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the consolidated income statement.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****4. Significant accounting policies (continued)****Impairment of financial assets**

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in profit or principal payments;
- 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, discounted at the financial asset's original effective profit rate.

The carrying amount of the financial asset measured at amortized cost is reduced by the impairment loss directly for all financial assets with the exception of Islamic financing and investing assets, where the carrying amount is reduced through the use of an allowance account. When the Islamic financing and investing assets are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement.

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

**Effective profit method**

The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective profit rate basis for debt instruments other than those financial assets designated as at FVTPL.

**Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less.

**Islamic financing and investing assets**

Islamic financing and investing assets include outstanding Ijara fixed rentals, Murabaha sales receivables net of deferred profits, Istisna'a costs incurred to date measured at cash equivalent value and forward Ijara at costs incurred to date. Also included in the Islamic financing and investing assets are Ijara and Forward Ijara profit accruals in addition to Istisna'a and Murabaha amortised profits. These assets are stated at cost net of provisions for impairment and profit suspension, if any.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****4. Significant accounting policies (continued)****Islamic financing and investing assets (continued)***Individually assessed Islamic financing and investing assets*

Individually assessed Islamic financing and investing assets are assets which are assessed individually in order to determine whether there exists any objective evidence that an Islamic financing and investing asset is impaired. Islamic financing and investing assets are classified as impaired as soon as there is doubt about the customer's ability to meet payment obligations to the Group in accordance with the original contractual terms. Doubts about the customer's ability to meet payment obligations generally arise when:

- Principal and profit are not serviced as per contractual terms; and
- When there is significant deterioration in the customer's financial condition and the amount expected to be realised from disposals of collaterals, if any, are not likely to cover the present carrying value of the Islamic financing and investing assets.

*Incurred but not yet identified*

Individually assessed Islamic financing and investing assets for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group may have incurred as a result of events occurring before the consolidated financial position date, which the Group is not able to identify on an individual basis, and that can be reliably estimated. As soon as information becomes available which identifies losses on individual Islamic financing and investing assets within the group of the customer, those Islamic financing and investing assets are removed from the group of the customer and assessed on an individual basis for impairment.

**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 revaluation reserve in equity is not reclassified to the consolidated income statement, but is transferred to retained earnings within equity.

**Financial liabilities and equity instruments****Classification as debt or equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.



**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**4. Significant accounting policies (continued)**

**Financial liabilities and equity instruments (continued)**

**Classification as debt or equity (continued)**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

**Financial liabilities**

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

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective profit rate method.

**Investment properties**

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation on investment in buildings is charged on a straight-line basis over 20 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of retirement or disposal.

Transfers are made to investment properties when, and only when there is change in use evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in used evidenced by commencement of owner-occupation or commencement of development with a view to sale.

**Property and equipment**

Property and equipment is stated at cost less accumulated depreciation and impairment in value, if any. Capital work-in progress is stated at cost and is not depreciated.

Depreciation is calculated on a straight line basis over the estimated useful lives of other assets as follows:

Buildings	20 years
Leasehold improvements, furniture and fixtures	5 to 10 years
Software licenses, networks and computer equipment	3 to 8 years
Motor vehicles	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****4. Significant accounting policies (continued)****Property and equipment (continued)**

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

**Impairment of tangible and intangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the consolidated income statement.

**Zakat**

Zakat is computed as per the Articles and Memorandum of Association of the Company and its subsidiaries and is approved by the Fatwa and Sharia'a Supervisory Boards of the respective entities on the following basis:

- Zakat on shareholders' equity is computed at 2.5775% of the aggregate of general and legal reserves, retained earnings, other reserves and provision for staff gratuity. DIB computes and pays Zakat on its consolidated financial position including its equity in Tamweel PJSC. Accordingly no Zakat is considered in these financial statements in respect of shareholders' equity pertaining to DIB.
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board.
- Zakat on the paid up capital is not included in the Zakat computations and is payable by the shareholders personally.

**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.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****4. Significant accounting policies (continued)****Provisions (continued)**

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, 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 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.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

**Employees' end-of-service benefits**

Pension and national insurance contributions for the U.A.E. citizens are made by the Group in accordance with Federal Law No. 2 of 2000.

The Group provides end of service benefits for its expatriate employees. Provision for employees' end of service indemnity is made in accordance with the Company's policy which meets the requirements of U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the reporting date.

**Convertible Sukuk**

Convertible sukuk that can be settled at the option of the issuer are recorded as compound financial instruments. The equity component of the convertible sukuk is calculated as the excess of the issue proceeds over the present value of the future profit and principal payments, discounted at the market rate of profit applicable to similar liabilities that do not have a conversion option.

**Foreign currencies**

Transactions in foreign currencies are recorded at rates of exchange prevailing at the dates of the transactions.

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange component forms part of its fair value gain or loss. For financial assets measured at FVTPL, the foreign exchange component is recognised in the consolidated statement of income. For financial assets measured at FVTOCI any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost, the foreign exchange gains and losses are determined based on the amortised cost of the asset and are recognised in other income in the consolidated statement of income.

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into Arab Emirates Dirhams at the rate of exchange ruling at the statement of financial position date and, their statement of comprehensive incomes are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the consolidated statement of income.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****4. Significant accounting policies (continued)****Leasing**

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

*The Group as lessor*

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

*The Group as lessee*

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

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

**Fair values**

For investments actively traded in organised financial markets, fair value is determined by reference to quoted market prices at the close of business on the statement of financial position date. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted securities fair value is determined by reference to brokers' quotes, recent transaction(s), the market value of similar securities, or based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

For investments in properties, fair value is determined periodically on the basis of independent professional valuations.

**Offsetting**

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis.

**5. Critical accounting judgments and key sources of estimation of uncertainty**

While applying the accounting policies as stated in Note 4, the management of the Group has made certain judgments. These judgments mainly have a significant effect on the carrying amounts of Islamic financing and investing assets and other financial instruments. The significant judgments made by the management in arriving at the carrying amounts of Islamic financing and investing assets and other financial instruments are summarised as follows:

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****5. Critical accounting judgments and key sources of estimation of uncertainty (continued)***Impairment losses on Islamic financing and investing assets*

The impairment allowance for Islamic financing and investing assets is established through charges to the consolidated income statement in the form of an impairment allowance for doubtful Islamic financing and investing assets.

*Individually assessed Islamic financing and investing assets*

Impairment losses for individually assessed Islamic financing and investing assets are determined by an evaluation of exposure on a case-by-case basis. This procedure is applied to all Islamic financing and investing assets which are individually significant accounts or are not subject to the portfolio-based-approach.

The following factors are considered by management when determining allowance for impairment on individual Islamic financing and investing assets which are significant:

- The amount expected to be realised on disposals of collaterals;
- The Group's ability to enforce its claim on the collaterals and associated cost of litigation; and
- The expected time frame to complete legal formalities and disposals of collaterals.

The Group's policy requires regular review of the level of impairment allowances on individual facilities and regular valuation of the collateral and its enforceability.

Impaired Islamic financing and investing assets continue to be classified as impaired unless they are brought fully current and the collection of scheduled profit and principal is considered probable.

*Collective impairment provisions on Islamic financing and investing assets*

In addition to specific provisions against individually significant Islamic financing and investing assets, the Group also makes collective impairment provisions against facilities which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted.

*Classification of financial assets*

The classification and measurement of the financial assets depend on the management business model for managing its financial assets and on the contractual cash flow characteristics of the financial assets assessed. Management is satisfied that the Group's financial assets are appropriately classified and measured.

Financial assets that are measured at amortised cost are those assets that are held within a business model whose objective is to hold asset in order to collect contractual cash flow and the contractual terms gives rise on specified dates to cash flow that are solely payments of principal and profit.

The Group classifies investments carried at fair value through profit or loss, if they are acquired primarily for the purpose of making a short term profit by the dealers.

All other investments are classified as carried at fair value through other comprehensive income.

*Fair value of financial instruments*

Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

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

*Property and equipment and investment properties*

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

**6. Bank balances and cash**

	2013 AED'000	2012 AED'000
Bank balances	233,164	1,178,787
Cash on hand	5	25
	<u>233,169</u>	<u>1,178,812</u>
Bank balances and cash	<u><u>233,169</u></u>	<u><u>1,178,812</u></u>

Bank balances are held with banks within the U.A.E. and are profit generating at an average profit rate of 1.00% (2012: 1.25%).

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2013 AED'000	2012 AED'000
Bank balances and cash	233,169	1,178,812
Less: Deposit under lien with original maturity over 3 months	(66,114)	(66,114)
<b>Cash and cash equivalent</b>	<u><u>167,055</u></u>	<u><u>1,112,698</u></u>

A deposit of AED 66 million is held under lien in accordance with the issuance requirements of the sukuk issued by Tamweel Funding III Limited.

**7. Islamic financing and investing assets**

	2013 AED'000	2012 AED'000
Ijara and forward Ijara (constructed and handed over properties)	7,058,762	7,950,602
Gross murabaha investments and mudaraba receivables	333,015	353,168
Less: Deferred profit	(6,633)	(8,595)
Net murabaha investments and mudaraba receivables	326,382	344,573
Istisna'a and forward Ijara (under construction properties)	868,490	1,514,410
	<u>1,194,872</u>	<u>1,194,872</u>
	<u>8,253,634</u>	<u>9,809,585</u>
Less: Profit suspended	(150,023)	(111,991)
Less: Provision for impairment	(427,443)	(373,404)
	<u><u>7,676,168</u></u>	<u><u>9,324,190</u></u>

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**7. Islamic financing and investing assets (continued)**

All the assets financed by the Group are within the U.A.E. Islamic financing and investing assets include accrued profits amounting to AED 128 million (31 December 2012: AED 206 million).

Included under Islamic financing and investing assets are receivables amounting to AED 342 million (31 December 2012: AED 295 million) in respect of which the Group has obtained the clear legal title to the properties financed and is in the process of finalizing formalities for possession of such properties. Such receivables are carried at current market values of the properties and a full provision has been made for the remaining exposure.

**Provisions for impairment**

Movements in the provision for impairment were as follows:

	2013 AED'000	2012 AED'000
Balance at beginning of the year	373,404	344,154
Provision made during the year	54,721	29,250
Provision written off during the year	(682)	-
	<hr/>	<hr/>
Balance at end of the year	<u>427,443</u>	<u>373,404</u>

**Collateral**

The Group enters into collateral arrangements with counter parties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the legal ownership of the finance property is maintained with the Group until the customer (lessee) has fulfilled all his obligations under the relevant Ijara.

The fair value of the collaterals that the Group holds relating to facilities individually determined to be impaired at 31 December 2013 amounting to AED 2,178 million (2012: AED 1,226 million).

**8. Other investments carried at FVTOCI**

	2013 AED'000	2012 AED'000
<i>Investments measured at FVTOCI</i>		
DIB shares held as a result of cancellation of employees' benefit plan (Note 15)	10,883	-
Shares forfeited under employees benefit plan (Note 15)	602	-
Disposals	(308)	-
Changes in fair value	22,590	-
	<hr/>	<hr/>
	<u>33,767</u>	<u>-</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)

9. Investment properties

	Land AED'000	Other real estate AED'000	Investment properties under construction AED'000	Total AED'000
<b>Cost</b>				
At 1 January 2012	-	-	-	-
Transferred from properties held for sale	339,811	69,763	187,316	596,890
	<u>339,811</u>	<u>69,763</u>	<u>187,316</u>	<u>596,890</u>
At 31 December 2012	339,811	69,763	187,316	596,890
Additions during the year	-	1,275	-	1,275
Transfers during the year	-	37,785	(37,785)	-
Disposal during the year	-	(2,494)	-	(2,494)
	<u>339,811</u>	<u>106,329</u>	<u>149,531</u>	<u>595,671</u>
<b>At 31 December 2013</b>	<b>339,811</b>	<b>106,329</b>	<b>149,531</b>	<b>595,671</b>
<b>Accumulated depreciation</b>				
At 1 January 2012	-	-	-	-
Charge for the year	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2012	-	-	-	-
Charge for the year	-	4,422	-	4,422
Disposal during the year	-	(113)	-	(113)
	<u>-</u>	<u>4,309</u>	<u>-</u>	<u>4,309</u>
<b>At 31 December 2013</b>	<b>-</b>	<b>4,309</b>	<b>-</b>	<b>4,309</b>
<b>Provision for impairment</b>				
At 1 January 2012	-	-	-	-
Transferred from properties held for sale	150,888	24,884	39,369	215,141
	<u>150,888</u>	<u>24,884</u>	<u>39,369</u>	<u>215,141</u>
At 31 December 2012	150,888	24,884	39,369	215,141
Transfers	-	7,999	(7,999)	-
Disposal during the year	-	(660)	-	(660)
	<u>150,888</u>	<u>32,223</u>	<u>31,370</u>	<u>214,481</u>
<b>At 31 December 2013</b>	<b>150,888</b>	<b>32,223</b>	<b>31,370</b>	<b>214,481</b>
<b>Carrying amount</b>				
<b>At 31 December 2013</b>	<b>188,923</b>	<b>69,797</b>	<b>118,161</b>	<b>376,881</b>
At 31 December 2012	188,923	44,879	147,947	381,749



**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**9. Investment properties (continued)**

In 2012, the Group had decided to reclassify its “Properties Held for Sale” to “Investment Properties” as the sale of these properties is likely to take longer than twelve months based on the current market conditions and no longer qualified for the extension period allowed under IFRS 5. As a result, the whole portfolio was reclassified to investment property at net carrying value with no impact on consolidated income statement.

At reporting date, the fair value of the investment property is approximate to its net carrying value. The valuations are carried out by professional valuers not related to the Group who holds recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

**10. Advances, prepayments and other receivables**

	2013 AED'000	2012 AED'000
Administration fee receivable	10,010	5,332
Portfolio management fee receivable	9,252	1,042
Receivable from developers	8,403	8,684
Commission receivable	8,643	11,779
Prepayments and deferred cost	6,305	9,286
Receivable under employees' benefit plan	1,604	2,160
Reserve account receivable	-	3,866
Profit on wakala deposits	236	2,839
Staff personal loans	1,948	2,782
Other	6,734	4,131
	<u>53,135</u>	<u>51,901</u>
Less: Provision for impairment	(13,541)	(14,665)
	<u>39,594</u>	<u>37,236</u>
<b>Provision for impairment</b>		
Balance at beginning of the year	14,665	13,634
Provision made during the year	174	1,031
Provision written off during the year	(1,298)	-
<b>Balance at end of the year</b>	<u>13,541</u>	<u>14,665</u>

Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)

11. Property and equipment

	Buildings AED'000	Leasehold improvements, furniture and fixtures AED'000	Software licenses, networks and computer equipment AED'000	Motor vehicles AED'000	Capital work-in- progress AED'000	Total AED'000
<b>Cost</b>						
At 1 January 2012	21,779	12,570	15,873	104	286	50,612
Additions	-	-	667	-	1,247	1,914
At 31 December 2012	21,779	12,570	16,540	104	1,533	52,526
Additions	-	-	744	-	96	840
Transfers	-	-	1,080	-	(1,080)	-
<b>At 31 December 2013</b>	<b>21,779</b>	<b>12,570</b>	<b>18,364</b>	<b>104</b>	<b>549</b>	<b>53,366</b>
<b>Accumulated depreciation</b>						
At 1 January 2012	2,523	7,919	12,787	10	-	23,239
Charge for the year	1,055	1,549	1,783	21	-	4,408
At 31 December 2012	3,578	9,468	14,570	31	-	27,647
Charge for the year	1,188	1,237	1,673	21	-	4,119
<b>At 31 December 2013</b>	<b>4,766</b>	<b>10,705</b>	<b>16,243</b>	<b>52</b>	<b>-</b>	<b>31,766</b>
<b>Carrying amount</b>						
At 31 December 2013	17,013	1,865	2,121	52	549	21,600
At 31 December 2012	18,201	3,102	1,970	73	1,533	24,879

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**12. Accounts payable, accruals and other liabilities**

	2013 AED'000	2012 AED'000
Profit payable on financing obligations	32,445	74,140
Accounts payable	54,470	55,462
Developer and property payables	28,721	70,720
Dividends payable	18,688	18,735
Takaful payable	3,893	12,564
Employees' end of service benefits (see Note 12.1 below)	9,187	7,294
Payable under escrow accounts	-	176
Provision for litigation losses	44,623	44,623
Provision for damage from fire (Note 25)	6,500	6,500
Accrual and other liabilities	44,943	34,007
	<u>243,470</u>	<u>324,221</u>

**12.1 Employees' end of service benefits**

	2013 AED'000	2012 AED'000
Balance at beginning at the year	7,294	6,223
Charge for the year	2,522	2,095
Paid during the year	(629)	(1,024)
	<u>9,187</u>	<u>7,294</u>

**13. Financing obligations**

	2013 AED'000	2012 AED'000
Wakalas	4,650,000	3,727,430
Mudarabas	-	1,250,000
Sukuk	1,102,500	2,202,500
Convertible Sukuk	-	1,095,150
	<u>5,752,500</u>	<u>8,275,080</u>

**Wakalas**

In September 2013, the Group received short term Wakala investments of AED 5,125 million from Dubai Islamic Bank P.J.S.C. and settled all Wakala investments received from the Group's external customers. The effective average profit rate on these Wakalas is 4% (2012: 4%).

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**13. Financing obligations (continued)**

*Mudarabas*

All Mudarabas, which were short term to medium term with effective average profit rate of 4%, were settled in full during September 2013.

*Sukuk*

- a) The trust certificates issued in July 2008 (“2008 Sukuk”) for the total value of AED 1,100 million through Tamweel Sukuk Limited, were repaid in full on maturity in July 2013.
- b) The Trust certificates issued in January 2012 (“2012 Sukuk”) for US\$ 300 million, through Tamweel Funding III Limited are listed on the Irish Stock Exchange. The 2012 Sukuk is structured to conform to principles of Islamic Sharia’a, matures in 2017 and has a profit rate of 5.15% per annum, payable semi-annually in arrears.

*Convertible Sukuk*

The convertible sukuk issued in January 2008 in the form of Trust Certificates (Shirkat -ul-Milk), for a total value of USD 300 million, was repaid in full on maturity in January 2013.

**14. Share capital**

	<b>2013</b>	2012
	<b>AED’000</b>	AED’000
Authorised, issued and paid up 1,000,000,000 ordinary shares of AED 1 each (31 December 2012: 1,000,000,000 ordinary shares of AED 1 each)	<b>1,000,000</b>	1,000,000
	<u><u>1,000,000</u></u>	<u><u>1,000,000</u></u>

**15. Employees' benefit plan**

On 26 February 2006, the Group had established an Employee benefit plan (the “Plan”) to recognise and retain good performing key employees. The Plan gave the employee the right to purchase the Company’s shares at an exercise price and was established with 18,000,000 shares, at par value, of the Group which were held by two trustee companies. Out of these 18 million shares, the Group has granted 7,117,123 shares at AED 1.015 per share up to 31 December 2012, net of forfeitures.

During 2013, the Group decided not to grant any further shares under the employees’ benefit plan and to accept the share swap offer by Dubai Islamic Bank P.J.S.C (“DIB”). Accordingly, the remaining 10,882,877 shares under the employees’ benefit plan were swapped for 6,046,042 shares of DIB. Employees who left the Group forfeited 334,502 shares of DIB during the year.

At 31 December 2013, there were 877,522 shares of DIB (equivalent to 1,579,540 shares of the Company, prior to conversion) that were granted to the employees and due for vesting in 2014.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**16. Statutory reserve**

As required by the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year is transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. This reserve is not available for distribution except in the circumstances as stipulated by U.A.E. Commercial Companies Law of 1984 (as amended).

**17. General reserve**

As per the Company's Articles of Association, deductions for the general reserve shall stop by resolution of an Ordinary General Assembly upon the recommendation of the Board of Directors when this reserve reaches 50% of the paid up capital of the Company. The Board of Directors have not proposed any transfer to General Reserve as the reserve is in excess of the 50% of the paid up capital of the Company. This reserve shall be utilised for the purpose determined by the General Assembly at an ordinary meeting upon the recommendation of the Board of Directors.

**18. Special reserve**

The special reserve, which was created in accordance with the recommendations of the U.A.E. Central Bank, is not available for distribution.

**19. Income from Islamic financing and investing assets**

	<b>2013</b>	2012
	<b>AED'000</b>	AED'000
Ijara and Forward Ijara (constructed and handed over properties)	<b>445,823</b>	483,784
Istisna'a and Forward Ijara (under construction properties)	<b>13,520</b>	22,614
Murabaha and Mudaraba	<b>917</b>	1,957
Processing and other fees income	<b>50,497</b>	43,978
	<b>510,757</b>	552,333

**20. Other income**

	<b>2013</b>	2012
	<b>AED'000</b>	AED'000
Income on mudaraba deposits and wakala investments	<b>2,652</b>	14,082
Takaful income	<b>13,931</b>	17,913
Portfolio management fee (Note 31)	<b>15,502</b>	12,500
Other	<b>6,462</b>	6,465
	<b>38,547</b>	50,960

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**21. General and administrative expenses**

	<b>2013</b>	2012
	<b>AED'000</b>	AED'000
Staff costs	<b>58,953</b>	60,643
Legal and professional charges	<b>10,041</b>	15,062
Advertisement and sales promotion	<b>2,204</b>	3,640
Depreciation on investment properties	<b>4,422</b>	-
Depreciation on property and equipment	<b>4,119</b>	4,408
Office rent	<b>1,201</b>	930
Other expenses	<b>12,419</b>	12,661
	<b>93,359</b>	97,344

**22. Impairment and other provisions**

	<b>2013</b>	2012
	<b>AED'000</b>	AED'000
Provision for impairment:		
- Islamic financing and investing assets (Note 7)	<b>54,721</b>	29,250
- Properties held for sale	-	6,000
Provision for impairment on other receivables	<b>174</b>	1,031
Provision for litigation losses (a)	-	32,875
Provision for Tamweel Tower fire damage (b)	-	6,500
	<b>54,895</b>	75,656

- a. In 2012, the Group has taken a charge of AED 33 million in respect of certain ongoing legal cases.
- b. The Group has created a provision of AED 7 million towards the business disruption and other incidental costs resulting from fire during 2012.(Refer Note 25).

**23. Depositors'/investors' share of profit and related costs**

	<b>2013</b>	2012
	<b>AED'000</b>	AED'000
Financing obligations, net	<b>290,162</b>	348,178
Amortisation of deferred cost	<b>3,173</b>	5,960
Other	<b>3,810</b>	3,677
	<b>297,145</b>	357,815

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

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

Basic earnings per share are calculated by dividing the profit for the year, net of directors' remuneration, by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit for the year, adjusted for directors' remuneration, by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares. The diluted earnings per share arising from the issue of employees' share options do not result in any change from the reported basic earnings per share.

**Basic earnings per share**

	<b>2013</b>	2012
	<b>AED'000</b>	AED'000
Profit for the year net of directors' remuneration	<b>102,755</b>	70,978
	<u><u>                    </u></u>	<u><u>                    </u></u>
	<i>Number of shares '000</i>	
Weighted average number of shares outstanding during the year	<b>1,000,000</b>	1,000,000
	<u><u>                    </u></u>	<u><u>                    </u></u>
Basic and diluted earnings per share (AED)	<b>0.10</b>	0.07
	<u><u>                    </u></u>	<u><u>                    </u></u>

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements for issuance.

**25. Fire damage to Tamweel Tower**

On 18 November 2012, offices of the Group in Tamweel Tower suffered fire damage. The Group has contents insurance cover in relation to the offices and Tamweel Tower is insured by the building's Owners Association. The Group has advised the contents insurer and has submitted a claim in line with the policy. The Owners Association has advised the property insurer and received an acknowledgement from the insurer of the liability in relation to the damage. The insurance company in consultation with Owners Association has appointed a consultant to assess the damage.

The consultant has submitted his report of the extent of damage and the scope of restoration which has been sent for approval to the insurer and the regulatory authorities. Both the insurers have acknowledged the claims and management is of the view that there is no requirement for provision in relation to the carrying value of the property and contents assets in respect of loss or damage. The net carrying value of the property and the content assets is AED 21.60 million (31 December 2012: AED 24.88 million).

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**26. Commitments**

	<b>2013</b> <b>AED'000</b>	2012 AED'000
Irrevocable commitments to extend credit	<b>478,676</b>	652,300

This represents contractual commitments to provide Islamic financing. Commitments generally have fixed expiry dates, or other termination clauses, and normally require the payment of a fee. Since these may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

**27. Contingencies**

- a) The Group's bankers have provided a guarantee of AED 50 million (31 December 2012: AED 50 million) favouring the U.A.E. Central Bank against the share capital.
- b) The Group's bankers have also provided a guarantee of AED 5 million (31 December 2012: AED 5 million) to the Economic Affairs Division of the Government of Dubai for establishing a subsidiary company.
- c) At reporting date, the Group is in legal proceedings against certain customers in the UAE to recover AED 300 million. The customers are also counter claiming against the Group. These proceedings are in various stages in the courts of first instance and appeal court. Based on legal advice, the management of the Group is contesting the counterclaims as they believe such counter claims are without basis and is pursuing the full recovery of the outstanding balances. Accordingly, no provision for any liability has been made in these consolidated financial statements.

**28. Risk management**

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement, mitigation and monitoring and by subjecting risk to limits and other controls. This process of risk management is critical to Group's continuing profitability and sustainability. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. Those risks are monitored through the Group's strategic planning process.

The major risks to which the Group is exposed in conducting its business and operations, and the means and organisational structure it employs in seeking to manage them strategically in its attempt to build stakeholder's value are outlined below.



**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****28. Risk management (continued)****Risk Management Structure**

The Board is responsible for the overall risk management approach and for designing and deciding its risk strategies, policies, appetite parameters and principles.

Tamweel's Board currently has three committees: the Board Audit Committee (BAC), the Board Credit and Risk Committee (BCRC) and the Board Human Resources (HR) & Remuneration Committee. All of the Board committees function on behalf of the Board and the Board is responsible for constituting, assigning, co-opting and fixing terms of service for committee members.

Each Board committee has a written charter, approved by the Board, which describes the committee's general authority and responsibilities. The committee chair reports on the items discussed and action taken at their meetings to the Board following each committee meeting. Each committee undertakes an annual review of its charter and works with the Board to make appropriate revisions. The Board may, from time to time, establish and maintain additional committees.

*Board Audit Committee*

The BAC assists the Board in discharging its supervisory responsibilities with respect to the integrity of Tamweel's financial statements, its financial reporting processes and its system of internal accounting and financial controls. The BAC also assists the Board with respect to appointing and supervising Tamweel's external independent auditors and in ensuring that appropriate controls are in place for monitoring compliance with laws, regulations and supervisory requirements.

*Board HR & Remuneration Committee*

The function of the Board HR & Remuneration Committee is to assist the Board in fulfilling its corporate governance responsibilities regarding assuring the ongoing independence of independent Board members, remuneration policies for Board members, remuneration for certain senior management, policies for executive variable pay, the remuneration structures in Tamweel's Human Resources policies and other matters referred to the Committee by the Board.

*Board Credit & Risk Committee*

The BCRC reviews Tamweel's risk profile to ensure that it is in accordance with the risk policies and appetite parameters established by the Board. The BCRC defines Tamweel's overall risk appetite and risk management policy guidelines. Such guidelines cover all risk-based aspects of Tamweel's business, including: credit risk, operational risk, liquidity risk, profit rate risk and reputational risk.

The BCRC is assisted by the Management Credit & Risk Committee (the "MCRC") and Asset Liability Committee ("ALCO") consisting of Tamweel's Senior Management.

*Management Credit & Risk Committee*

The MCRC which reports to the Board through BCRC oversees Tamweel's credit management strategy and policies ensuring that the credit risk taken, assets portfolio and allocation are in line with Tamweel's overall risk appetite as defined by the BCRC. The MCRC also ensures that appropriate credit and collections policies are implemented across the entire life cycle of its financing products, including origination, account management, restructuring, collections and recoveries. In particular, the MCRC approves the annual review of the Product Programme Guidelines which set out Tamweel's principal underwriting criteria.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)****28. Risk management (continued)****Risk Management Structure (continued)***Asset and Liability Committee*

The ALCO which reports to the Board through BCRC monitors the asset performance and financial position of the Group. The ALCO is also responsible for establishing risk management standards and methodologies, monitoring liquidity and alternative funding sources, reviewing market rate risk and regulatory capital levels and determining pricing parameters and Tamweel's base profit rate.

*Sharia Supervisory Board*

In compliance with Tamweel's memorandum and articles of association, Tamweel has a Sharia Supervisory Board which oversees all areas of operation in order to ensure that Tamweel's activities are in accordance with Sharia principles. The Sharia'a Supervisory Board is responsible to review the operational, financing and investing activities of the Group ensuring their alignment and compliance with the principles of Islamic Sharia'a as interpreted by it. Being a supervisory board they are also required to audit the business activities undertaken and present an independent report to the shareholders with regard to the implementation of the principles of Sharia'a in the Group's overall activities.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive and up-to-date information necessary for their proper management and monitoring of risks inherent in the activities.

**Types of Risk the Group is subject to:****Concentration risk**

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration indicates the relative sensitivity of the Group's performance to developments affecting a particular nationality, industry or geographical location.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to maintain a diversified portfolio. This is further enforced by the Credit Committee's oversight. Identified concentration of credit risks are controlled and managed accordingly.

**Credit risk**

Credit risk is the risk that a customer or counterparty will fail to meet a commitment, resulting in financial loss to the Group. Such risk stems mainly from day to day Islamic financing activities undertaken by the Group. Credit risk is actively monitored in accordance with the credit policies which clearly define delegated financing authorities, credit standards and procedures.

The Group attempts to control credit risk by monitoring credit exposures, maintaining credit limits and limiting transactions with specific counterparties. The Group has built and maintains a sound credit portfolio within the guidelines of the Board approved credit policy. The Group has an established risk management process encompassing of credit approvals, control of exposures, credit policy direction to business unit, well-designed credit appraisals, review of exposures both on an individual and a portfolio basis, and incorporation of robust problem credit management procedures. Special attention is directed towards the management of past-due financing assets through a dedicated Collection Team.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**28. Risk management (continued)**

**Credit risk (continued)**

The Group enters in collateral arrangements with counterparties in appropriate circumstances to limit credit exposure. With a relatively dominant Ijara financing structure, the ownership of the financed property is maintained with the Group until the customer (lessee) has fulfilled all his obligations under the relevant Ijara.

**Quantitative information**

**Maximum exposure to credit risk without taking account of any collateral and other credit enhancements**

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross.

	<b>Gross maximum exposure 2013 AED'000</b>	<b>Gross maximum exposure 2012 AED'000</b>
Bank balances (Note 6)	233,164	1,178,787
Islamic financing and investing assets (Note 7)	8,253,634	9,809,585
Advances and other receivables	46,830	42,615
<b>Total</b>	<b>8,533,628</b>	<b>11,030,987</b>
Irrevocable commitments to extend credit (Note 26)	478,676	652,300

For more details on the maximum exposure to credit risk for each class of financial instrument, references should be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

The Group's financial assets, before taking into account any collateral held or other credit enhancements are analysed by business segment in Note 29.

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset, based on the Group's credit rating system.

Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)

28. Risk management (continued)

Credit risk (continued)

Quantitative information (continued)

At 31 December 2013

	<i>Neither past due nor impaired</i>				<i>Total AED'000</i>
	<i>Normal grade AED'000</i>	<i>Watch list grade AED'000</i>	<i>Past due but not individually impaired AED'000</i>	<i>Past due and individually impaired AED'000</i>	
Bank balances	233,164	-	-	-	233,164
Islamic financing and investing assets	5,806,891	740,857	263,512	1,442,374	8,253,634
Advances and other receivables	24,886	8,403	-	13,541	46,830
<b>Total</b>	<b>6,064,941</b>	<b>749,260</b>	<b>263,512</b>	<b>1,455,915</b>	<b>8,533,628</b>

At 31 December 2012

	<i>Neither past due nor impaired</i>				<i>Total AED'000</i>
	<i>Normal grade AED'000</i>	<i>Watch list grade AED'000</i>	<i>Past due but not individually impaired AED'000</i>	<i>Past due and individually impaired AED'000</i>	
Bank balances	1,178,787	-	-	-	1,178,787
Islamic financing and investing assets	7,644,731	739,519	178,021	1,247,314	9,809,585
Advances and other receivables	19,266	8,684	-	14,665	42,615
<b>Total</b>	<b>8,842,784</b>	<b>748,203</b>	<b>178,021</b>	<b>1,261,979</b>	<b>11,030,987</b>

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**28. Risk management (continued)**

**Aging analysis of past due but not individually impaired Islamic, financing and investing assets**

	<i>31 December 2013</i>		
	<i>Less than 60 days AED'000</i>	<i>60 to 90 days AED'000</i>	<i>Total AED'000</i>
Islamic financing and investing assets	<u>237,531</u>	<u>25,981</u>	<u>263,512</u>
	<i>31 December 2012</i>		
	<i>Less than 60 days AED'000</i>	<i>60 to 90 days AED'000</i>	<i>Total AED'000</i>
Islamic financing and investing assets	<u>101,808</u>	<u>76,213</u>	<u>178,021</u>

**Collateral and other credit enhancements**

The finance provided by the Group is asset backed in accordance with the principles of Sharia'a. Properties are funded based on "Group's Appraised Value". In the case of new properties, the appraised value is similar to the developers' per square footage rate further assessed by independent valuation and internal assessment. However, in some cases the Group might have lower rates than the developers based on the Group's view of the property. In case of older properties the appraised value is determined by the Credit Department. These valuations are based on the valuation report from valuers, whenever required, and the property prices witnessed in the Group past funding transactions.

Property insurance is mandatory and the property is insured against all normal risks for the value stated in the sale agreement, or the valuation amount given by the surveyor, as the case maybe. The insured value is maintained at the original property value through the life of the finance.

**Profit rate risk**

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. In the Group's financial statements, mainly two line items can lead to such exposure i.e. Islamic financing assets and financing obligations, as shown on the assets and liability sides respectively. The profit rate risk for the Group is minimal in the short term period.

The profit rate for financing assets is a composition of EIBOR and internal spread which cannot be expected to fluctuate frequently based on EIBOR movement. The Group reviews the profit rate on a monthly basis during its ALCO meeting and, if required, recommends rate change based on market conditions and competition.

The profit rate on financing obligations is contractually determined on contract initiation. Refer to Note 13 for further details.

The following table demonstrates the sensitivity to a reasonable possible change in profit rates, with all other variables held constant, of the Group's consolidated statement of comprehensive income.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**28. Risk management (continued)**

**Profit rate risk (continued)**

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in profit rates on the net profit earned for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2013 and 31 December 2012.

	<i>31 December 2013</i>	
	<i>Increase/ (decrease) in basis points</i>	<i>Sensitivity of net returns increase/ (decrease) AED 000's</i>
AED	50bps	32,843
AED	(50bps)	(32,843)

	<i>31 December 2012</i>	
	<i>Increase/ (decrease) in basis points</i>	<i>Sensitivity of net returns increase/ (decrease) AED 000's</i>
AED	50bps	30,890
AED	(50bps)	(30,890)

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

All assets and liabilities as at 31 December 2013 are denominated in the U.A.E. Dirhams or US Dollars. U.A.E. Dirham is currently pegged to US Dollar and therefore, the Group is not exposed to any significant currency risk except for the balances relating to foreign subsidiaries, which are not significant.

**Equity price risk**

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect (as a result of a change in the fair value of equity instruments held at 31 December 2013 and 31 December 2012) due to a reasonably possible change in equity indices, with all other variable held constant, is as follows:

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**28. Risk management (continued)**

**Equity price risk (continued)**

*Market indices*

	<i>31 December 2013</i>		<i>31 December 2012</i>	
	<i>Change in equity price</i>	<i>Effect on other comprehensive income AED'000</i>	<i>Change in equity price</i>	<i>Effect on other comprehensive income AED'000</i>
DFM	+20%	6,753	+20%	-
DFM	-20%	(6,753)	-20%	-

**Early settlement risk**

Early settlement risk is the risk that the Group will incur a financial loss because its counterparties settle earlier or later than expected.

The Group does not have any significant early settlement risk as the amount recovered in case of early settlement is more than the fair value of the asset on settlement date, by adding a margin, and to recover amount on time and to avoid any delays. The collection team, supervised by the Credit committee monitors the customer receivable position on a daily basis.

**Operational risk**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

**Liquidity risk**

Liquidity risk is the risk that the Group may be unable to meet its funding requirements. This can be caused by political uncertainty, market disruptions or deterioration in the Group's credit ratings.

The Group monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis.

The Group reviews the maturity gap analysis in its monthly ALCO meetings to identify potential liquidity risks in advance. The gap measures liquidity in five time buckets for each type of asset and liability for each period, as well as cumulatively.

## Notes to the consolidated financial statements for the year ended 31 December 2013 (continued)

### 28. Risk management (continued)

#### Maturity analysis of assets and liabilities

The maturity analysis of assets, liabilities and items off the consolidated statement of financial position analysed according to when they are expected to be recovered, settled or sold.

The maturity gap at the year end arises due to contractual maturities of assets and liabilities. The Group intends to access stable sources of medium to long term financing from Capital markets by issuing Sukuks and other asset backed Sharia compliant structures. Financing obligations are expected to be rolled over on maturity. DIB has reviewed the Group's funding requirements for five years and intends to provide full support in relation to its overall business model.

#### At 31 December 2013

	Within 1 month AED'000	1 to 3 months AED'000	3 to 12 months AED'000	Subtotal less than 12 months AED'000	1-5 years AED'000	Over 5 years AED'000	Total AED'000
<b>ASSETS</b>							
Bank balances and cash	167,055	-	-	167,055	66,114	-	233,169
Islamic financing and investing assets	53,524	92,543	314,187	460,254	2,630,185	4,585,729	7,676,168
Other investments carried at FVTOCI	-	-	-	-	33,767	-	33,767
Investment properties	-	-	-	-	376,881	-	376,881
Advances, prepayments and other receivables	5,803	7,181	16,193	29,177	10,417	-	39,594
Property and equipment	-	-	-	-	21,600	-	21,600
<b>Total assets</b>	<b>226,382</b>	<b>99,724</b>	<b>330,380</b>	<b>656,486</b>	<b>3,138,964</b>	<b>4,585,729</b>	<b>8,381,179</b>
<b>LIABILITIES</b>							
Zakat payable	-	4,870	-	4,870	-	-	4,870
Accounts payable, accruals and other liabilities	39,711	8,666	145,257	193,634	49,836	-	243,470
Financing obligations	4,650,000	-	-	4,650,000	1,102,500	-	5,752,500
<b>Total liabilities</b>	<b>4,689,711</b>	<b>13,536</b>	<b>145,257</b>	<b>4,848,504</b>	<b>1,152,336</b>	<b>-</b>	<b>6,000,840</b>
<b>Assets less liabilities</b>	<b>(4,463,329)</b>	<b>86,188</b>	<b>185,123</b>	<b>(4,192,018)</b>	<b>1,986,628</b>	<b>4,585,729</b>	<b>2,380,339</b>
<b>COMMITMENTS</b>							
Irrevocable commitments to extend credit	29,986	47,185	20,965	98,136	380,540	-	478,676



Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)

28. Risk management (continued)

Maturity analysis of assets and liabilities (continued)

At 31 December 2012

	Within 1 month AED '000	1 to 3 months AED '000	3 to 12 months AED '000	Subtotal less than 12 months AED '000	1-5 years AED '000	Over 5 years AED '000	Total AED '000
<b>ASSETS</b>							
Bank balances and cash	1,112,698	-	-	1,112,698	66,114	-	1,178,812
Islamic financing and investing assets	79,552	146,511	437,697	663,760	2,780,753	5,879,677	9,324,190
Investment properties	-	-	-	-	381,749	-	381,749
Advances, prepayments and other receivables	5,187	5,212	14,220	24,619	12,617	-	37,236
Property and equipment	-	-	-	-	24,879	-	24,879
<b>Total assets</b>	<b>1,197,437</b>	<b>151,723</b>	<b>451,917</b>	<b>1,801,077</b>	<b>3,266,112</b>	<b>5,879,677</b>	<b>10,946,866</b>
<b>LIABILITIES</b>							
Zakat payable	-	17,126	17,126	34,252	14,332	-	48,584
Accounts payable, accruals and other liabilities	47,731	42,050	142,407	232,188	84,739	7,294	324,221
Financing obligations	1,095,150	-	1,200,000	2,295,150	5,979,930	-	8,275,080
<b>Total liabilities</b>	<b>1,142,881</b>	<b>59,176</b>	<b>1,359,533</b>	<b>2,561,590</b>	<b>6,079,001</b>	<b>7,294</b>	<b>8,647,885</b>
<b>Assets less liabilities</b>	<b>54,556</b>	<b>92,547</b>	<b>(907,616)</b>	<b>(760,513)</b>	<b>(2,812,889)</b>	<b>5,872,383</b>	<b>2,298,981</b>
<b>COMMITMENTS</b>							
Irrevocable commitments to extend credit	-	145,619	172,440	318,059	334,241	-	652,300

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**28. Risk management (continued)**

**Contractual undiscounted repayment obligations**

The maturity profile of the Group's financial liabilities based on contractual undiscounted payment obligations is as follows:

	<i>Within 1 month AED'000</i>	<i>1 to 3 months AED'000</i>	<i>3 to 12 months AED'000</i>	<i>Subtotal less than 12 months AED'000</i>	<i>Over 1 year AED'000</i>	<i>Total AED'000</i>
<i>At 31 December 2013</i>						
Zakat payable	-	4,870	-	4,870	-	4,870
Accounts payable, accruals and other liabilities	39,711	8,666	145,257	193,634	49,836	243,470
Financing obligations (includes future profit payables)	4,661,983	-	28,411	4,690,394	1,244,557	5,934,951
	<b>4,701,694</b>	<b>13,536</b>	<b>173,668</b>	<b>4,888,898</b>	<b>1,294,393</b>	<b>6,183,291</b>
<i>At 31 December 2012</i>						
Zakat payable	-	17,126	17,126	34,252	14,332	48,584
Accounts payable, accruals and other liabilities	-	89,781	142,407	232,188	92,033	324,221
Financing obligations (includes future profit payables)	1,102,187	-	1,387,667	2,489,854	6,602,836	9,092,690
	<b>1,102,187</b>	<b>106,907</b>	<b>1,547,200</b>	<b>2,756,294</b>	<b>6,709,201</b>	<b>9,465,495</b>

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**29. Segment information**

For management purposes the Group is organised into two major business segments:

- Islamic financing and investing activities - Principally handling Islamic financing and investing activities.
- Property trading and investment activities - Principally involved in the purchase and sale of properties and related activities including commissions.
- Other - Functions other than the above core lines of business.

These segments are the basis on which the Group reports its segments information. Segment information for the year ended 31 December 2013 and 2012:

	31 December 2013			31 December 2012		
	Islamic financing and investing activities AED'000	Property trading and investment activities AED'000	Total AED'000	Islamic financing and investing activities AED'000	Property trading and investment activities AED'000	Total AED'000
Gross income	545,109	4,195	549,304	600,311	2,982	603,293
Allocable expenses	(371,380)	(10,583)	(381,963)	(422,771)	(27,980)	(450,751)
Depreciation	(4,119)	(4,422)	(8,541)	(4,408)	-	(4,408)
<b>Segment result</b>	<b>169,610</b>	<b>(10,810)</b>	<b>158,800</b>	<b>173,132</b>	<b>(24,998)</b>	<b>148,134</b>
Provision for impairment and litigation losses	(54,895)	-	(54,895)	(68,625)	(7,031)	(75,656)
<b>Segment result after provision</b>	<b>114,715</b>	<b>(10,810)</b>	<b>103,905</b>	<b>104,507</b>	<b>(32,029)</b>	<b>72,478</b>
<b>Profit for the year</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>	<b>AED'000</b>
			<b>103,905</b>			<b>72,478</b>
<b>Segment assets</b>	<b>7,698,891</b>	<b>379,005</b>	<b>8,381,179</b>	<b>9,346,910</b>	<b>384,918</b>	<b>10,946,866</b>
<b>Segment liabilities</b>	<b>5,507,861</b>	<b>271,144</b>	<b>6,000,840</b>	<b>7,336,900</b>	<b>312,175</b>	<b>8,647,885</b>
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>840</b>	<b>-</b>	<b>-</b>	<b>1,914</b>

No secondary segment information has been provided as currently the operations of the Group are concentrated primarily in the U.A.E.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**30. Capital management**

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012. Capital comprises share capital, statutory reserve, general reserve, special reserve and retained earnings and is measured at AED 2,380,339 thousands as at 31 December 2013 (31 December 2012: AED 2,298,981 thousands).

**31. Related party transactions**

The Group enters into arm's length transactions with shareholders, directors, key management personnel and their related concerns in the ordinary course of business at commercial profit and commission rates. All facilities to related parties are performing facilities and are free of any provision for possible impairment.

Balances and transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

The significant balances and transactions of related parties included in the consolidated financial statements are as follows:

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Key management personnel AED'000	Major shareholders AED'000	Key management personnel AED'000	Major shareholders AED'000
Income from Islamic financing and investing activities	759	-	1,283	-
Income on mudaraba deposits and wakala investments	-	2,652	-	10,065
Other income	-	15,502	-	12,500
Depositors'/investors' share of profit and related cost	-	103,063	-	55,205
General and administrative expenses	-	256	-	3,131

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**31. Related party transactions (continued)**

	As at 31 December 2013		As at 31 December 2012	
	Key management personnel AED'000	Major shareholders AED'000	Key management personnel AED'000	Major shareholders AED'000
Islamic financing and investing assets	10,153	-	20,994	-
Bank balances and cash	-	233,062	-	1,169,625
Other investments carried at FVTOCI	-	33,767	-	-
Advances, prepayments and other receivables	-	10,108	-	4,161
Financing obligations	-	4,650,000	-	1,250,000
Depositors'/investors' share of profit payable and related cost	-	6,717	-	139

The compensation paid to key management personnel of the Group is as follows:

	For the year ended	
	31 December 2013 AED'000	31 December 2012 AED'000
Directors' remuneration and fees	-	1,540
Short term employee benefits	4,266	5,898
Termination and other benefits	216	250
	<u>4,482</u>	<u>7,688</u>

**32. Fair values of financial instruments**

Financial instruments comprise financial assets and financial liabilities.

Financial assets include bank balances and cash, receivables, Islamic financing and investing assets and Investments. Financial liabilities include zakat payable, accounts payable, accruals and other liabilities and financing obligations.

The fair values of financial instruments are not materially different from their carrying values.

**33. Proposed dividend**

The Board of Directors has proposed a dividend of AED 0.05 per share totaling to AED 50 million (2012: AED 0.05 per share totaling to AED 50 million). The amount of proposed dividend is subject to approval at the Annual General Meeting.

**Notes to the consolidated financial statements  
for the year ended 31 December 2013 (continued)**

**34. Directors' remuneration**

Directors' remuneration for 2012 amounting to AED 1,150 thousand was approved by the shareholders at the Annual General Meeting dated 18 March 2013. No remuneration has been proposed for the Directors for the year 2013.

**35. Approval of the consolidated financial statements**

The consolidated financial statements were approved by the Board of Directors and authorised for issue 16 January 2014.