Dar Al-Maal Al-Islami Trust

Annual Report

2013

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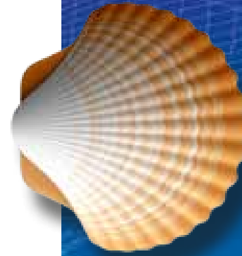
Board of Supervisors and Religious Board



Board of Supervisors

Mohamed Al Faisal Al Saud,
Chairman

Abdelaziz Abdallah Alfadda

Mohamed A. Abdelkarim El Kheriji

Ebrahim Khalifa Al Khalifa

Amr Mohamed Al Faisal Al Saud

Khalid Omar Abdel Rahman Azzam

Ibrahim El Tayeb Elrayah

Mohammed Abdullah Abdulaziz
Alankari

Faisal Islamic Bank-Egypt
(Represented by Abdelhameed Abou Moussa)

Religious Board

Nasr Farid Mohamed Wasel,
Chairman

Halil Gonenc

Osama Mohamed Ali

Dar Al-Maal Al-Islami Trust

Dar Al-Maal Al-Islami Trust (DMI) was founded in 1981. It has an extensive network stretching over four continents, with well integrated regional subsidiaries enabling it to respond to local business needs and conditions. Based on this geographic structure, the DMI Group and associates act as a financial bridge between the world's leading financial centres and Islamic countries.

The Group comprises three main business sectors: Islamic banking, Islamic investment and Islamic insurance.

Islamic banking is exercised in different forms: commercial and retail banking in the Gulf region and other parts of the world; fund management and financial services in Switzerland and Jersey. Islamic investment companies are located in Bahrain, Egypt and Pakistan. There are also associated Islamic insurance companies based in Bahrain and Luxembourg, providing services to the Islamic communities in the Middle East and Europe.

The Board of Supervisors of DMI Trust directs and oversees the business of the Group. DMI Administrative Services S.A., located in Geneva, Switzerland, provides assistance to the Board of Supervisors, in particular in the areas of legal and financial control, audit and risk management and information technology.

DMI Trust is an institution that creates, maintains and promotes Islamic financial institutions. Asset management is one of the Group's core business activities. Clients' funds are invested prudently with the objective of optimal return as well as asset preservation. DMI has devised a comprehensive range of Islamic financial instruments to channel investors' funds into viable Sharia compatible operations and investments.

Dear Participants,

May the peace, blessings and mercy of Allah be upon you.

On behalf of the Board of Supervisors, I am pleased to present the thirty second annual report of Dar Al-Maal Al-Islami Trust for the financial year ended 31 December 2013.

Entering the new year, the global economy appears to be on surer footing as recovery inched forward. As 2013 unfolded, leading economies began showing strength, shifting the dynamics away from the fast growing emerging markets as they lost pace. This led analysts to optimistically project that going forward the headwinds will be distinctly lighter than those experienced during the economic recession of the past five years; suggesting that demand from developed markets will again support emerging markets, leading to a more balanced world growth.

Chairman's Message

DMI remains committed to its objectives of enhancing operational success and further reinforcing profitability for its shareholders. During the year, DMI examined various alternatives to restructuring the Group's assets which have been adversely impacted by the market. It is anticipated that forthcoming actions, which will strengthen cost effectiveness and continue to focus operations on core activities, will bear fruit in the coming months. The DMI Group is continually monitoring and proactively seeking business opportunities and is prepared to take whatever action is required to position itself successfully in the future.

In 2013 the Group recorded a net loss of $27.3 million compared to a net profit of $4.0 million for 2012. Trust capital amounted to $433.1 million at 31 December 2013 as

compared to $486.1 million at the end of 2012. As a result, the value of each participation unit decreased to $109.48 as compared to last year's value of $122.88. In view of this, the Board of Supervisors has resolved not to recommend a dividend in respect of the year ended 31 December 2013 at the Annual General Meeting.

Owners and holders of equity participation certificates will be aware that it has been our policy for a number of years to allocate a percentage of the Group's profit to a fiduciary risk reserve to cover inherent fiduciary risks which might arise in the Group's managed funds. In light of the challenging years behind us, the Board has again resolved to recommend the appropriation of an additional $20.0 million from reserves to the fiduciary reserve to reflect the increased risks. The amount of the fiduciary risk reserve of $227.5 million will be kept under review and will not be available for distribution.

DMI's ownership in its core subsidiary, Ithmaar Bank B.S.C., reduced from 53% to 49% following the increase in the Bank's share capital by BD 21.4 million to BD 285.6 million; a result of the share swap with First Leasing Bank, one of its Bahrain based associated companies. After three challenging years, including the aforementioned transaction and the smooth integration of two mergers in Bahrain and Pakistan, the Bank remains strong. Opportunities were successfully seized as they arose.

Ithmaar Bank was not exempt from the turbulent business environment and continuously challenging global markets. The Bank reported a net loss, after taxes and provisions, of BD 29.9 million ($79.3 million) for the year ended 31 December 2013, compared to a net loss of BD 10.1 million ($26.8 million) in 2012, mainly due to diminished margins in one of its subsidiaries. Operating expenses were controlled and the Bank expects further cost efficiencies with planned restructuring measures. The balance sheet indicated stability, improved liquidity, an encouraging rise in financing assets (loans) of 14.8% and a 13.4% growth in customer funds, with the customer base more than doubling in the last three years. New products and services enhanced the expansion in the Bahrain retail banking network of 17 branches and 47 ATM locations.

This year's results were nevertheless reassuring in light of a 35% increase in the share price and the continued growth in its Bahrain core business market share, a clear sign of confidence, gratefully acknowledged by the Bank. Ithmaar Bank is nonetheless fully aware that it has not yet realised the full potential of synergies. The future strategy will focus on transforming its organisation into the region's premier Islamic retail bank. The positive impact of these key decisions will be witnessed in 2014.

Faysal Bank Limited, in which the Group owns an economic interest of 35% through its ownership in Ithmaar Bank, generated a net profit of PKR 1,850 million ($18.2 million) after tax, a 30% increase over the prior year. This marked a year of accomplishment and turnaround in adverse economic conditions, which included the further devaluation of the Pakistani Rupee by 8% against the US dollar, a change in government with diverging monetary and fiscal spending policies and continued inflationary pressure on consumer prices. During 2013, the Bank concentrated its efforts on increasing revenue from core business activities by improving the deposit mix increasing low cost customer accounts, efficiently containing administrative costs, proactively managing credit costs and recovering non-performing loans. Following the merger with Royal Bank of Scotland, the Bank upgraded and merged two core banking systems, which will bring operational efficiency and cost savings for many years to come. This year FBL added four new branches resulting in a geographical presence of 269 in 79 cities and expanded the 53 Islamic Banking office network through the successful launch of dedicated Islamic Banking Windows in several conventional branches. Going forward, FBL's strategy will continue to build upon those high quality activities which have yielded well for the bank. FBL fully expects that future initiatives will result in a strengthened balance sheet and improved profitability, benefiting shareholders and customers alike.

In spite of another challenging year, Islamic Investment Company of the Gulf (Bahamas) Limited, DMI's wholly-owned subsidiary, delivered positive results on a stand-alone basis with a modest net profit of $3.8 million. However, due to unfavourable results in some of its subsidiaries, coupled with continuing start-up expenses in its new subsidiary, IICG recorded a consolidated net loss of $4.1 million. IICG's total assets increased 2% over 2012 amounting to $158.5 million, while shareholder's equity rose to $51 million, an increase of 8% compared to the prior year. During this period, IICG focused on achieving longer maturity profiles for its client investments resulting in the funds under management reaching $2.4 billion, a 2% increase in 2013 deposits. IICG reaffirms its commitment to asset stabilisation, yield enhancement, value creation and cost rationalisation for its clients now and for years to come.

IICG's 73% owned subsidiary, Gulf Investors Asset Management Company (GIAMCO), a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia, commenced business operations in July 2012. During 2013 GIAMCO continued to set the detailed ground work required for its fund structuring, Sharia and statutory approvals, third party agreements and its operational requirements of manpower, IT and operational systems. GIAMCO's Asset Management department

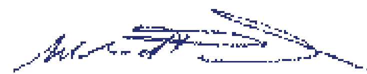
prepared the launch of four Saudi mutual funds pertaining to equity, real estate and liquidity. I am pleased to report that there has been an overwhelmingly positive response from future investors for these products. The Investment Banking department successfully sourced and conducted due diligence on a number of private equity, corporate finance and mergers and acquisition transactions. DMI enthusiastically looks forward to the continued development and significant contribution that GIAMCO will bring to the Group in the future.

Faisal Islamic Bank of Egypt, in which the Group owns a 49% interest, realized extraordinary results considering the magnitude of increased economic insecurities brought on by both local and regional political turmoil. Significant achievements reached in this unfavourable business environment included record net profits of EGP 641.3 million ($94 million) representing an increase of 1.4% over the prior year and considerable growth in total assets of 10.4% to EGP 45.4 billion ($6.5 billion) at 31 December 2013. Total equity amounted to EGP 3,239 million ($466 million). During the first year of implementing the new banking strategy, which included offering products in both local and foreign currency to clients with a high disparity of income levels, FIBE realised a 9% increase in its savings accounts and certificates amounting to EGP 40.7 billion as well as an 11% gain in net investment accounts amounting to EGP 41.5 billion. It is also worth mentioning that all non-performing funds within the investment portfolio are completely covered by provisions to ensure sufficient guarantees, whilst maintaining safe risk levels on all others. FIBE is very satisfied with this year's results and fully anticipates continued growth and expansion of its presence.

Effective 1 January 2013, the International Accounting Standards Board adopted the IFRS 10 accounting standard. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements and further defines the principle of control. As a direct result of the implementation of IFRS 10, the DMI Group concluded during the 2012 year end audit to fully consolidate Faisal Islamic Bank of Egypt as a group subsidiary, with a 51% non-controlling interest in its 2013 group accounts. In hindsight, it could not be shown in practice that DMI had sufficient de facto control as per the definition of the new accounting standard. Therefore, DMI has now determined that equity accounting for its 49% interest in FIBE as an associated company under IAS 28 shall be continued.

On behalf of the Board of Supervisors I would like to express thanks and appreciation to our participants for their continued support during the past year. Furthermore, I wish to take this opportunity to thank the Religious Board for its counsel and guidance and the staff for their commitment and dedication.

Allah is the purveyor of success.



Mohamed Al Faisal Al Saud

The DMI Trust Religious Board held a meeting in Manama, Bahrain, on Sunday, 27 Jomada II, 1435H corresponding to 27 April 2014.

During the said meeting the Religious Board went through and reviewed the investment operations of DMI and its subsidiaries during the period under review.

Furthermore the Religious Board reviewed the 2013 balance sheet and financial statements presented to it and after examining and discussing the same, the Religious Board considered that all DMI Group investment activities, projects and banking services undertaken during the year were in conformity with the principles of the glorious Sharia and in line with the standard contracts previously approved by the Religious Board.

The Board expressed its thanks to the DMI Group Management for the correct understanding and implementation of the standard contracts, rulings and directives issued by the Religious Board, complying thereby with principles of the Glorious Islamic Sharia.

The Board wishes further success to the DMI Group.

Allah is the purveyor of success.

Dr. Nasr Farid Mohamed Wasel
Chairman of the Religious Board

Report of the Religious Board

1 January 2013 - 31 December 2013

Millions of US dollars

	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Net profit (loss)	18.9	28.7	52.1	50.7	12.3	(108.9)	130.2	(30.9)	4.0	(27.3)
Dividends	8.9	8.9	14.8	14.8	20.7	27.7	0.0	0.0	0.0	0.0
Trust capital	286	325	362	422	454	335	524	457	486	433
Return on average capital	7.0%	9.4%	15.2%	12.9%	2.8%	(27.6)%	29.9%	(6.3)%	0.8%	(5.9)%
Funds under management	4,204	4,762	1,856	1,906	2,296	2,508	8,589	8,098	8,355	8,399
Average number of employees	1,294	1,475	896	232	232	214	2,845	4,726*	3,978	4,075
Book value per unit	$96.86	$109.83	$122.41	$142.88	$114.85	$84.59	$132.57	$115.51	$122.88	$109.48

**The number of employees increased due to the acquisition of Royal Bank of Scotland (Pakistan) by Faysal Bank Limited, one of the Group's subsidiaries.

Ten-year Financial Summary

Dar Al-Maal Al-Islami Trust

2013 Annual Report

1 January 2013 - 31 December 2013

Consolidated Financial Statements

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REPORT OF THE AUDITOR

To the Bearers and Owners of Equity Participations of Dar Al-Maal Al-Islami Trust

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Dar Al-Maal Al Islami Trust and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of change in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Basis for qualified opinion

As indicated in note 16 to the consolidated financial statements, on accounting for its acquisition of a controlling stake in Ithmaar Bank B.S.C. ("Ithmaar") during the year 2010, management determined the fair value of the Group's previously held interest on the basis of an independent valuation which used an average of a peer group market analysis of similar banks listed on the Bahrain stock exchange and a discounted cash flow, adjusted for an estimated control premium. This methodology was accepted by management on the basis that it does not consider that an active market existed for the shares of Ithmaar and therefore the quoted market price was ignored. In our opinion, this valuation methodology was not in accordance with IFRS which stipulates that the most recent transaction prices should be taken into consideration as an input in the valuation model, unless it can be demonstrated that these transactions related to distressed sales. Had the quoted market price been used as an input into what we believe is an acceptable valuation methodology that market participants would consider in valuing the Group's previously held in interest in Ithmaar, this would have resulted in a valuation of US$ 483.6 million rather than US$ 587.1 million, and led to a decrease in the consolidated retained earnings in the amount of US$ 103.5 million for the years ended 31 December 2013 and 2012 and a corresponding decrease in goodwill and non-controlling interests in the amounts of US$ 111.6 million and US$ 8.1 million respectively for both years.

In addition, as indicated in note 3 to the consolidated financial statements, management determined the value in use of Islamic Investment Company of the Gulf (Bahamas) Limited exceeded its carrying value as at 31 December 2013 and as such no impairment has been recognised on the related goodwill and intangible balances of US$ 32.2 million and US$ 19.7 million, respectively. In our opinion, the attached financial statements have not properly disclosed nor considered the significant uncertainty surrounding the valuation of the entity as a result of the performance of the underlying funds under management. As such, there is a significant risk that the goodwill and intangibles of a combined amount of US$ 51.9 million might be impaired.

Qualified opinion

In our opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph above, the consolidated financial statements present fairly, in all material aspects, the financial position of the Group as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Ltd

Alex Astolfi

Nicolas Colledge

Geneva, 15 May 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

(Thousands of US dollars except participation units)

	Notes	As at 31 December 2013	As at 31 December 2012 Restated	As at 1 January 2012 Restated
Assets				
Cash and cash equivalents	5	985,984	875,849	785,042
Investments with Islamic institutions		118,001	119,373	120,514
Trading securities	6	82,663	81,073	64,555
Investments in financings	7	2,086,627	2,146,866	1,989,263
Investment securities	10	1,180,535	1,059,923	1,202,791
Accounts receivable	12	164,958	161,382	182,303
Current tax receivable	19	35,901	14,650	12,987
Investment property	13	334,913	385,921	393,094
Investments in associates	14	967,549	958,649	884,886
Property, plant and equipment	15	116,961	118,754	134,937
Intangible assets	16	545,471	565,212	584,845
Non-current assets held for sale	17	21,032	26,856	23,146
Deferred tax assets	19	44,144	54,782	60,911
Total assets		**6,684,739**	**6,569,290**	**6,439,274**
Liabilities				
Accounts payable	18	937,839	796,569	782,469
Current tax payable	19	5,307	260	903
Massaref accounts	20	4,711,654	4,671,276	4,589,812
Provisions	21	73,000	73,000	73,000
Non-current liabilities held for sale		-	-	3
Deferred tax liabilities	19	5,073	8,222	4,892
Total liabilities		**5,732,873**	**5,549,327**	**5,451,079**
Equity				
Trust capital attributable to equity participants				
Capital	41	390,316	390,316	390,316
Reserves		42,751	95,735	66,599
Total trust capital		**433,067**	**486,051**	**456,915**
Non-controlling interests	32	518,799	533,912	531,280
Total equity		**951,866**	**1,019,963**	**988,195**
Total equity and liabilities		**6,684,739**	**6,569,290**	**6,439,274**
Number of trust capital participation units		3,955,606	3,955,606	3,955,606
Book value per unit		$109.48	$122.88	$115.51

The notes on pages 18 to 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Notes	2013	2012
Income			
Fund management and services	33	42,354	43,813
Net trading income	23	19,916	35,734
Income from investments in financings	24	152,510	226,624
Fee and commission income	25	37,466	44,161
Gains/(losses) from investment securities	10	43,997	60,428
Dividend income	26	11,248	13,159
Gains/(losses) from other income	27	5,466	(1,083)
		312,957	422,836
Profit paid to financial and other institutions		(21,519)	(15,302)
Distribution to Massaref account holders		(201,289)	(250,656)
Operating income		90,149	156,878
Expenses			
Staff costs	28	(106,334)	(113,483)
General and administrative expenses	29	(86,581)	(86,455)
Depreciation and amortisation	15,16	(30,425)	(29,374)
Exchange (loss)/gain		(3,088)	(2,204)
Allowance for impairment	9	(4,182)	(14,512)
Total expenses		(230,610)	(246,028)
Operating (loss)		(140,461)	(89,150)
Share of profit of associated companies	14	74,784	78,356
(Loss)/profit before income taxes		(65,677)	(10,794)
Taxes	31	(3,798)	(1,259)
(Loss)/profit after income taxes		**(69,475)**	**(12,053)**
Attributable to:			
Equity participants		(27,286)	3,984
Non-controlling interests	32	(42,189)	(16,037)
		(69,475)	**(12,053)**

The notes on pages 18 to 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	2013		2012 Restated	
	Equity holders	Non-controlling interests	Equity holders	Non-controlling interests
(Loss)/profit after income tax	**(27,286)**	**(42,189)**	**3,984**	**(16,037)**
Items that may be subsequently reclassified to profit or loss				
Movements in reserves due to change in ownership of subsidiaries	(1,176)	57,852	(162)	-
Movements in reserves due to change in ownership of an associated company	(3,373)	(3,471)	-	-
Movements in reserves due to disposal of a subsidiary	-	(5,238)	-	-
Movements in fair value reserves of associated companies	8,027	(2,403)	19,887	8,711
Movements in currency translation of associated companies	(20,602)	(1,930)	(9,885)	(833)
Movement in fair value of available-for-sale investments	(9,062)	(13,223)	23,071	25,876
Movements in fair value reserves due to disposal of available-for-sale investments in a subsidiary	3,836	7,585	(3,251)	(5,914)
Transfer to income statement due to impairment of available-for-sale investments	(3,281)	(6,719)	3,055	5,556
Movements in deferred tax of available-for-sale investments	1,290	2,641	(2,094)	(3,809)
Foreign currency translation differences for foreign entities	(5,059)	(11,827)	(4,260)	(9,674)
Items that will not be reclassified to profit or loss				
Remeasurements of post-employment benefit obligations	3,702	3,809	(1,209)	(1,244)
Other comprehensive income	(25,698)	27,076	25,152	18,669
Total comprehensive (loss)/income	**(52,984)**	**(15,113)**	**29,136**	**2,632**

The notes on pages 18 to 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Note	Attributable to equity participants							
	Note	Paid in capital	Fiduciary reserve	Fair value reserve	Currency translation	Other reserves	Total reserves	Non-controlling interests	Total equity
At 1 January 2012 Restated		390,316	187,453	22,951	6,029	(149,834)	66,599	531,280	988,195
Total comprehensive income/(loss)		-	-	40,668	(13,999)	2,467	29,136	2,632	31,768
Dividend declared		-	-	-	-	-	-	-	-
Allocation to fiduciary reserves	41	-	20,000	-	-	(20,000)	-	-	-
At 31 December 2012		390,316	207,453	63,619	(7,970)	(167,367)	95,735	533,912	1,019,963
Total comprehensive income/(loss)		-	-	650	(25,697)	(27,937)	(52,984)	(15,113)	(68,097)
Dividend declared		-	-	-	-	-	-	-	-
Allocation to fiduciary reserves	41	-	20,000	-	-	(20,000)	-	-	-
At 31 December 2013		390,316	227,453	64,269	(33,667)	(215,304)	42,751	518,799	951,866

The notes on pages 18 to 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Notes	2013	2012
Cash flows from operating activities			
(Loss)/profit before taxes and non-controlling interests		(65,677)	(10,794)
Adjustments for:			
Depreciation and amortisation	15,16	27,621	29,374
Fair value adjustments on trading securities		(2,129)	(8,733)
Fair value adjustment on investments in financings	24	58,061	13,053
(Gain)/loss on retirement benefit plans	34	(4,289)	-
(Income) from associated companies	14	(74,784)	(78,356)
Changes in fair value of investment properties	13	2,591	7,252
Provisions for impairment	9,10,15,21	26,904	27,955
Operating loss before changes in operating assets and liabilities		(31,702)	(20,249)
Net decrease in investments with Islamic institutions		1,372	1,141
Net (increase) of trading securities		(10,620)	(21,654)
Net decrease/(increase) in investments in financings		4,336	(168,540)
Net (increase)/decrease of investment securities	10	(195,052)	175,356
Net (increase)/decrease in accounts receivable		(5,441)	2,887
Net increase in accounts payable, excluding taxes		153,503	20,905
Net increase in Massaref accounts		38,220	79,349
Taxes paid		(12,689)	(6,142)
Net cash (used in)/provided by operating activities		(58,073)	63,053

The notes on pages 18 to 79 form an integral part of these consolidated financial statements.

(Thousands of US dollars)

	Notes	2013	2012
Cash flows from investing activities			
Purchase of investment property	13	-	(961)
Sale of investment property	13	37,243	3,858
Investments in associated companies	14	(8)	-
Sale of investment in associated companies	14	32,661	58
Dividends from associated companies	14	17,355	24,878
Purchase of property, plant and equipment and intangibles	15,16	(10,703)	(26,844)
Sale of property, plant and equipment and intangibles	15,16	3,840	23,891
Sold/ (acquired) non-current assets via settlements		3,756	(3,712)
Net cash provided by investing activities		84,144	21,168
Cash flows from financing activities			
Dividends paid		(397)	(986)
Cash inflow/(outflow) on acquisition of non-controlling interests		56,676	(162)
Cash (outflow)/inflow on sale of non-controlling interests		(5,238)	-
Cash (outflow)/inflow on merger with associated company		(6,844)	-
Net cash provided by/(used in) financing activities		44,197	(1,148)
Foreign currency translation adjustments		39,867	7,734
Net increase in cash and cash equivalents		**110,135**	**90,807**
Cash and cash equivalents at beginning of year		875,849	785,042
Cash and cash equivalents at end of year		**985,984**	**875,849**

The notes on pages 18 to 79 form an integral part of these consolidated financial statements.

1. Formation and activities

Dar Al-Maal Al-Islami Trust (DMI) was formed by indenture under the laws of the Commonwealth of The Bahamas for the purpose of conducting business affairs in conformity with Islamic law, principles and traditions. DMI subsidiaries and associates offer a wide range of Islamic financial services including investment, commercial and private banking, private equity, public and private issue of securities, mergers and acquisitions advice, takaful, equipment leasing real estate development and modarabas which are similar to investment funds. The modarabas, being separate entities, do not have their funds consolidated in the annexed financial statements. They are included in off-balance sheet accounts as disclosed in note 33.

2. Accounting policies

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

Basis of preparation

The consolidated financial statements of DMI and its subsidiaries (the Group) are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS interpretations. The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, trading securities, financial assets and financial liabilities held at fair value through profit or loss, derivative instruments and investment property.

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

As of 31 December 2013 DMI Trust has a $190 million borrowing from its controlled and fully consolidated subsidiary Ithmaar Bank B.S.C. The facility is repayable on 14 August 2014. As of today, DMI Trust and Ithmaar Bank have held discussions on how the facility could be rolled over; however no formal agreement has yet been reached. Management is confident that a solution can be reached with all parties ahead of the repayment date.

Impact of New Accounting Pronouncements: International Financial Reporting Standards

New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013.

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2013 that are expected to have a material impact on the Group, unless otherwise mentioned below.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Effective date 1 January 2013.

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). See note 42 for the impact on the financial statements. Effective date 1 January 2013.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. Effective date 1 January 2013. These amendments have a very limited impact, as there are no offsetting or netting agreements in place within the Group.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. Effective date 1 January 2013.

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

During the 2012 year end audit of the DMI Consolidated Financial Statements an assessment was made as to the control over our investee, Faisal Islamic Bank of Egypt. DMI considered at that time that even though our 49% shareholding did not rise to the level of a subsidiary by owning more than half of the voting power, DMI, through its control over the FIBE Board of Directors and the dispersed nature of the remaining shareholders, assessed to have control over FIBE effective 1 January 2013. Based upon further analysis of specific events during the course of 2013, DMI determined it was not able to exercise in practice sufficient de facto control and direct

the relevant activities of FIBE. DMI therefore retains the position of a 49% shareholder with significant influence and continues to account for FIBE as an associated company under the IFRS standard IAS 28 Investment in Associates.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, structured entities and other off balance sheet vehicles. Effective date 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Effective date 1 January 2013.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The Group has early adopted the amendments to IAS 36 on 1 January 2013.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted.

There are no IFRS or IFRIC interpretations that were issued but not effective for the financial year beginning 1 January 2013 and not early adopted that would be expected to have a material impact on the Group, unless otherwise mentioned below.

IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in the consolidated statement of comprehensive income rather than in the consolidated statement of income, unless this creates an accounting mismatch. The amendments also provide relief from restating comparative information and require disclosures (in IFRS 7) to enable users of financial statements to understand the effect of beginning to apply IFRS 9.

In November 2013, IASB published an amendment to IFRS 9 'Financial Instruments' incorporating its new general hedge accounting model. By this new phase of the project, the standard becomes more principle based, insures increased eligibility of hedging instruments and hedged items, amends the qualifying criteria for applying hedge accounting and requires increased disclosures.

On 16 December 2011, the IASB deferred the mandatory effective date of IFRS 9 to 1 January 2017 at the earliest. The Group is monitoring the developments in order to assess the impact on its financial statements. IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subject to significant levies so the impact on the Group is not material.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Costs associated with the restructuring of a subsidiary as a part of the acquisition or subsequent to the acquisition are included in the consolidated statement of income upon the date of commitment.

(b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounts for associated companies have been restated to conform with Group accounting policies, if necessary, except as otherwise disclosed.

Where a subsidiary or an associated company is acquired and held exclusively with a view to its disposal within the next twelve months, the subsidiary or associated company is classified as an investment held for sale in the Group's consolidated financial statements.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in United States dollars, which is DMI's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised

in the consolidated statement of income, except where hedge accounting is applied.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of their fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the consolidated statement of comprehensive income.

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
(ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component in the statement of comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the statement of comprehensive income on consolidation. When a foreign operation is sold, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Derivative financial instruments and hedging

Derivative financial instruments including foreign exchange contracts, equity options and equity futures are initially recognised in the consolidated statement of financial position at fair value and subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, discounted cash flow models, and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives held for trading are included in trading income.

On the date a derivative contract is entered into, the Group designates derivatives as either (a) a hedge of fair value of a recognised asset or liability (fair value hedge); or (b) a hedge of highly probable future cash flows attributable to a recognised asset or liability, a forecast transaction or a firm commitment (cash flow hedge). At present the Group does not hedge future cash flows. Hedge accounting is used for derivatives provided certain criteria are met.

The Group's criteria for a derivative instrument to be accounted for as a hedge include:

(a) Formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied; (b) the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and (c) the hedge is highly effective on an ongoing basis.

Changes in the fair value of the effective portions of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to hedged risk, are recorded in the consolidated statement of income, along with the corresponding change in fair value of the hedged asset or liability that is attributable to that specific hedged risk.

If the fair value hedge no longer meets the criteria for hedge accounting, an adjustment to the carrying amount of a hedged financial instrument is amortised in the consolidated statement of income over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in the consolidated statement of income.

Income from investments with Islamic institutions and investments in financings

Income from investments with Islamic institutions and investments in financings, which are included in the IAS 39 category "Loans and Receivables", are both contractually determined and quantifiable at the commencement of the transaction, are accrued on the effective return method basis over the period of the transaction. Where income is not contractually determined or quantifiable, it is recognised when reasonably certain of realisation or when realised. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, income is thereafter recognised using the rate of return used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fees and commissions are generally recognised as income when earned. Origination fees for financings which are probable of being drawn down, are deferred and recognised over the term of the financing as an adjustment to the effective yield.

Structuring fees, commission and fees arising from negotiating or participating in the negotiation of an Islamic transaction for a third party, are recognised on completion of the underlying transaction.

Asset management fees related to investment funds are recognised over the period the service is provided and are recorded in fund management and services income when capable of being reliably measured.

Management advisory and technical service fees are recognised based on applicable service contracts usually on a time-apportioned basis and are recorded in other income.

Distribution to Massaref account holders

Massaref accounts are included in the IAS 39 category of "Other Financial Liabilities" which are measured at amortised cost and the resulting expense charged to the consolidated statement of income as a distribution to Massaref account holders represents the share of the Group's income from all sources which is due to customers of the Group under contractual arrangements in force.

Sale and repurchase agreements

Securities sold subject to a linked repurchase agreement (repos) are recognised in the consolidated statement of financial position and are measured in accordance with related accounting policies for trading or investment securities. The counterparty liability for amounts received under these agreements is included in customer investment accounts. The difference between the sale and repurchase value is accrued over the period of the contract and recorded as expense in the consolidated statement of income.

Securities purchased under agreement to resell (reverse repos) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included under investments in financings. The difference between the contracted price and the resale price is amortised over the period of the contract and is recognised as income in the consolidated statement of income.

Obligations for the return of securities or for forward sales, which are a part of the repurchase agreements, are recognised as commitments as disclosed in note 36.

Financial Assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. The classification of investments is determined at initial recognition. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss (refer to details below). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership.

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

This category includes financial assets held for trading, including trading securities. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless qualifying for hedge accounting.

Financial assets at fair value through profit and loss are initially recognised at fair value (which excludes transaction costs) and subsequently carried at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in net trading income in the period in which they arise. Dividends declared are included in dividend income.

All purchases and sales of financial assets held for trading and at fair value through profit and loss that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset.

(b) Loans and receivables

Loans and receivables, which include investments in financings, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (a) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. In general, they arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable and also includes purchased loans and receivables that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective yield method. All loans are recognised when cash is advanced to the customer.

(c) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the intent and the ability to hold them to maturity. If more than an insignificant amount of held-to-maturity assets is sold, the entire category will be considered tainted and reclassified as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

(d) Available-for-sale

Available-for-sale investments are those intended to be held for an

indefinite period of time, which may be sold in response to needs for liquidity or changes in exchange rates, equity prices or other market rates. All regular way purchases and sales of investment securities are recognised at trade date, which is the date that the entity commits to purchase or sell the asset.

Available-for-sale investments are initially recognised at fair value (which includes transaction costs) and subsequently carried at fair value. The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active or the asset is an unlisted security, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale which are not part of a hedging relationship are recognised in comprehensive income. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the consolidated statement of income as gains or losses from investment securities. Dividends declared are included in dividend income.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit and loss; translation differences on non-monetary securities are recognised in comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in comprehensive income.

Impairment of Financial Assets

(a) Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment include:

i) Delinquency in contractual payments of principal or return;
ii) Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
iii) Breach of loan covenants or conditions;
iv) Initiation of bankruptcy proceedings;
v) Deterioration of the borrower's competitive position;
vi) Deterioration in the value of collateral; and
vii) Downgrading below investment grade level.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. If a loan or held-to-maturity investment has a variable profit rate, the discount rate for measuring any impairment loss is the current effective profit rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e, on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that

did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of income.

In the case of Islamic financings to customers in countries where there is an increased risk of difficulties in servicing external debt, an assessment of the political and economic situation is made and additional country risk provisions may be established.

(b) Assets classified as available-for-sale

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale equity financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity instruments are not reversed through the consolidated statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of income.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Investments with Islamic Institutions

Investments with Islamic institutions comprises mainly short term deposits in the form of parallel purchase and sale of currencies and commodities (PPSC), which are spot purchases of internationally traded currencies and commodities and a corresponding forward sale of the same. For the purpose of accounting, these are treated as term deposits and the return is recorded as income from investments with Islamic institutions in the statement of income.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill on subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is an asset's fair value less costs to sell. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are

amortised using the straight line method over their useful lives.

(c) Other acquired intangible assets

Other acquired intangible assets determined to have finite lives, such as core deposits and customer relationships, are amortised on a straight line basis over their estimated useful lives. The original carrying amount of core deposits and customer relationships has been determined by independent appraisers, based on the interest differential on the expected deposit duration method.

Investment Property

Investment property principally comprises office buildings which are held to earn rental income or for long-term capital appreciation or both. Investment property is treated as a long-term investment and is carried at fair value, representing open market value determined annually by reference either to external valuers or to other independent valuation sources. Changes in fair values are recorded in the consolidated statement of income and are included in other income. The Group does not classify operating leases as investment property.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at historical cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Land is not depreciated. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life as follows:

Buildings: 50 years

Leasehold improvements:
over the period of the lease
or useful life

Furniture, equipment and motor
vehicles: 3-10 years

Depreciation is calculated separately for each significant part of an asset category. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amounts. These are included as other operating income or expenses in the consolidated statement of income.

Leases

Total payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a Group company is the lessee of property, plant and equipment and the Group has substantially all the risks and rewards of ownership, they are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The profit element of the finance cost is charged to the consolidated statement of income over the lease period. The asset acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

When a Group company is the lessor and assets are held subject to a finance lease, the value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the statement of financial position date.

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the statement of financial position date.

Non-current-assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. A non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups). Its sale must be planned and committed and an active programme initiated

to locate a buyer and complete the plan within one year. The asset (or disposal group) must be actively marketed for a price that is reasonable in relation to its current fair value.

A non-current asset held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognised through the consolidated statement of income for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognised to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group held for sale.

The Group separately classifies the material non-current assets held for sale (or disposal group) in the consolidated statement of financial position. Furthermore, all major classes of assets and liabilities are disclosed. Any cumulative income or expense is disclosed as a separate item within equity. Prior period amounts are not re-presented to reflect the classification of the assets (or disposal group) in the current period.

Non-current assets, which are to be abandoned, are not classified as held for sale and are reclassified as discontinued operations, to the extent they meet the requirements of discontinued operations in the paragraph which follows.
If a non-current asset (or disposal group) ceases to be classified as held for sale or as discontinued operations, the results of operations are reclassified and included in the consolidated statement of income from continuing operations for all periods presented.

Discontinued Operations

A discontinued operation is a component (cash generating unit) of an entity that either has been disposed of or is classified as held for sale and a) represents a major business line or geographical area of operations; b) is part of a single coordinated plan to dispose of a separate major business line or geographical area of operations; or c) is a subsidiary acquired exclusively with a view to resell.

The Group presents after tax results from discontinued operations as a single separate component of the statement of income. Revenues, expenses, taxes, gains or losses on the measurement to fair value less costs to sell and cash flows are additionally disclosed. Prior periods are reclassified in order to present all operations that have been discontinued by the statement of financial position date of the latest period presented.

Due to banks and financial institutions

Due to banks and financial institutions are initially recorded at fair value and subsequently measure at amortised cost using the effective return method.

Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective return method.

Retirement benefit plans

The Group operates a number of defined benefit pension plans throughout the world, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant Group companies, taking into account the recommendations of independent qualified actuaries.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's contributions to defined contribution pension plans

are charged in the consolidated statement of income in the year to which they relate.

Taxation

Taxes are provided and charged in the consolidated statement of income on the basis of the estimated tax expense payable currently and in future years, arising in respect of the results of current operations.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Group's subsidiaries and associates operate.

Deferred income taxes

Deferred income tax is provided, using the comprehensive liability method, for all temporary differences arising between the tax bases of assets and liabilities and their respective carrying values for financial reporting purposes. The amount of deferred taxes on these differences is determined using the provisions of local tax laws, including rates, and is adjusted upon enactment of changes in these laws. Provision is made for potential taxes which could arise on the remittance of retained overseas earnings where there is a current intention to remit such earnings.

A deferred tax asset is recognised for all deductible temporary differences and carry forward of unused tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses and tax credits can be utilised.

Deferred tax related to fair value remeasurement of investments available-for-sale which is charged or credited directly to the statement of comprehensive income, is also credited or charged directly to statement of comprehensive income and is subsequently recognised in the consolidated statement of income together with the deferred gain or loss.

Deferred tax related to fair value remeasurement of investment property, which is charged or credited to the consolidated statement of income, is also charged or credited to the consolidated statement of income.

Trust capital and treasury stock

Dividends on participation units

Dividends on participation units are recognised in Trust capital in the period in which they are declared.

Treasury stock

Where DMI purchases its own capital or obtains rights to purchase its own capital, the consideration paid is shown as a deduction from Trust capital. Gains and losses on sales of own capital are charged or credited to the treasury stock account in Trust capital.

Fiduciary risk reserve

The fiduciary risk reserve is a component of Trust capital and is established by an appropriation of net results, other reserves or by a transfer from paid in capital, for the financial year to cover potential fiduciary risks which might arise and which are not subject to other specific provision, in the Group's capacity as fund manager. The fiduciary risk reserve is not distributable.

Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments, unless payment is probable.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition, including cash and non-restricted balances with central banks, loans and advances to banks, amounts due from other banks and short-term government securities.

Fiduciary activities

The Group through its asset management subsidiary provides fund management and advisory services to third parties which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

Income arising from fund management and advisory services comprises the revenues earned from the management of the funds in the modarabas accrued on the basis of the terms and conditions of the related management agreements. Funds under management represent amounts invested by clients and placed with funds managed by the Group.

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of investments in financings

The Group reviews its investments in financings to assess impairment at least on a quarterly basis. In

determining whether an impairment loss should be recorded in the consolidated statement of income, judgements are made as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of a borrower, or national or local economic conditions that correlate with defaults on assets. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

Fair value and impairment of available-for-sale equity investments

The Group may from time to time hold investments in financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by Group management.

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

On occasion the Group may hold investments whose fair value cannot be reliably measured. In those instances, full disclosure with a description of the investment, the carrying value and an explanation of why fair value cannot be measured reliably are included in the notes to the financial statements.

Fair value of investment properties

The Group may from time to time hold investment properties which are carried at fair value, representing open market value determined annually by reference either to external valuers or to other independent valuation sources.

Income taxes

The Group is subject to income taxes in some jurisdictions. Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of associated companies

The Group assesses at each statement of financial position date whether there is objective evidence that its investments in associated companies are impaired. In general, an investment in an associated company is impaired and an impairment loss incurred when the carrying amount of the investment exceeds its recoverable amount. The recoverable amount is defined as the higher of its fair value less costs to sell and its value in use.

On assessing its investments for impairment at the year end, the Group has relied upon cash flow projections as approved by the board of the underlying associates that are based upon judgements and estimates related to future events which ultimately could have a significant impact on the recoverable amounts of these investments in the consolidated financial statements.

On the basis that the Group used a discounted cash flow model to arrive at a value in use which ultimately was higher than both the carrying amount and the fair value less cost to sell (based on the underlying quoted market price), no impairment charge was recorded in the consolidated financial statements. Had the assumptions utilised in the discounted cash flow model for future cash flows decreased by 10% this would equate to the Group's share of the value in use in Faisal Islamic Bank of Egypt of $246.2 million. Had the assumptions utilised in the discounted cash flow model for the underlying discounting factor increased by 10.0% this would equate to the Group's share of the value in use in Faisal Islamic Bank of Egypt of $245.7 million. The carrying value in the consolidated statement of financial position as at 31 December 2013 for Faisal Islamic Bank of Egypt was $272.7 million, which is higher than the "value in use" amounts mentioned above.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on estimated future cash flows and comparisons with market multiples. These calculations require the use of estimates, which are subject to judgement. Changes in the underlying assumptions may impact the reported numbers.

During 2013 the Group used a sum-of-the-parts approach to arrive at a business value of the Ithmaar Bank B.S.C. CGU. The valuation methodology for the separately identified parts at Ithmaar Bank B.S.C. level based on the operational activities is the following:

- Formerly Shamil Bank: value in use based on discounted cash flows
- Faysal Bank Limited: value in use based on discounted cash flows
- BBK: average of residual income and price to book value multiple

Ithmaar Bank residual assets: investments measured at their

3. Critical accounting estimates and judgements in applying accounting policies (continued)

carrying value adjusted for fair value changes.

In its assessment of the Ithmaar Bank B.S.C. CGU the value based on the sum-of-the-parts approach exceeded its carrying value and as such no impairment charge was taken. The key assumptions used in this sum-of-the-parts computation were the following:

- Formerly Shamil Bank: long-term growth rate of 3.6% (2012: 5%), discount rate of 17.4% (2012: 11.5%)
- Faysal Bank Limited: long-term growth rate of 3% (2012: 3%), discount rate of 25% (2012: 23.6%)
- BBK: long-term growth rate of 4% (2012: 4%), cost of the equity of 10% (2012: 11.3%), control premium of 15%
- Ithmaar Bank residual assets: investments measured at their carrying value adjusted for fair value changes.

A shift in either the growth or discount rates of 1% would also not have resulted in any impairment.

On the basis that the Group used a discounted cash flow model to arrive at a value in use of Islamic Investment Company of the Gulf (Bahamas) Limited CGU which ultimately was higher than the carrying amount no impairment charge was recorded in the consolidated financial statements (2012: $Nil million). Management's assessment of the value in use of Islamic Investment Company of the Gulf (Bahamas) Limited exceeds its carrying value, therefore any significant changes to assumptions used in management's assessment will not result in impairment.

Pension obligations

The assumptions the Group has to make in connection with the actuarial calculation of pension obligations and pension expenses affect the discount rate, the expected annual rate of compensation increase, the expected employee turnover rate, the expected average remaining working life, the expected annual adjustments to pensions and the expected annual return on plan assets. These assumptions are subject to review by the Group. A change in any of these key assumptions may have an impact on the projected benefit obligations, funding requirements and periodic pension cost.

4. Financial instruments

A. Strategy in using financial instruments

By its nature, the Group's activities are principally related to the use of financial instruments. The Group accepts investments from customers at varying rates of return and for various periods and seeks to earn above average profits by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and investing for longer periods at higher return potential whilst maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its profit margins by obtaining above average margins, net of provisions, through transactions with its commercial and retail customers. Such exposures involve not just on-balance sheet Islamic financings but the Group also enters into Islamically acceptable guarantees and other commitments such as letters of credit and performance and other bonds.

The Group also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives to take advantage of short-term market movements in the equity and bond markets and in currency and profit rates. The individual subsidiary's boards place trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Foreign exchange and profit rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

The Group utilises the following derivative instruments for both hedging and non-hedging purposes.

(i) Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions; (ii) equity futures are contractual obligations to receive or sell shares on a future date at a specified price established in an organised financial market; and (iii) equity options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of shares at a predetermined price. In consideration for the assumption of the risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Group and a customer (over the counter).

The Group's debt-to-equity ratios for the given years were as follows:

	2013	2012 Restated
Total debt	1,585,323	1,570,381
Less: cash and cash equivalents	(985,984)	(875,849)
Net debt	599,339	694,532
Total equity	**433,067**	**486,051**
Debt-to-equity ratio	138%	143%

4. Financial instruments (continued)

B. Capital management

The Group's objectives when managing capital, which is a broader concept than the `equity' on the face of statement of financial positions, are:

i) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

ii) To maintain a strong capital base to support the development of its business;

DMI itself does not engage in banking business and is not therefore required to comply with any minimum capital adequacy requirements.

In order to maintain or adjust capital, the Group may adjust the amounts of dividends paid to equity participants, issue new equity or sell assets to reduce debt. The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown on the face of the consolidated financial statements.

C. Financial risk management

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by individual entities within the Group under policies approved by their respective Boards of Directors. The Boards provide written principles for overall management, as well as written policies covering specific areas, such as market rate risk, credit risk and use of non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit, liquidity and market risk. Market risk includes currency risk, profit rate and other price risk.

D. Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit exposures arise principally in lending activities that lead to loans and advances (including accounts receivables). There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control are carried out by credit risk management teams, which report to the Boards of Directors through risk management committees.

Credit risk measurement

The Group has well defined credit structures under which credit committees, comprising senior officers with required credit background, critically scrutinise and sanction financing. The Group's exposure to credit is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes. To reduce the potential of risk concentration, credit limits are established and monitored in light of changing counterparty and market conditions. Besides financial, industry and transaction analysis, the credit evaluation also includes risk rating systems which gauge risk rating of all customers.

4. Financial instruments (continued)

The significant concentration of the Group's credit risk is in Ithmaar Bank B.S.C. Ithmaar manages its credit risk arising from its banking exposures by implementing robust policies and procedures with respect to identification, measurement, mitigation, monitoring and controlling the risks. A centralised credit risk management system is in place where all significant exposures are independently reviewed by the Risk Management Department (RMCD) before approval by appropriate approval authorities.

The risk policies of Ithmaar set guidelines to limit concentration risk within the portfolio by larger exposure, connected counterparty, country, industry, tenor and product. The RMCD has also developed internal rating and scoring models incorporating both quantitative and qualitative risk parameters for the grading and classification of credit risk exposures.

Ithmaar uses a robust management information system to monitor its exposures and concentrations by various dimensions.

All credit exposures are subject to at least an annual review as per policy. All financing exposures are reviewed and rated annually and appropriate provisions are maintained for any classified account as per the provisioning policy in line with relevant Central Bank of Bahrain (CBB) guidelines. All financing exposures are classified as past due and impaired when any exposure instalment has not been paid over a 90 day period. Ithmaar follows, except the subsidiary entities which may follow their own regulatory guidelines, a time based criteria of past due days to estimate the specific provisioning requirements. However, each investment exposure is evaluated individually for impairment assessment on its merits, strategy and estimated cash flows recoverability.

Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by industry sector and by country are approved by the boards of directors of Group entities.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures in relation to daily delivery risk limits are monitored on a daily basis, whereas other limits are monitored on a quarterly, semi annual or annual basis.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet payment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The principal collateral types for loans and advances are:

i) Mortgages over residential and commercial properties;
ii) Charges over business assets such as premises, inventory and accounts receivable;
iii) Charges and pledges over financial instruments such as debt securities and equities.

In order to minimise the credit loss the Group will seek immediate recovery or additional collateral from the

4. Financial instruments (continued)

counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument.

(b) Derivatives

The Group maintains control limits on net open derivative positions (i.e. the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and by other collaterals that are obtained in the normal course of business and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, where these are not unconditionally cancellable. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Impairment and provisioning policies

The internal rating systems referred to in "credit risk measurement" focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the date of the statement of financial position based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management purposes.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at statement of financial position date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held

4. Financial instruments (continued)

(including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogeneous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgement and statistical techniques.

Credit risk exposure relating to on-balance sheet assets is as follows:

	Maximum exposure	
	2013	**2012**
Cash and cash equivalent	985,984	875,849
Investments with Islamic institutions	118,001	119,373
Trading securities	82,663	81,073
Investments in financings:		
Corporate financing	1,703,498	1,722,749
Bank and other financial institutions	-	10,461
Agricultural financing	76,784	56,920
Government/public financing	-	-
Trust financing	108,590	106,431
Consumer financing	166,723	230,266
Other financing	31,032	20,039
Investment securities	1,180,535	1,059,923
Accounts receivable (note 12)	164,958	161,382
Total financial assets	**4,618,768**	**4,444,466**
Credit risk exposure relating to off-balance sheet items are as follows:		
Financial acceptances, performance bonds, guarantees and irrevocable letters of credit	1,165,933	1,150,341
Financing commitments, undrawn facilities and other credit related liabilities	1,150,456	926,789
Total off-balance sheet	**2,316,389**	**2,077,130**
At 31 December	**6,935,157**	**6,521,596**
Fair value of collateral	**3,582,204**	**4,108,941**

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

4. Financial instruments (continued)

Investments in financings and receivables past due but not impaired

Investments in financings and receivables less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amount of investments in financings by class and receivables that were past due but not impaired were as follows:

2013	Investments in financings							
	Corporate financing	Banks and other Financial institutions	Agricultural financing	Consumer financing	Government/ Public financing	Other financing	Accounts receivable	Total
Past due up to 30 days	4,073	-	-	-	-	-	4,688	8,761
Past due from 31 to 90 days	9,853	-	230	-	-	-	21,934	32,017
Past due greater than 90 days	-	-	-	-	-	-	11,988	11,988
Total	13,926	-	230	-	-	-	38,610	52,766
Fair value collateral	44,565	-	1,011	725	-	-	-	46,301
2012								
Past due up to 30 days	-	-	-	20	-	-	286	306
Past due from 31 to 90 days	650	-	21	844	-	-	2,747	4,262
Past due greater than 90 days	30,419	-	-	2,533	-	-	830	33,782
Total	31,069	-	21	3,397	-	-	3,863	38,350
Fair value collateral	94,618	-	8,365	9,151	-	-	-	112,134

The collateral comprises $45.4 million (2012: $111.4 million) relating to financings of $5.4 million (2012: $66.6 million) where the coverage of client exposure is 100% or greater; and $0.9 million (2012: $0.7 million) relating to financings of $9.6 million (2012: $7.2 million) where the coverage is less than 100%.

Upon initial recognition of investments in financings, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

E. Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in currency, equity, profit rate and other products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks, arising from trading and non-trading activities, are monitored by individual entities within the Group. Regular reports are submitted to management.

4. Financial instruments (continued)

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios primarily arise from the management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's available-for-sale investments and held-to-maturity investments.

(a) Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The boards of directors of individual entities within the Group set limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

Currency risk

Assuming that all other variables held constant, the impact of currency risk on the consolidated statement of income/equity based on reasonable shift is summarised below:

As at 31 December 2013	USD/EUR	USD/BHD	USD/AED	USD/GBP	USD/EGP
Total currency exposure	(184,925)	(1,080,779)	(283,188)	(79,828)	(349)
Reasonable shift	0.06%	0.15%	0.04%	0.34%	6.11%
Total effect on income	(120)	(1,648)	(100)	(272)	(21)

As at 31 December 2012	USD/EUR	USD/BHD	USD/AED	USD/GBP	USD/EGP
Total currency exposure	(226,190)	(518,272)	(371,296)	(70,357)	(1,080)
Reasonable shift	0.39%	0.03%	0.02%	0.42%	30.9%
Total effect on income	(878)	(179)	(76)	(299)	(334)

The basis for calculation of the reasonable shift is arrived at by comparing the foreign exchange spot rate at 31 December as compared to the one year forward rate for the same period. The total effect on equity was determined not to be material.

(b) Profit rate risk

Profit rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market profit rates. Movement in the market profit rates may affect the earnings of the Group.

The profit rate exposure taken by the Group arises from investing in corporate, small-medium enterprises, consumer financing, investment banking and inter-banking activities where variation in market profit rates may affect the profitability of the Group. The risk is managed by the management of individual entities. The profit rate dynamics are reviewed at regular intervals and repricing of assets and liabilities are adjusted to ensure that the spread of the subsidiary remains at an acceptable level.

The financings and deposits of the Group are broadly linked to the market variable rates and thus get automatically repriced on a periodic basis based on profit rate scenarios.

4. Financial instruments (continued)

Profit rate risk

The table below summarises the Group's exposure to profit rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2013

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and cash equivalents	572,648	81,486	35,057	-	-	296,793	985,984
Investments with Islamic institutions	111,105	3,840	-	179	-	2,877	118,001
Trading securities	1,093	2,337	9,777	52,140	13,033	4,283	82,663
Investments in financings	593,626	621,364	573,598	184,782	32,580	80,677	2,086,627
Investment securities	182,354	403,920	189,328	110,464	91,709	202,760	1,180,535
Other assets	74	149	670	3,571	13,391	138,024	155,879
Total financial assets	1,460,900	1,113,096	808,430	351,136	150,713	725,414	4,609,689
Liabilities							
Massaref accounts	1,232,936	730,984	1,414,290	35,800	28,937	1,268,707	4,711,654
Other liabilities	19,332	-	-	103	-	870,550	889,985
Total financial liabilities	1,252,268	730,984	1,414,290	35,903	28,937	2,139,257	5,601,639
Total repricing gap	208,632	382,112	(605,860)	315,233	121,776	(1,413,843)	(991,950)

As at 31 December 2012

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and cash equivalents	614,825	14,464	-	-	-	246,561	875,849
Investments with Islamic institutions	69,039	-	50,138	179	-	17	119,373
Trading securities	4,735	10,654	60,037	5,641	-	6	81,073
Investments in financings	512,454	579,316	774,561	128,739	50,727	101,068	2,146,866
Investment securities	110,542	78,978	379,672	100,268	103,334	287,129	1,059,923
Other assets	4,719	1,405	2,097	18,843	-	123,348	150,412
Total financial assets	1,316,314	684,817	1,266,505	253,670	154,061	758,129	4,433,496
Liabilities							
Massaref accounts	1,310,426	777,358	1,351,163	103,353	21,440	1,107,535	4,671,275
Other liabilities	8,114	-	2,417	2,344	-	721,361	734,236
Total financial liabilities	1,318,540	777,358	1,353,580	105,697	21,440	1,828,896	5,405,511
Total repricing gap	(2,226)	(92,541)	(87,075)	147,973	132,621	(1,070,767)	(972,015)

As at 31 December 2013

	USD	EUR	PKR	BHD	AED
Total profit rate exposure in the consolidated statement of financial position	193,801	379,464	855,440	566,254	292,050
Reasonable shift	0.20%	0.05%	0.45%	0.23%	0.05%
Total effect on income	393	171	3,849	1,302	146
Total effect on equity	-	-	4,290	-	-

As at 31 December 2012

	USD	EUR	PKR	BHD	AED
Total profit rate exposure in the consolidated statement of financial position	147,913	424,924	762,352	574,569	314,783
Reasonable shift	0.37%	1.58%	0.48%	1.07%	0.12%
Total effect on income	543	6,693	3,659	6,148	378
Total effect on equity	-	-	3,534	-	-

The basis for calculation of the reasonable shift is arrived at by comparing the interbank lending rate at the beginning and the end of the period.

4. Financial instruments (continued)

Price risk

Price risk is the risk that the fair values of the equities or the managed funds increase or decrease as a result of changes in the corresponding value of equity indices or the value of individual equity stocks held as available-for-sale.

The table below summarises the impact of increase/decrease of equity indices on the Group's post tax profit for the year and on other components of equity. The analysis is based on the assumptions that equity indices increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the indices.

	Impact on other components of equity	
	2013	**2012**
Pakistan stock exchange (+/-10%)	2,009	4,175

F. Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay investors and fulfil commitments to lend.

Liquidity risk management process

The Group's liquidity risk management process, as carried out within the Group and monitored by management in individual entities within the Group, includes:

i) Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in money markets to enable this to happen;

ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

iii) Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and

iv) Managing the concentration and profile of debt maturities.

Monitoring and reporting of treasury and capital market maturities is done through monitoring of daily maturities. Similarly the overall liquidity maintenance is done through monthly maturity gap analysis at balance sheet level. Hence, monitoring and reporting takes the form of regular and periodic cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Group also monitors unmatched medium-term assets.

4. Financial instruments (continued)

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected cash inflows.

As at 31 December 2013

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Customer current accounts	1,271,230	-	-	-	(669)	1,270,561
Customer investment accounts	1,240,991	186,162	339,969	87,237	1,410	1,855,769
Due to banks and financial institutions	713,275	64,185	537,428	19,660	-	1,334,548
Investments from off-balance sheet funds	-	1,178	72,321	200,680	-	274,179
Accounts payable	830,306	2,653	68,073	23,819	12,988	937,839
Total liabilities liquidity risk	4,055,802	254,178	1,017,791	331,396	13,729	5,672,896
Total assets (less discounting) liquidity risk	1,513,839	1,073,225	912,194	1,274,445	1,870,823	6,644,526

As at 31 December 2012

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Customer current accounts	1,193,726	-	-	-	-	1,193,726
Customer investment accounts	1,234,982	209,121	397,488	65,549	605	1,907,745
Due to banks and financial institutions	702,728	124,085	418,321	73,816	5,240	1,324,190
Investments from off-balance sheet funds	47	1,229	47,967	198,540	2,446	250,229
Accounts payable	671,891	2,398	83,097	7,880	31,303	796,569
Total liabilities liquidity risk	3,803,374	336,833	946,873	345,785	39,594	5,472,459
Total assets (less discounting) liquidity risk	1,524,641	416,785	1,156,857	1,390,493	2,081,580	6,570,356

4. Financial instruments (continued)

The table below presents the cash flows payable by the Group under off-balance sheet liabilities.

	No later than one year	One-five years	Over five years	Total
As at 31 December 2013				
Acceptances and endorsements	125,327	-	-	125,327
Guarantees and irrevocable letters of credit	375,843	40,008	168,394	584,245
Performance bid bonds	24,074	1,618	541	26,233
Other contingent liabilities	-	412,030	18,098	430,128
Undrawn facilities and other commitments to finance	905,931	2,723	17,168	925,822
Operating lease commitments	-	187	-	187
Open foreign currency positions	927,742	-	-	927,742
Repurchased and resale transactions	-	224,634	-	224,634
Total off-balance sheet liabilities	2,358,917	681,200	204,201	3,244,318
As at 31 December 2012				
Acceptances and endorsements	119,952	-	-	119,952
Guarantees and irrevocable letters of credit	347,094	260,246	268	607,608
Performance bid bonds	30,700	2,310	-	33,010
Other contingent liabilities	1,021	374,204	14,546	389,771
Undrawn facilities and other commitments to finance	738,115	-	17,168	755,283
Operating lease commitments	-	-	225	225
Open foreign currency positions	734,286	-	-	734,286
Repurchased and resale transactions	171,506	-	-	171,506
Total off-balance sheet liabilities	2,142,674	636,760	32,207	2,811,641

Assets held for managing liquidity risk

The Group holds a diversified portfolio of cash and high-quality high-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Group's assets held for managing liquidity risk comprise:

- Cash and balances with central banks;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Group's trading portfolios and investment securities available-for-sale.

4. Financial instruments (continued)

Derivative liabilities

The Group's derivatives that will be settled on a gross basis include foreign exchange derivatives i.e. currency forward, currency swaps. The table below analyses the Group's derivative financial assets that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2013	Up to one month	One-three months	Three-twelve months	One-five years	Total
Derivatives held for trading:					
Foreign exchange derivatives					
- Outflow	-	(2,854)	-	(3,267)	(6,121)
- Inflow	-	1,844	-	3,221	5,065
Interest rate derivatives					
- Outflow	-	-	(185,305)	-	(185,305)
- Inflow	-	-	185,305	-	185,305
Derivatives held for hedging					
Foreign exchange derivatives					
- Outflow	-	-	(12,800)	-	(12,800)
- Inflow	-	-	13,168	-	13,168
Total outflow	-	(2,854)	(198,105)	(3,267)	(204,226)
Total inflow	-	1,844	198,473	3,221	203,538

As at 31 December 2012	Up to one month	One-three months	Three-twelve months	One-five years	Total
Derivatives held for trading:					
Foreign exchange derivatives					
- Outflow	-	-	(10,838)	(120,646)	(131,484)
- Inflow	-	-	19,372	117,158	136,531
Derivatives held for hedging:					
Foreign exchange derivatives					
- Outflow	-	(23,800)	-	-	(23,800)
- Inflow	-	23,716	-	-	23,716
Total outflow	-	(23,800)	(10,838)	(120,646)	(155,284)
Total inflow	-	23,716	19,372	117,158	160,246

4. Financial instruments (continued)

Funding approach

Sources of liquidity are regularly reviewed to maintain a diversification by currency, geography, provider, product and term.

Assets available to meet liabilities and to cover outstanding loan commitments include cash and bank balances; loans and advances to banks; and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. In addition, certain assets have been pledged to secure liabilities. The Group would also be able to meet unexpected net cash outflows by selling strategic investments, securities and accessing additional funding sources such as undrawn facilities.

5. Cash and cash equivalents

	2013	2012
Cash on hand	110,251	88,624
Cash at central banks - statutory reserve	163,432	144,729
Cash at central banks - current account	128,122	114,800
Cash at other banks	584,179	527,696
Cash and cash equivalents	985,984	875,849

The cash at central bank-statutory reserve is not available for use.

6. Trading securities

	2013	2012
Trading securities - at fair value		
- Government securities	78,200	81,064
- Corporate securities	4,463	9
	82,663	81,073

The movement in trading securities is summarised as follows:

	2013	2012
At 1 January	81,073	64,555
Additions	2,704,841	6,672,904
Disposals	(2,701,144)	(6,666,558)
Gain/(loss) on trading	4,605	15,308
Revaluation of trading securities	2,129	459
Exchange differences	(8,841)	(5,595)
At 31 December	82,663	81,073

7. Investments in financings

	2013	2012
Islamic investments in financings	2,251,223	2,296,722
Financings subject to finance leases	95,908	81,823
Provision for bad and doubtful debts	(260,504)	(231,679)
	2,086,627	2,146,866

Islamic investments in financings largely comprise conventional loans and advances made by a subsidiary of the Group and a loan on a profit sharing basis to a trust outside the Group in the amount of $108.6 million (2012: $106.4 million).

Financings subject to finance leases

2013	Investment in finance leases receivable	Unearned future finance income on finance leases	Gross investment in finance leases
Not later than one year	14,483	894	15,377
Later than one year and not later than five years	71,115	8,255	79,370
Later than five years	786	375	1,161
	86,384	9,524	95,908
2012			
Not later than one year	23,421	2,469	25,890
Later than one year and not later than five years	49,216	6,717	55,933
	72,637	9,186	81,823

There was no allowance for uncollectible finance lease receivables included in the provision for impairment at 31 December 2013 (2012: $Nil million).

8. Collateral received and re-pledged

There were no assets held as collateral against advances to financial institutions in the Group at 31 December 2013 (2012: $Nil million).

Repossessed collateral

There were no assets obtained by the Group during 2013 (2012: $Nil million) in the form of repossessed collateral.

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

9. Allowance account from credit losses

Allowance for impairment

Reconciliation of allowance account for losses on investments in financings by class and receivables is as follows:

	Investments in financings					
2013	Corporate financing	Agricultural financing	Consumer financing	Other financing	Other receivables	Total
Balance at 1 January	208,487	5,598	17,092	502	41,899	273,578
Provisions for impairment	63,303	1,773	7,272	-	4,182	76,530
Reversal of impairment provision	(8,600)	(640)	(6,097)	-	-	(15,337)
Amounts recovered	23,786	-	-	-	-	23,786
Loans written off as uncollectable	(5,018)	-	(480)	-	(1,572)	(7,070)
Foreign exchange	(43,928)	(1,016)	(1,482)	(47)	2,794	(43,679)
Balance at 31 December	**238,030**	**5,715**	**16,305**	**455**	**47,303**	**307,808**
General impairments	25,862	-	3,770	-	-	29,632
Individually impaired loans	212,167	5,715	12,535	455	-	230,872
Fair value of collateral	341,388	9,616	13,263	-	-	364,267
2012						
Balance at 1 January	198,109	4,747	32,002	524	44,392	279,774
Provision for impairment	43,447	1,759	(7,550)	-	14,638	52,294
Reversal of impairment provision	(19,629)	(555)	(4,642)	-	(126)	(24,952)
Loans written off as uncollectable	(1,544)	-	-	-	(13,430)	(14,974)
Transfer from other receivables						
Foreign exchange	(11,896)	(353)	(2,718)	(22)	(3,575)	(18,564)
Balance at 31 December	**208,487**	**5,598**	**17,092**	**502**	**41,899**	**273,578**
General impairments	-	-	-	-	-	-
Individually impaired loans	208,487	5,598	17,092	502	41,899	273,578
Fair value of collateral	762,546	60,262	89,958	-	-	912,766

Included under expenses at 31 December 2013 is a net charge of $4.2 million (2012: $14.5 million) of provisions relating to project receivables, which is included under receivables.

10. Investment securities

	2013	2012
Investment securities available-for-sale	1,162,397	1,040,135
Investment securities held to maturity	18,138	19,788
	1,180,535	1,059,923

Investment securities available-for-sale

	2013	2012
Investment securities - at fair value		
- Listed	61,927	87,523
- Unlisted	1,100,470	952,612
	1,162,397	1,040,135

Gains/(losses) from investment securities

	2013	2012
Sale of available-for-sale assets	63,760	69,252
Derecognition of available-for-sale assets	(131)	-
Provision for impairment of available-for-sale assets	(8,145)	(9,969)
Provision for impairment held-to-maturity	(11,773)	(3,474)
Term finance certificates	286	4,619
	43,997	60,428

10. Investment securities (continued)

The movement in investment securities available-for-sale is summarised as follows:

	2013	2012
At 1 January	1,040,135	1,133,055
Additions	1,636,134	2,117,603
Disposals	(1,451,018)	(2,247,041)
Net gains/(losses) from changes in fair value	(22,285)	48,734
Exchange differences	(32,424)	(2,248)
Reversal of impairment provision	1,949	394
Provision for impairment	(10,094)	(10,362)
At 31 December	1,162,397	1,040,135

The movement in investment securities held-to-maturity is summarised as follows:

	2013	2012
At 1 January	19,788	69,736
Additions	13,590	2,140
Matured	(2,233)	(48,614)
Provision for impairment	(11,773)	(3,474)
Exchange differences	(1,234)	-
	18,138	19,788

The carrying value of investment securities held-to-maturity approximates fair value as calculated by discounting the future expected cash flows. On this basis these investments would be classified as level 3.

11. Fair value of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

In the opinion of Group management, the fair value of those financial instruments which are measured at amortised cost in the consolidated statement of financial position are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer financing and deposits, are linked to the market variable rates and hence are being regularly repriced.

Assets and liabilities measured at fair value

At 31 December 2013	Level 1	Level 2	Level 3	Total
Trading securities				
Equity securities	4,283	-	-	4,283
Debt securities	-	78,200	-	78,200
Investment securities - available-for-sale				
Equity securities	18,306	82,549	85,729	186,584
Debt securities	-	981,080	-	981,080
Hedging derivatives	-	3,614	-	3,614
Total assets	22,589	1,145,443	85,729	1,253,761
Derivatives held for trading	-	103	-	103
Total liabilities	-	103	-	103

Reconciliation of Level 3 items

	Investment securities			
	Equity securities	Debt securities	Total Assets	Total liabilities
At 1 January 2013	85,087	-	85,087	-
Total profit/(loss)	(46)	-	(46)	-
Profit/(loss) - other comprehensive income/(loss)	(4)	-	(4)	-
Purchases	692	-	692	-
Sales	-	-	-	-
Settlements	-	-	-	-
Transfers into Level 3	-	-	-	-
At December 2013	85,729	-	85,729	-

Total profit/(losses) for the year included in profit or loss for assets/liabilities held

At 31 December 2013	(46)	-	(46)	-

11. Fair value of financial instruments (continued)

Assets and liabilities measured at fair value

At 31 December 2012	Level 1	Level 2	Level 3	Total
Trading securities				
Equity securities	9	-	-	9
Debt securities	-	81,064	-	81,064
Investment securities - available-for-sale				
Equity securities	48,216	121,787	85,087	255,090
Debt securities	-	785,045	-	785,045
Hedging derivatives	-	4,087	-	4,087
Total assets	48,225	991,983	85,087	1,125,295
Derivatives held for trading	-	84	-	84
Total liabilities	-	84	-	84

Reconciliation of Level 3 items

	Investment securities			
	Equity securities	Debt securities	Total Assets	Total liabilities
At 1 January 2012	97,473	-	97,473	-
Total profit/(loss)	(578)	-	(578)	-
Profit/(loss) - other comprehensive income/(loss)	-	-	-	-
Purchases	332	-	332	-
Sales	(12,140)	-	(12,140)	-
Settlements	-	-	-	-
Transfers into Level 3	-	-	-	-
At December 2012	85,087	-	85,087	-

Total profit/(losses) for the year included in profit or loss for assets/liabilities held

At 31 December 2012	(578)	-	(578)	-

There were no transfers between levels 1 and 2 during the year.

11. Fair value of financial instruments (continued)

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Pakistan Stock Exchange equity investments classified as trading securities or available for sale.

(b) Financial instruments in Level 2

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of hedging derivatives is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Sensitivity of Level 3 measurements to reasonably possible alternative assumptions

An assumed ± 10% movement in the fair value of level 3 measurement has the following impact:

	Impact in equity	
At 31 December 2013	Favourable changes	Unfavourable changes
Trading securities	-	-
Investment securities - available for sale	8,573	(8,573)
At 31 December 2012		
Trading securities	-	-
Investment securities - available for sale	8,509	(8,509)

12. Accounts receivable

	2013	2012
Accounts receivable	115,833	115,635
Provision for bad and doubtful debts (note 9)	(47,303)	(41,899)
Funds under management	92,814	83,559
Derivative financial instruments	3,614	4,087
	164,958	161,382

Included in accounts receivable are prepayments in the amount of $14.1 million (2012: $15.9 million) and loans to employees and directors of $22.0 million (2012: $31.0 million). The remaining balance relates primarily to project management fees and balances due from customers. Included in the receivable from funds under management at 31 December 2013 was $24.9 million (2012: $26.2 million) in bridge financings made to real estate development funds which were sponsored by a subsidiary of the Group. Bridge financings are generally short term in nature and are repaid following the sale of participation units in the funds to external investors.

Derivative financial instruments

Foreign exchange derivatives held for trading:

2013	Contractual amount	Fair value
Currency swap	6,121	(947)
Interest rate swap	185,305	4,090
Currency forwards	2,000	471

2012		
Currency forwards	267,766	4,087

13. Investment property

	2013	2012
At 1 January	385,921	393,094
Additions	-	961
Disposals	(37,243)	(3,858)
Fair value gains/(losses) during the year	(2,591)	14
Transfer to property, plant and equipment	(12,681)	(84)
Impairment provision	-	(7,267)
Net exchange differences	1,507	3,061
At 31 December	334,913	385,921

Rental income from investment property amounting to $3.8 million (2012: $3.4 million) has been included in the consolidated statement of income under other income. There were $Nil thousand direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income (2012: $9.4 thousand) and $Nil thousand operating expenses arising from investment property that did not generate rental income (2012: $19.7 thousand).

13. Investment property (continued)

Investment properties are located in the Middle East, Asia and Europe. The valuation of the investment properties is based on the sales comparable approach with the key inputs being the price per square feet. On this basis and considering that there are no observable inputs, these investment properties are classified as level 3.

Investment property under operating leases

The Group leases out part of its investment property under operating leases. The leases are for terms of one to five years.

The future aggregate minimum rentals receivable under non cancellable operating leases are as follows:

	2013	2012
Not later than one year	1,996	1,730
Later than one year and not later than five years	2,724	3,850
	4,720	5,580

14. Investments in associates

	2013	2012
At 1 January	958,649	884,886
Share of results before tax	125,693	144,820
Share of tax	(44,160)	(41,991)
Dividends paid	(17,355)	(24,878)
Share of fair value gains/(losses)	5,624	28,626
Additions	8	3,521
Disposals	(32,661)	(58)
Recycling of reserves on disposal	-	(17)
Loss on disposal	-	(66)
Goodwill impairment	-	(17,658)
Amortisation of intangibles	(6,749)	(6,749)
Exchange differences	(21,500)	(11,787)
At 31 December	967,549	958,649

Investment in associates included $462.5 million (2012: $217.5 million) pledged as collateral against borrowings (note 22) with the terms and conditions in the ordinary course of business.

Set out below are the associates of the Group as at 31 December 2013, which, in the opinion of the Group, are material. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by a subsidiary of the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates 2013 and 2012:

Entity	Place of business/country of incorporation	% of ownership subsidiary	% of ownership Group	Measurement method
Faisal Islamic Bank of Egypt	Egypt	49	49	Equity
BBK B.S.C.	Bahrain	25	13	Equity
Solidarity Group Holding B.S.C. (c)	Bahrain	34	17	Equity

14. Investments in associates (continued)

Faisal Islamic Bank of Egypt, an Egyptian joint stock company, provides retail, corporate banking services and investment activities in the Arab Republic of Egypt and abroad and is listed on the Cairo and Alexandria Stock Exchange.

BBK B.S.C., one of the largest commercial banks in Bahrain with a presence in Kuwait, India and Dubai, provides services in the following four segments:

- Retail Banking customer deposit, consumer finance and credit facilities
- Corporate Banking deposits and current account facilities to corporations
- International Banking loans, deposits and credit facilities to international units
- Investment Banking treasury and other activities.

Solidarity Group Holding B.S.C. (c) is a Bahrain based joint stock company engaged in providing cooperative insurance services according to the Islamic Sharia principles. There is no quoted market price for its shares. The company's products are structured in two segments; individual products and corporate products.

As at 31 December the Group held the following interest at fair value:

		2013		2012	
	Stock Exchange	Fair value	Carrying amount	Fair value	Carrying amount
Faisal Islamic Bank of Egypt	Egypt Stock Exchange	230,064	272,656	223,674	249,885
BBK B.S.C.	Bahrain Bourse	268,545	431,236	225,702	409,333

Contingent liabilities relating to the Group's interest in the associates are found in note 36.

Summarised financial information for associates

Set out below are the summarised financial information for Faisal Islamic Bank of Egypt, BBK B.S.C. and Solidarity Group Holding B.S.C. (c) which are accounted for using the equity method.

Summarised balance sheet

As at 31 December	Faisal Islamic Bank of Egypt		BBK B.S.C.		Solidarity Group Holding B.S.C. (c)		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Cash and cash equivalents	491,357	467,002	595,098	696,926	33,668	59,458	1,120,123	1,223,386
Other assets	6,035,916	6,058,844	7,974,303	7,545,941	318,327	308,694	14,328,546	13,913,479
Total assets	**6,527,273**	**6,525,846**	**8,569,401**	**8,242,867**	**351,995**	**368,152**	**15,448,669**	**15,136,865**
Financial liabilities	10,739	7,742	1,266,138	1,435,149	-	-	1,276,877	1,442,891
Other liabilities	6,050,387	6,098,470	6,420,167	6,039,371	94,318	73,300	12,564,872	12,211,141
Total liabilities	**6,061,126**	**6,106,212**	**7,686,305**	**7,474,520**	**94,318**	**73,300**	**13,841,749**	**13,654,032**
Net assets	**466,147**	**419,634**	**883,096**	**768,347**	**257,677**	**294,852**	**1,606,920**	**1,482,833**

14. Investments in associates (continued)

Summarised statement of comprehensive income

As at 31 December

	Faisal Islamic Bank of Egypt		BBK B.S.C.		Solidarity Group Holding B.S.C. (c)		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Income	527,213	507,021	298,103	288,151	17,857	20,247	843,173	815,419
Expense	(343,398)	(319,431)	(176,511)	(173,875)	(12,083)	64,296	(531,992)	(428,710)
Income tax expense	(90,193)	(83,597)	(1,520)	(1,520)	(444)	(427)	(92,157)	(85,544)
Post-tax profit	**93,622**	**103,993**	**120,072**	**112,756**	**5,330**	**84,116**	**219,024**	**301,165**
Dividends received from associate	**11,624**	**10,175**	**5,731**	**14,320**	**-**	**-**	**17,355**	**24,495**

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates.

	Faisal Islamic Bank of Egypt		BBK B.S.C.		Solidarity Group Holding B.S.C. (c)		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Opening net assets	419,634	338,196	768,347	631,350	294,852	189,348	1,482,833	1,158,894
Profit/(loss) for the period	93,622	103,993	120,072	112,756	5,330	84,116	219,024	300,865
Other comprehensive income	21,174	20,367	22,660	59,551	(31,405)	(689)	12,429	79,229
Dividends	(23,752)	(20,790)	(22,581)	(56,422)	-	-	(46,333)	(77,212)
IFRS adjustment	(5,985)	(3,733)	-	-	-	-	(5,985)	(3,733)
Foreign exchange differences	(38,546)	(18,399)	(5,402)	21,112	(11,100)	22,077	(55,048)	24,790
Closing net assets	466,147	419,634	883,096	768,347	257,677	294,852	1,606,920	1,482,833
% Interest in associates	49%	49%	25%	25%	34%	34%		
Interest in associates	228,132	205,369	224,130	195,006	88,737	97,828	540,999	498,203
Goodwill	44,524	44,516	110,952	110,952	-	-	155,476	155,468
Intangible assets	-	-	96,154	103,375	-	-	96,154	103,375
Carrying value at 31 December	272,656	249,885	431,236	409,333	88,737	97,828	792,629	757,046

14. Investments in associates (continued)

The summarised financial information of the Group's principal associates is as follows:

Name and Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	Published price quotation	% holding Subsidiary	Group
2013							
Unlisted:							
Solidarity Group Holding B.S.C. (c) (Bahrain)	350,950	101,170	17,857	5,330	-	34	17
CITIC International Asset Management Limited (Hong Kong)	388,885	26,590	10,236	(2,274)	-	20	10
CIAM-Shamil Asset Management Company Limited (Hong Kong)	630	6	-	-	-	50	25
Sanpak Engineering (Pakistan)	7,587	6,299	12,869	188	-	31	15
*Islamic Company for Production, Printing and Packing Materials "Icopack" (Egypt)	67,303	56,827	47,710	2,226	-	23	11
*Misr Company for Packing Materials "Egywrap" (Egypt)	33,557	13,850	18,342	432	-	23	11
Faysal Asset Management Limited (Pakistan)	2,540	261	-	-	-	30	15
*Ithraa Capital (Saudi Arabia)	22,471	1,235	99	(671)	-	23	11
Naseej B.S.C. (c) (Bahrain)	313,605	2,019	11,098	5,443	-	29	14
*Chase Manara B.S.C. (c) (Bahrain)	5,428	58	-	-	-	40	20
*Islamic Trading Company E.C. (Bahrain)	8,504	78	343	42	-	24	12
*Emerging Markets Partnership Bahrain B.S.C. (c) (Bahrain)	2,054	833	-	-	-	40	20

* For some of the associates, published information is not available for 31 December 2013 and therefore the income and profit and loss have been arrived at by using the last available audited financial statements. For presentation purposes, the assets and liabilities for these associates, however, represent the amounts as per the last audited financial statements.

14. Investments in associates (continued)

The summarised financial information of the Group's principal associates is as follows:

Name and Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	Published price quotation	% holding Subsidiary	% holding Group
2012							
Unlisted:							
Solidarity Group Holding B.S.C. (c) (Bahrain)	373,420	85,036	18,205	82,952	-	34	18
First Leasing Bank B.S.C. (c) (Bahrain)	99,452	11,918	3,039	(3,072)	-	43	23
CITIC International Asset Management Limited (Hong Kong)	381,919	19,810	21,509	12,240	-	20	11
CIAM-Shamil Asset Management Company Limited (Hong Kong)	630	6	-	-	-	50	27
Sanpak Engineering (Pakistan)	8,933	6,994	-	-	-	31	17
*Islamic Company for Production, Printing and Packing Materials "Icopack" (Egypt)	66,083	51,709	24,197	689	-	23	12
*Misr Company for Packing Materials "Egywrap" (Egypt)	32,423	9,476	17,970	1,372	-	23	12
Faysal Asset Management Limited (Pakistan)	2,653	277	568	(210)	-	30	16
*Ithraa Capital (Saudi Arabia)	20,009	877	3,515	1,264	-	23	12
Naseej B.S.C. (c) (Bahrain)	300,053	1,487	-	-	-	29	15
*Chase Manara B.S.C. (c) (Bahrain)	5,428	58	223	111	-	40	21
*Islamic Trading Company E.C. (Bahrain)	8,504	74	377	46	-	24	13
*Emerging Markets Partnership Bahrain B.S.C. (c) (Bahrain)	2,054	833	1,101	(160)	-	40	21

* For some of the associates, published information is not available for 31 December 2012 and therefore the income and profit and loss have been arrived at by using the last available audited financial statements. For presentation purposes, the assets and liabilities for these associates, however, represent the amounts as per the last audited financial statements.

14. Investments in associates (continued)

The summarised financial information of the Group's principal associates is as follows:

Name and Country of	Assets	Liabilities	Income	Profit/ (loss)	Published price quotation	Carrying value per share	% holding Subsidiary	% holding Group
2013								
Listed:								
Faisal Islamic Bank of Egypt (Egypt)	6,527,273	6,061,126	527,213	93,622	USD 7.92	USD 9.39	49	49
BBK B.S.C. (Bahrain)	8,569,401	7,686,305	298,103	120,072	BHD .43	BHD .68	25	13
2012								
Listed:								
Faisal Islamic Bank of Egypt (Egypt)	6,525,846	6,106,212	507,021	103,993	USD 7.70	USD 8.60	49	49
BBK B.S.C. (Bahrain)	8,242,867	7,474,520	288,151	112,756	BHD .39	BHD .71	25	13

USD United States Dollar
BHD Bahrain Dinar

Included in investment in associates at 31 December 2013 is $155.5 million (2012: $157.1 million) of goodwill. The movement is as follows:

	2013	2012
At 1 January	157,131	174,818
Additions	8	-
Conversion associated company to a subsidiary	(1,677)	-
Disposals	-	(29)
Impairment	-	(17,658)
At 31 December	155,462	157,131

Ithmaar Bank holds a 25.38% shareholding in BBK. As per management's valuation report, the estimated fair value of Ithmaar Bank's investment in BBK was determined to be $415.5 million (2012: $375.3 million) compared to a carrying value of $397.2 million (2012: $393.0 million). Based on this assessment management did not impair BBK's carrying value at 31 December 2013 (2012: $17.7 million).

Ithmaar Bank received in principle approval from the Central Bank of Bahrain on 6 December 2010 for the proposed acquisition of the remaining shares in First Leasing Bank B.S.C. (FLB) through a share swap, subject to compliance with various conditions.

The shareholders of Ithmaar Bank B.S.C. and First Leasing Bank B.S.C. (FLB) in their Extraordinary General Meetings held on 21 October 2012 approved the Transfer of Business from FLB to Ithmaar and the share swap involving issuance of four ordinary shares of Ithmaar for one ordinary share of FLB directly to the shareholders of FLB (other than for FLB shares held by or on behalf of Ithmaar). The Central Bank of Bahrain's approval was received on 17 February 2013 for Transfer of Business from FLB to Ithmaar. Ithmaar and FLB completed the remaining legal and regulatory requirements in March 2013.

The impact on DMI's ownership of Ithmaar Bank B.S.C. share capital resulted in a dilution from 53.28% to 49.29% effective 1 March 2013. As the Group maintains control over Ithmaar's Board of Directors and considering the dispersed nature of the remaining shareholders, DMI continued to consolidate Ithmaar Bank B.S.C. as a subsidiary based upon the Group's assessment under IFRS 10.

15. Property, Plant and Equipment

	Land and buildings	Leasehold property, furniture, equipment and motor vehicles	Total
Cost			
At 1 January 2013	103,635	107,057	210,692
Additions	-	7,034	7,034
Disposals	(428)	(5,561)	(5,989)
Transfer from investment property	12,681	-	12,681
Currency effect	(4,169)	(4,381)	(8,550)
At 31 December 2013	111,719	104,149	215,868
Depreciation			
At 1 January 2013	8,540	83,398	91,938
Charge for the year	1,722	7,456	9,178
Impairment for the year	2,804	-	2,804
Disposals/transfers	-	(2,151)	(2,151)
Currency effect	1,141	(4,003)	(2,862)
At 31 December 2013	14,207	84,700	98,907
Cost			
At 1 January 2012	95,169	130,322	225,491
Additions	9,402	16,361	25,763
Disposals	-	(33,908)	(33,908)
Transfer from investment property	84	-	84
Currency effect	(1,020)	(5,718)	(6,738)
At 31 December 2012	103,635	107,057	210,692
Depreciation			
At 1 January 2012	4,690	85,864	90,554
Charge for the year	1,772	9,221	10,993
Impairment for the year	-	(5,955)	(5,955)
Disposals/transfers	-	(4,061)	(4,061)
Currency effect	2,078	(1,671)	407
At 31 December 2012	8,540	83,398	91,938
Net book value			
At 31 December 2013	97,512	19,449	116,961
At 31 December 2012	95,095	23,659	118,754

Land and buildings at 31 December 2013 included cost of land aggregated $84.2 million (2012: $74.7 million).

Leasehold property at 31 December 2013 aggregated $29.1 million (2012: $30.8 million), less accumulated depreciation of $21.7 million (2012: $22.0 million).

16. Intangible assets

	Goodwill	Customer relations	Core deposits	Other	Total
2013					
Year ended 31 December					
Opening net book amount	370,621	82,629	109,090	2,872	565,212
Additions	-	-	-	3,669	3,669
Foreign exchange	(1,043)	-	-	(3,924)	(4,967)
Amortisation	-	(6,648)	(9,791)	(2,004)	(18,443)
Closing net book amount	369,578	75,981	99,299	613	545,471
At 31 December					
Cost	405,092	117,771	170,478	20,795	714,136
Accumulated amortisation and impairment	(35,514)	(41,790)	(71,179)	(20,182)	(168,665)
Net book amount	369,578	75,981	99,299	613	545,471
2012					
Year ended 31 December					
Opening net book amount	371,701	87,706	120,452	4,986	584,845
Additions	-	-	-	1,081	1,081
Foreign exchange	(1,080)	1,571	(1,571)	(1,253)	(2,333)
Amortisation	-	(6,648)	(9,791)	(1,942)	(18,381)
Closing net book amount	370,621	82,629	109,090	2,872	565,212
At 31 December					
Cost	406,135	118,850	170,478	20,493	715,956
Accumulated amortisation and impairment	(35,514)	(36,221)	(61,388)	(17,621)	(150,744)
Net book amount	370,621	82,629	109,090	2,872	565,212

16. Intangible assets (continued)

The carrying amount of goodwill has been allocated to cash-generating units as follows:

	2013	2012
Ithmaar Bank B.S.C	337,392	338,435
Islamic Investment Company of the Gulf (Bahamas) Limited	32,186	32,186
	369,578	370,621

On 31 March 2010, DMI acquired an additional 400 million shares of Ithmaar Bank B.S.C. by participation in a rights issue at a price of $0.25 per share for a total consideration of $100 million. As a result of this transaction, DMI owned 52.6% of the outstanding shares of Ithmaar Bank B.S.C. converting it from an associate to a subsidiary, which resulted in the full consolidation of Ithmaar's income statement and balance sheet at 31 December 2010. The step acquisition from the associated company to the subsidiary company resulted in a net gain of $334.9 million, which was included in the consolidated statement of income. This amount comprised a mark up to fair value of the associated company shareholding of 44.9%. In assessing the above gain, DMI relied upon an independent valuation commissioned from an international firm of chartered accountants who established a value using various valuation methodologies comprising the average of a peer group market analysis of banks listed on the Bahrain Bourse and a discounted cash flow adjusted for an estimated control premium but which did not include a reference to the market price of Ithmaar Bank's shares at the relevant time. Both the independent valuer and DMI believed that the share price quoted on the Bahrain Bourse did not reflect the fair value of the business and they also did not consider that the historical turnover of the shares constituted an active market. As a result, the share price was disregarded in the valuation.

17. Non-current assets and liabilities and discontinued operations held for sale

Non-current assets and liabilities held for sale

At 31 December 2013 non-current assets held for sale included vacant properties comprising land and buildings in the amount of $21.0 million which Faysal Bank Limited management intends to dispose of in the future and the carrying amount will be recovered principally through a sale transaction rather than continuing use.

Those assets classified at 31 December 2012 for an amount of $26.9 million were disposed of during the year and the carrying amount was recovered through a sale transaction with the exception of $2.1 million described below. The Board of Directors of Faysal Management Services (Private) Limited (FMSL), a 60% subsidiary of Faysal Bank Limited decided to voluntarily close the company in 2010. In 2012 an official was appointed by the High Court to distribute realised cash assets to shareholders of FMSL. This distribution took place in February 2013.

18. Accounts payable

	2013	2012 Restated
Accounts payable and other provisions	51,855	70,613
Advance received from customers	8,113	27,803
Demand drafts	47,248	43,731
Accruals	24,333	22,717
Security deposits on consumer leases	32,063	25,247
Funds under management	729,788	565,907
Dividends payable	15,214	15,597
Derivative financial instruments	103	84
Employee payables	27,520	24,485
Deferred income	1,602	385
	937,839	796,569

There were no liabilities against assets subject to finance leases at 31 December 2013 (2012: $Nil million).

Derivative financial instruments

Foreign exchange derivatives held for trading:

2013	Contractual amount	Fair value
Currency forwards	10,800	103

2012	Contractual amount	Fair value
Currency forwards	23,800	84

19. Tax liability

	2013	2012
Current tax (receivable)/payable		
At 1 January	(14,390)	(12,084)
Charge for the period	(4,346)	2,408
Payments made	(12,717)	(6,269)
Refund	28	127
Exchange differences	831	1,428
At 31 December	(30,594)	(14,390)
Deferred tax (asset)/liability		
At 1 January	(46,560)	(56,019)
Charge for the period	8,144	(1,149)
Changes due to fair value reserve	(3,931)	5,903
Refund	-	-
Exchange differences	3,276	4,705
At 31 December	(39,071)	(46,560)

20. Massaref accounts

	2013	2012
Customer current accounts		
Individuals	469,941	426,610
Financial institutions	1,790	1,465
Corporate institutions	798,831	765,650
Customer investment accounts		
Individuals	823,387	825,987
Financial institutions	66,643	68,652
Corporate institutions	965,739	1,012,531
Due to associated companies (note 35)	20,000	20,000
Investments from off balance sheet funds	251,441	246,855
Due to banks and financial institutions	1,313,882	1,303,526
	4,711,654	4,671,276

The nature of Massaref accounts is mainly short term therefore the carrying value approximates fair value and would be classified as level 2.

Customer current accounts include balances relating to a counterparty amounting to $247.7 million (2012: $237.4 million) which is subject to freeze and originating from jurisdiction under US and UN sanctions.

The remaining due to customers represent conventional deposits accepted by a subsidiary of the Group, and include floating rate unsecured term finance certificates issued by a subsidiary.

Included in investments from off balance sheet funds at 31 December 2013 is an amount of $108.6 million (2012: $106.4 million), which relates to investments received from off balance sheet funds and which was subsequently reinvested in investments in financings outside of the Group. The remaining amount represents off balance sheet funds invested with the Group's subsidiaries.

Due to banks and financial institutions include balances totalling $685.7 million (2012: $667.9 million) from two counterparties having contractual maturity ranging from one month to 3 years. Out of these, balances totalling $430.0 million (2012: $424.7 million) is from one counterparty which is subject to freeze and originating from jurisdiction under US and UN sanctions. The balance due to one counterparty was included under customer current accounts as at 31 December 2012.

Due to banks include short and medium term borrowings by the Group under bilateral and multilateral arrangement with maturities ranging from one year to five years.

21. Provisions

Included under liabilities are provisions of $55 million (2012: $55 million) relating to a guarantee issued to certain funds under management, and $18 million (2012: $18 million) relating to a specific asset risk.

22. Collateralised borrowings

Financial assets pledged to secure liabilities:

At 31 December 2013, there were collateralised borrowings in aggregate $146.2 million (2012: $151.1 million).

Cash dividends amounting to $5.8 million (2012: $13.8 million) on certain shares pledged as collateral was directly received by the lender during the year and adjusted against the outstanding facility amount as per the agreed terms.

Assets, which are pledged as collateral, are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities.

23. Net trading income

	2013	2012
Income from foreign exchange trading	8,621	7,401
Income from government securities	4,561	4,292
Gains/(losses) on trading securities	4,605	15,308
Gains from revaluation	2,129	8,733
	19,916	35,734

Foreign exchange trading includes gains and losses from spot and forward contracts translated from foreign currency assets and liabilities.

24. Income from investments in financings

	2013	2012
Income from investments in financings	210,571	239,677
Present value adjustment	(1,050)	(224)
Provision for bad and doubtful debts	(72,347)	(37,655)
Reversal of provision for bad and doubtful debts	15,336	24,826
	152,510	226,624

25. Fee and commission income

	2013	2012
Arrangement fees	1,770	697
Guarantee fees	1,092	1,563
Documentary credit fees	2,611	4,577
Structuring fees and commissions	813	5,735
Other fees from banking services	31,185	31,589
Fees and commissions expense	(5)	-
	37,466	44,161

26. Dividend income

	2013	2012
Investment securities held to maturity	3,865	3,392
Investment securities available-for-sale	7,383	9,767
	11,248	13,159

Investment securities dividend income represents a mixture of dividend and profit rate income.

27. Gains/(losses) from other income

	2013	2012
Impairment provision	-	(7,267)
Fair value gain/(loss) on investment properties	(2,591)	14
Rental income from investment properties	3,807	3,375
Loss on sale of investment properties	-	(707)
Other	4,250	3,502
	5,466	(1,083)

28. Staff costs

	2013	2012
Salaries	84,613	88,017
Social security and other statutory costs	3,800	3,584
Pension and end of service	2,573	8,681
Other benefits	15,348	13,201
	106,334	113,483

Other benefits include housing allowance, home leave, relocation expense, medical and health expense, training, severance costs and end of service benefit costs.

29. General and administrative expenses

	2013	2012
Office expenses	52,438	51,806
Professional fees	14,241	15,068
Other	19,902	19,581
	86,581	86,455

30. Proposed dividend

No dividend has been proposed for 2013 (2012: $Nil).

31. Taxes

	2013	2012
Current taxes	(4,346)	2,408
Loss/(gain) on deferred taxes	8,144	(1,149)
	3,798	1,259

The expected income tax expense for the Group is an aggregate of individual amounts representing the mix of profits and losses and the applicable tax rates in each jurisdiction. Consequently, the effective tax rate on consolidated income may vary from year to year, according to the source of earnings. Most affiliates of the Group operate in tax free jurisdictions.

31. Taxes (continued)

A reconciliation between the reported income tax and the amount computed, using the weighted average of applicable domestic corporate tax rates, is as follows:

	2013	2012
Net accounting (loss)/profit	(65,677)	(10,794)
Weighted average applicable domestic corporate tax rate	(5.78)%	(11.67)%
Weighted average applicable domestic corporate tax	6,012	3,133
Effect of revenue taxed at a different rate than domestic corporate tax rate	(2,214)	(1,874)
Effective tax gain	3,798	1,259

The relationship between profit before taxes and non-controlling interests and the expected current income tax expense reflects the mix of profits earned in jurisdictions with relatively high tax rates and those with relatively low tax rates.

32. Non-controlling interests

The consolidated financial statements include 100% of the assets, liabilities and earnings of consolidated companies. The ownership interests of the other shareholders are called non-controlling interests.

The following table summarises the non-controlling shareholders' interests in the equity of consolidated subsidiaries.

	2013		2012 Restated	
	Non-controlling %		Non-controlling %	
Ithmaar Bank B.S.C. and wholly owned subsidiaries	51	293,844	47	295,478
Faysal Bank Limited	33	78,614	33	91,337
Gulf Investors Asset Management	27	7,566	27	8,207
Health Island B.S.C. (C)	50	110,382	50	111,512
Cityview Real Estate Development B.S.C. (C)	49	1,663	49	103
Marina Reef Real Estate Development B. S.C. (C)	49	-	49	557
Sakana Holistic Housing Solutions B. S.C. (C)	50	26,730	50	26,448
		518,799		533,912

The non-controlling interest appropriation in the consolidated statement of income of $42.5 million represents the non-controlling shareholders' share of the loss of these subsidiaries for 2013 (2012: $16.0 million).

32. Non-controlling interests (continues)

Summarised financial information on subsidiaries with material non-controlling interests.

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group.

	Ithmaar Bank B.S.C. Period ended 31 December	
Summarised Balance Sheet	**2013**	**2012**
Assets	6,091,243	6,003,301
Liabilities	5,339,398	5,169,161
Net assets	751,846	834,140

Summarised Income Statement	**2013**	**2012**
Income	114,648	175,975
Loss before income tax	(79,194)	(31,564)
Income tax expense	(3,797)	(1,249)
Post-tax loss	(82,991)	(32,813)
Other comprehensive income	(28,259)	48,321
Total comprehensive income	(111,250)	15,508
Total comprehensive income allocated to non-controlling interests	12,568	2,348
Dividend paid to non-controlling interests	-	-

Summarised Cash Flows	**2013**	**2012**
Cash flows from operating activities	(3,544)	12,430
Cash generated from operations	394,639	(80,095)
Net (increase)/decrease in investments	(179,515)	158,727
Taxes paid	(12,528)	(5,276)
Foreign currency translation adjustments	(92,056)	22,056
Net (decrease)/increase in cash and cash equivalents	**106,996**	**107,842**
Cash and cash equivalents at beginning of year	840,434	732,592
Cash and cash equivalents at end year	947,430	840,434

The information above is the amount before intercompany eliminations

33. Funds under management

Funds under management aggregated $3.7 billion (2012: $3.7 billion) and represented amounts invested by clients and placed with funds managed by the Group. These funds are invested without recourse to the Group. The Group earned fees of approximately $42.4 million associated with such funds in 2013 (2012: $43.8 million). At 31 December 2013, the Group had amounts due to funds under management of $981.2 million (2012: $812.8 million) and due from of $177.9 million (2012: $264.4 million).

34. Retirement benefit plans

Substantially all employees of the Group's European incorporated subsidiaries are covered either by insured or state pension plans. In accordance with local practice, no pension plans exist in certain countries in which the Group operates.

The Group's retirement benefit plans are in Switzerland and are defined benefit plans. The assets of the funded plans are held in separate trustee administered funds. These plans are valued by independent actuaries every year using the projected unit credit method.

The table below outlines the group's post-employment amounts and activity included in the financial statements.

	2013	2012 Restated
Balance sheet obligations for pension benefits	1,796	13,382
Income statement charge for pension benefits	(2,591)	2,465
Remeasurements for pension benefits	(7,511)	2,262

The amounts recognised in the balance sheet are determined as follows:

	2013	2012 Restated
Present value of funded obligations	57,230	65,434
Fair value of plan assets	(55,434)	(52,052)
Deficit of funded plans	1,796	13,382
Liability in the balance sheet	1,796	13,382

At year end the present value of the defined benefit obligation comprised approximately $40.7 million (2012: $50.1 million) relating to active employees, $0.7 million (2012: $Nil) relating to deferred members and $15.8 million (2012: $15.3 million) relating to members in retirement.

34. Retirement benefit plans (continued)

The movement in the defined benefit obligation over the year was as follows:

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2013	65,434	(52,052)	13,382
Current service cost	1,952	-	1,952
Financial costs/(income)	1,155	(995)	160
Past service cost and gains and losses on settlements	(4,703)	-	(4,703)
	(1,596)	(995)	(2,591)
Remeasurements:			
Return on plan assets, excluding amounts included in financial costs/(income)	-	(4,272)	(4,272)
(Gain)/loss from change in financial assumptions	(4,034)	-	(4,034)
Experience (gains)/losses	1,059	-	1,059
	(2,975)	(4,272)	(7,247)
Exchange differences	1,463	(1,513)	(50)
Contributions:			
Employers	-	(1,698)	(1,698)
Plan participants	334	(334)	-
Payments from plans:			
Benefit payments	(666)	666	-
Settlements	(4,487)	4,487	-
Insurance premiums for risk benefits	(277)	277	-
At 31 December 2013	57,230	(55,434)	1,796

34. Retirement benefit plans (continued)

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2012 Restated	71,569	(61,691)	9,878
Current service cost	2,209	-	2,209
Financial costs/(income)	1,979	(1,723)	256
	4,188	(1,723)	2,465
Remeasurements:			
Return on plan assets, excluding amounts included in financial costs/(income)	-	218	218
(Gain)/loss from change in financial assumptions	7,071	-	7,071
Experience (gains)/losses	(5,032)	-	(5,032)
	2,039	218	2,257
Exchange differences	1,835	(1,532)	303
Contributions:			
Employers	-	(1,521)	(1,521)
Plan participants	421	(421)	-
Benefit payments	(14,346)	14,346	-
Insurance premiums for risk benefits	(272)	272	-
At 31 December 2012 Restated	**65,434**	**(52,052)**	**13,382**

34. Retirement benefit plans (continued)

The significant actuarial assumptions were as follows:

	2013	2012 Restated
Discount rate	2.2%	2.0%
Inflation	0.0%	0.0%
Salary growth rate	2.0%	2.0%
Pension growth rate	0.0%	0.0%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age of 65.

	2013	2012 Restated
Retiring at the end of the reporting period:		
Male	21.3	21.2
Female	23.8	23.7
Retiring 25 years after the end of the reporting period:		
Male	23.5	23.4
Female	25.9	25.8

The sensitivity of the defined benefit obligation to charges in the weighted principal assumptions is:

		Impact on defined benefit obligations	
2013	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Increase by 4.5%	Decrease by 4.0%
		Increase by one year in assumption	Decrease by one year in assumption
Life expectancy		Increase by 1.0%	Decrease by 1.1%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the project unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

34. Retirement benefit plans (continued)

The movement in the liability recognised in the statement of financial position:

	2013	2012 Restated
At 1 January	13,382	9,878
Defined benefit cost included in P&L	(2,591)	2,465
Total remeasurements included in OCI	(7,511)	2,262
Employer contributions	(1,698)	(1,521)
Exchange differences	214	298
At 31 December	1,796	13,382

Plan assets are comprised as follows:

	2013				2012 Restated			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Assets held by insurance company	-	37,041	37,041	67	-	36,056	36,056	70
Property in Switzerland	-	14,377	14,377	26	-	14,208	14,208	27
Cash and cash equivalents	4,016	-	4,016	7	1,338	-	1,338	3
Total	4,016	51,418	55,434	100	1,338	50,264	51,602	100

Pension assets include Swiss real estate partially occupied by the Group with a fair value of $14.4 million (2012: $14.2 million).

Through its defined benefit pension plan in Switzerland, the Group is exposed to few risks, the most significant of which are detailed below:

The Group operates a contribution based plan with guarantees in order to satisfy Swiss legislation on occupational pension provision. It uses several insurance policies to reduce the financial risks involved. Death and disability benefits are insured. The insurance policy currently guarantees interest credits on member savings which are at least equal to those required under Swiss law. Pensions at retirement are insured to remove longevity and investment risk following retirement. The Group currently only incurs additional costs where it awards interest credits and/or converts savings to pension at rates more favourable than offered by the insurance provider.

The plan invested in offices partially occupied by the Group. This is the plan's primary investment risk and requires it to be set up as a semi-autonomous foundation with trustees. There are three trustees representing the companies and three trustees representing the employees as per the regulations of the Pension Foundation. Collectively they are responsible for ensuring compliance with Swiss occupational pension legislation and the rules of the plan. This includes the administration, arranging for the drafting of accounts and their audit, setting the investment strategy and communicating with members.

34. Retirement benefit plans (continued)

The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2013 are managed by an insurance company, although the Group also invests in property and cash.

Expected contributions to post-employment benefit plans for the year ending 31 December 2014 are $1.2 million (2013: $1.6 million).

The weighted average duration of the defined benefit obligation is 8.5 years.

The expected maturity analysis of undiscounted pension benefits at 31 December 2013 was:

	Less than a year	Between one to two years	Between three to five years	Over five years	Total
Undiscounted pension benefits	1,267	3,075	7,086	15,336	26,764

35. Related party transactions and balances

Related parties include equity participation holders, directors, associated companies and other companies, whose ownership and management is common with DMI or its subsidiaries and associates. A number of transactions are entered into with related parties in the normal course of business. These include loans, current and investment accounts. Transactions and balances disclosed as with associated companies are those with companies in which DMI owns 20% to 50% of the voting rights and over which it exerts significant influence, but does not have control. The volumes of related party transactions, outstanding balances at the year end, and relating income and expense for the year are as follows.

a) Loans to key management personnel

	2013	2012
Loans		
Loans outstanding at 1 January	1,549	2,065
Loans issued during the year	103	731
Loan repayments during the year	(1,234)	(1,264)
Foreign exchange	(14)	17
Loans outstanding at 31 December	404	1,549

No provisions were recognised in respect of loans given to related parties (2012: $Nil).

Loans advanced to key management personnel bear no return and are unsecured.

35. Related party transactions and balances (continued)

b) Loans to employees

All employees of the Group are entitled to receive employee loans on favourable terms not equivalent to those of transactions made on an arm's length basis. Included in accounts receivable are amounts due from employees at 31 December 2013 of $22.0 million (2012: $31.0 million).

During 2012 a real estate asset was sold to an employee for an amount of $0.6 million, what was considered to be an arm's length transaction.

c) Current and investment accounts

	Associated companies	
Period ended	**2013**	**2012**
Amounts payable to:		
Faisal Islamic Bank of Egypt	20,000	20,000
Naseej B.S.C. (c)	260,342	257,188

d) Key management compensation

	2013	**2012**
Salaries and other short-term benefits	16,277	18,607
Post-employment benefits	600	861
Other long-term benefits	1,966	163
	18,843	19,631

36. Contingent liabilities and commitments

	2013	**2012**
Contingent liabilities		
Acceptances and endorsements	125,327	119,952
Performance bid bonds	26,233	33,010
Customer claims	430,128	389,771
Guarantees and irrevocable letters of credit	584,245	607,608
	1,165,933	1,150,341

The Group operates in certain countries which have tax regimes, but for which no provision for income tax has been recorded in these financial statements. It is believed that the Group's potential tax liability arising in respect of its operations in those countries is remote at the present time.

36. Contingent liabilities and commitments (continued)

Faisal Islamic Bank of Egypt carried at 31 December 2013 contingent liabilities of $61.3 million (December 2012: $20.9 million) of which the Group's share was $30.0 million (December 2012: $10.2 million). These related to guarantees and letters of credit issued as part of their normal banking operations.

BBK carried at 31 December 2013 contingent liabilities of $1,318.3 million (December 2012: $1,565.7 million), of which the Group's share was $165.1 million (December 2012: $208.2 million). These related to guarantees and letters of credit issued as part of their normal banking operations.

Naseej B.S.C. (c) carried at 31 December 2013 contingent liabilities of $199.7 million (December 2012: $238.7 million), of which the Group's share was $28.8 million (December 2012: $35.6 million). These related to guarantees and letters of credit issued as part of their normal banking operations.

Sanpak Engineering carried at 31 December 2013 contingent liabilities of $1.8 million (December 2012: $2.4 million), of which the Group's share was $0.3 million (December 2012: $0.5 million). These related to guarantees and letters of credit issued as part of their normal banking operations.

	2013	2012
Commitments		
Undrawn facilities, financing lines	900,180	728,529
Other commitments to finance	25,642	26,754
Repurchase and resale transactions	224,634	171,506
	1,150,456	926,789

Operating lease commitments

Commitments for operating leases included cars and office equipment.

The future minimum lease payments under non cancellable operating leases are as follows:

	2013	2012
Not later than one year	58	56
Later than one year and not later than five years	129	169
	187	225
Significant net open foreign currency position	927,741	734,286

37. Current and non-current assets and liabilities

At 31 December 2013

	Current	Non-current	Total
Cash and cash equivalents	985,984	-	985,984
Due from Islamic institutions	117,805	196	118,001
Trading securities	82,663	-	82,663
Investments in financings	1,231,154	855,473	2,086,627
Investment securities	889,947	290,588	1,180,535
Accounts receivable	87,238	77,720	164,958
Current tax receivable	35,901	-	35,901
Investment property	-	334,913	334,913
Investments in associates	-	967,549	967,549
Property, plant and equipment	2,323	114,638	116,961
Intangible assets	-	545,471	545,471
Assets held for sale	21,032	-	21,032
Deferred tax assets	44,144	-	44,144
Total assets	**3,498,191**	**3,186,548**	**6,684,739**
Customer current accounts	1,271,230	(668)	1,270,562
Customer investment accounts	1,767,122	88,647	1,855,769
Due to banks and other financial institutions	1,314,222	19,660	1,333,882
Investments from off balance sheet funds	50,761	200,680	251,441
Provisions	18,000	55,000	73,000
Accounts payable	901,034	36,805	937,839
Current tax payable	5,297	10	5,307
Deferred tax liabilities	-	5,073	5,073
Total liabilities	**5,327,666**	**405,207**	**5,732,873**
Net assets	**(1,829,475)**	**2,781,341**	**951,866**

At 31 December 2012

	Current	Non-current	Total
Total assets	**3,062,695**	**3,506,595**	**6,569,290**
Total liabilities	**5,101,205**	**448,122**	**5,549,327**
Net assets	**(2,038,510)**	**3,058,473**	**1,019,963**

38. Concentration of assets and liabilities

Assets and liabilities of the Group are located in the following geographical regions and industry sectors:

Geographical regions	Asia/ Pacific	Middle East	Europe	North America	Others	Total
At 31 December 2013						
Cash and cash equivalents	282,887	473,625	157,119	66,629	5,724	985,984
Due from Islamic institutions	-	118,001	-	-	-	118,001
Trading securities	82,482	181	-	-	-	82,663
Investments in financings	1,813,610	57,176	116,457	6,975	92,408	2,086,627
Investment securities	1,012,998	160,814	5,084	1,639	-	1,180,535
Accounts receivable	44,969	36,926	68,324	14,734	5	164,958
Current tax receivable	35,834	34	33	-	-	35,901
Investment property	10,994	215,468	108,452	-	-	334,913
Investments in associates	69,058	898,491	-	-	-	967,549
Property, plant and equipment	53,641	63,208	112	-	-	116,961
Intangible assets	23,938	517,473	4,060	-	-	545,471
Assets held for sale	21,032	-	-	-	-	21,032
Deferred tax assets	44,144	-	-	-	-	44,144
Total assets	**3,495,587**	**2,541,397**	**459,641**	**89,977**	**98,137**	**6,684,739**
Customer current accounts	769,986	191,454	247,996	36,023	25,103	1,270,562
Customer investment accounts	1,855,764	5	-	-	-	1,855,769
Due to banks	435,698	879,335	12,360	-	6,489	1,333,882
Investments from off balance sheet funds	-	25,005	129,067	97,369	-	251,441
Provisions	-	18,000	55,000	-	-	73,000
Accounts payable	104,125	825,523	7,167	1,024	-	937,839
Current tax payable	5,168	10	129	-	-	5,307
Deferred tax liabilities	-	-	5,073	-	-	5,073
Total liabilities	**3,170,741**	**1,939,332**	**456,792**	**134,416**	**31,592**	**5,732,873**
Net on-balance sheet position	**324,846**	**602,065**	**2,849**	**(44,439)**	**66,545**	**951,866**
Contingent liabilities and commitments	**1,949,241**	**326,058**	**32,062**	**7,000**	**2,215**	**2,316,576**
At 31 December 2012						
Total assets	**3,349,442**	**2,592,198**	**453,861**	**45,552**	**128,237**	**6,569,290**
Total liabilities	**3,046,124**	**1,771,995**	**470,532**	**103,983**	**156,693**	**5,549,327**
Net on-balance sheet position	**303,318**	**820,203**	**(16,671)**	**(58,431)**	**(28,456)**	**1,019,963**
Contingent liabilities and commitments	**1,735,023**	**304,354**	**17,764**	**14,186**	**6,028**	**2,077,355**

38. Concentration of assets and liabilities (continued)

At 31 December 2013

Industry sectors	Banks and financial institutions	Trading and manufacturing	Property and construction	Private individuals	Services	Textile	Other	Total
Cash and cash equivalents	872,021	-	-	-	113,960	-	3	985,984
Due from Islamic institutions	118,001	-	-	-	-	-	-	118,001
Trading securities	1,885	78,170	-	-	578	121	1,909	82,663
Investments in financings	149,600	880,555	97,439	145,427	372,391	107,119	334,096	2,086,627
Investment securities	58,311	47,165	62,352	-	934,694	2,026	75,987	1,180,535
Accounts receivable	48,107	10,411	22,683	32,371	37,366	14	14,006	164,958
Current tax receivable	35,834	-	-	-	34	-	33	35,901
Investment property	7,244	-	327,669	-	-	-	-	334,913
Investments in associates	956,267	9,134	2,148	-	-	-	-	967,549
Property, plant and equipment	55,497	-	61,464	-	-	-	-	116,961
Intangible assets	545,471	-	-	-	-	-	-	545,471
Assets held for sale	21,032	-	-	-	-	-	-	21,032
Deferred tax assets	-	-	-	-	44,144	-	-	44,144
Total assets	**2,869,270**	**1,025,435**	**573,755**	**177,798**	**1,503,167**	**109,280**	**426,034**	**6,684,739**
Customer current accounts	44,916	207,055	39,069	458,857	140,575	5,933	374,157	1,270,562
Customer investment accounts	171,065	157,818	36,920	811,448	209,207	7,067	462,244	1,855,769
Due to banks	1,333,801	-	-	-	81	-	-	1,333,882
Investments from off balance sheet funds	251,441	-	-	-	-	-	-	251,441
Provisions	18,000	-	55,000	-	-	-	-	73,000
Accounts payable	40,832	16,435	19,833	64,166	9,372	-	787,201	937,839
Current tax payable	5,168	-	-	-	10	-	129	5,307
Deferred tax liabilities	-	-	5,079	-	(6)	-	-	5,073
Total liabilities	**1,865,223**	**381,308**	**155,901**	**1,334,471**	**359,239**	**13,000**	**1,623,731**	**5,732,873**
Net on-balance sheet position	**1,004,047**	**644,127**	**417,854**	**(1,156,673)**	**1,143,928**	**96,280**	**(1,197,697)**	**951,866**
Contingent liabilities and commitments	**272,339**	**1,043,711**	**131,899**	**97,417**	**160,200**	**10,316**	**600,694**	**2,316,576**

At 31 December 2012

Industry sectors	Banks and financial institutions	Trading and manufacturing	Property and construction	Private individuals	Services	Textile	Other	Total
Total assets	**2,982,930**	**248,342**	**625,702**	**191,957**	**1,254,124**	**254,864**	**1,011,371**	**6,569,290**
Total liabilities	**1,799,367**	**388,449**	**150,289**	**1,301,845**	**176,169**	**21,653**	**1,711,555**	**5,549,327**
Net on-balance sheet position	**1,183,563**	**(140,107)**	**475,413**	**(1,109,888)**	**1,077,955**	**233,211**	**(700,184)**	**1,019,963**
Contingent liabilities and commitments	**213,195**	**220,280**	**34,367**	**10,301**	**70,354**	**57,769**	**1,471,089**	**2,077,355**

39. Maturities of assets and liabilities

The maturity profiles of assets and liabilities of the Group are as follows:

At 31 December 2013

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Cash and cash equivalents	906,406	74,512	5,066	-	-	985,984
Due from Islamic institutions	117,805	-	-	196	-	118,001
Trading securities	690	-	81,973	-	-	82,663
Investments in financings	208,407	558,895	463,852	700,619	154,854	2,086,627
Investment securities	240,054	422,578	227,315	293,686	(3,098)	1,180,535
Accounts receivable	39,292	17,190	30,755	52,681	25,040	164,958
Current tax receivable	-	-	35,901	-	-	35,901
Investment property	-	-	-	251,274	83,639	334,913
Investments in associates	-	-	-	-	967,549	967,549
Property, plant and equipment	118	50	2,155	17,267	97,371	116,961
Intangible assets	-	-	-	1	545,470	545,471
Assets held for sale	-	-	21,032	-	-	21,032
Deferred tax assets	-	-	44,144	-	-	44,144
Total assets	**1,512,772**	**1,073,225**	**912,193**	**1,315,724**	**1,870,825**	**6,684,739**
Customer current accounts	1,271,230	-	-	-	(668)	1,270,562
Customer investment accounts	1,240,992	186,162	339,969	87,236	1,410	1,855,769
Due to banks	713,274	64,185	536,763	19,660	-	1,333,882
Investments from off balance sheet funds	-	-	50,761	200,680	-	251,441
Provisions	-	-	18,000	-	55,000	73,000
Accounts payable	830,307	2,653	68,074	34,769	2,036	937,839
Current tax payable	129	-	5,168	10	-	5,307
Deferred tax liabilities	-	-	-	-	5,073	5,073
Total liabilities	**4,055,932**	**253,000**	**1,018,735**	**342,355**	**62,851**	**5,732,873**
Net liquidity gap	**(2,543,160)**	**820,225**	**(106,542)**	**973,369**	**1,807,974**	**951,866**

At 31 December 2012

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Total assets	**1,523,577**	**416,785**	**1,122,333**	**1,463,757**	**2,042,838**	**6,569,290**
Total liabilities	**3,803,409**	**354,069**	**943,726**	**368,023**	**80,100**	**5,549,327**
Net liquidity gap	**(2,279,832)**	**62,716**	**178,607**	**1,095,734**	**1,962,738**	**1,019,963**

40. Currency exposure

At 31 December 2013

	United States Dollar	Pakistan Rupee	Bahrain Dinar	Euro	Swiss Franc	Saudi Riyal	Egyptian Pound	Other	Total
Cash and cash equivalents	235,301	220,358	251,315	235,257	975	21,385	507	20,886	985,984
Due from Islamic institutions	124,526	-	-	(6,525)	-	-	-	-	118,001
Trading securities	-	82,483	-	-	-	178	2	-	82,663
Investments in financings	230,524	1,764,176	3,886	48,337	-	5,168	91	34,445	2,086,627
Investment securities	172,363	999,629	2,891	8,968	765	-	832	(4,913)	1,180,535
Accounts receivable	95,296	40,123	9,275	13,368	3,626	1,796	939	535	164,958
Current tax receivable	-	35,834	-	-	33	-	34	-	35,901
Investment property	46,427	7,244	172,718	-	52,240	-	72	56,212	334,913
Investments in associates	885,108	1,120	2,148	-	-	4,474	6,761	67,938	967,549
Property, plant and equipment	5,602	53,641	57,393	4	108	181	32	-	116,961
Intangible assets	528,096	23,938	(6,564)	1	-	-	-	-	545,471
Assets held for sale	-	21,032	-	-	-	-	-	-	21,032
Deferred tax assets	-	44,144	-	-	-	-	-	-	44,144
Total assets	**2,323,243**	**3,293,722**	**493,062**	**299,410**	**57,747**	**33,182**	**9,270**	**175,103**	**6,684,739**
Customer current accounts	103,317	685,893	178,752	286,402	-	2,209	-	13,989	1,270,562
Customer investment accounts	135,888	1,686,436	-	12,207	-	-	-	21,238	1,855,769
Due to banks	58,205	435,698	391,388	122,667	-	146	-	325,778	1,333,882
Investments from off balance sheet funds	251,441	-	-	-	-	-	-	-	251,441
Provisions	18,000	-	-	55,000	-	-	-	-	73,000
Accounts payable	711,396	104,133	102,487	12,470	3,798	845	996	1,714	937,839
Current tax payable	-	5,168	-	-	129	-	10	-	5,307
Deferred tax liabilities	-	-	-	-	5,073	-	-	-	5,073
Total liabilities	**1,278,247**	**2,917,328**	**672,627**	**488,746**	**9,000**	**3,200**	**1,006**	**362,719**	**5,732,873**
Net on-balance sheet position	**1,044,996**	**376,394**	**(179,565)**	**(189,336)**	**48,747**	**29,982**	**8,264**	**(187,616)**	**951,866**
Contingent liabilities and commitments	**29,601**	**1,941,741**	**244,965**	**13,653**	**18,567**	**10,401**	**-**	**57,648**	**2,316,576**

At 31 December 2012

	United States Dollar	Pakistan Rupee	Bahrain Dinar	Euro	Swiss Franc	Saudi Riyal	Egyptian Pound	Other	Total
Total assets	**2,407,969**	**3,128,121**	**435,863**	**372,101**	**74,505**	**35,476**	**13,108**	**102,147**	**6,569,290**
Total liabilities	**1,147,083**	**2,769,554**	**664,598**	**555,543**	**51,211**	**2,054**	**1,116**	**358,168**	**5,549,327**
Net on-balance sheet position	**1,260,886**	**358,567**	**(228,735)**	**(183,442)**	**23,294**	**33,422**	**11,992**	**(256,021)**	**1,019,963**
Contingent liabilities and commitments	**246,844**	**1,477,023**	**280,564**	**34,094**	**16,258**	**11,472**	**-**	**11,100**	**2,077,355**

41. Trust capital

As at 31 December 2013 an amount of $20 million (2012: $20 million) has been appropriated from other reserves to fiduciary reserve to cover potential fiduciary risks which might arise in the Group's capacity as fund manager.

42. Comparatives

Certain comparatives have been restated due to the implementation of IAS 19 revised - Employee Benefits. This restatement impacted 2012 opening retained earnings by a reduction of $3.4 million after consideration of non-controlling interest.

	2012 Restated	**2012**
Accounts payable	796,569	787,299
Trust capital	486,051	490,620
Non-controlling interests	533,912	538,613

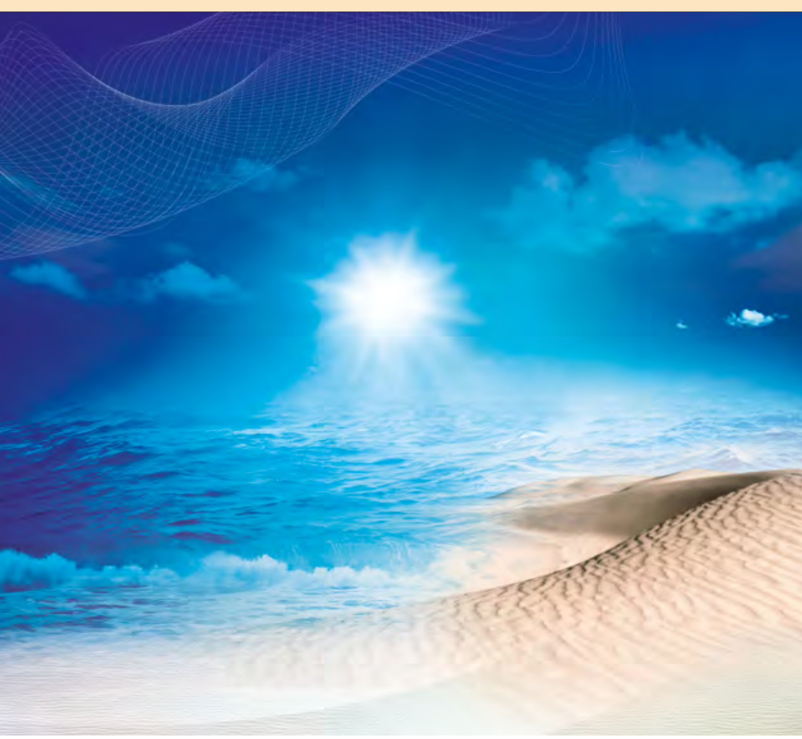
43. Date of authorisation for issue

These consolidated financial statements have been approved for issue by the Board of Supervisors on 9 May 2014 and are subject to approval at the Annual General Meeting, which will be held on 12 June 2014.

44. Principal subsidiaries in the consolidated financial statements

	Nature of Business	% owned		Country of incorporation
		Subsidiary	DMI	
Islamic Investment Company of the Gulf (Bahamas) Limited	Investment Banking	100	100	Bahamas
Ithmaar Bank B.S.C.*	Retail Banking	49	49	Kingdom of Bahrain
Faysal Bank Limited	Retail Banking	67	33	Pakistan
Ithmaar Development Company Limited	Real Estate Investment	100	49	Cayman Islands
Sakana Holistic Housing Solutions B.S.C. (C)	Mortgage Finance	63	31	Kingdom of Bahrain
DMI Administrative Services S.A.	Management Services	100	49	Switzerland

* Ithmaar Bank B.S.C. is subject to the consolidated supervision of the Central Bank of Bahrain.



Dar Al-Maal Al-Islami Trust
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