Dar Al-Maal Al-Islami Trust

Annual Report

2014

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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.

Chairman's Message

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 third annual report of Dar Al-Maal Al-Islami Trust for the financial year ended 31 December 2014.

I am pleased to report that in 2014 the Group has recorded a net profit of $35.1 million, which compares to a net loss of $27.3 million for 2013. This result is the direct impact of various transactions supporting specific objectives referred to in last year's annual report; namely the restructuring of assets, reinforcing cost effectiveness and enhancing core strengths. It is also gratifying to announce that Trust capital has increased from $433.1 million at the end of 2013 to $472.6 million in 2014, nearing the levels seen before the consequences of the world economic recession were felt within the Group. As a result, the value of each participation unit increased to $119.47 as compared to last year's value of $109.48.

The last few years proved to be an on-going challenge considering the prevailing world economic conditions. The Group has maintained its strength for shareholders and is now prepared to further pursue other business prospects, which, through an increasingly favourable economic environment, will develop interesting and encouraging opportunities for the client and their communities as well as reinforce shareholder profitability in the future. It is important to mention however, that under these conditions the Group must continue to take confident and prompt action to seize potential prospects. Therefore, in view of the resources needed to effectively continue with this strategy, the Board of Supervisors has resolved not to recommend a dividend in respect of the year ended 31 December 2014 at the Annual General Meeting.

Owners and holders of equity participation certificates will recall 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. One of the transactions referred to earlier addressed this more permanently in 2014. Through the crystallisation of the previous years' fiduciary reserve of $227.5 million and the combined asset swap and debt repayments between DMI and the managed funds, the inherent risk was minimised to a level allowing the Board to reverse the previous year's balance to reserves, whilst recommending the appropriation of US$20.0 million for the current period. The amount of the fiduciary risk reserve of US$20.0 million will be kept under review and will not be available for distribution.

Ithmaar Bank B.S.C., DMI's key subsidiary held at 46%, reported a total net loss to equity holders, after taxes and provisions, of $15 million for the year ended 31 December 2014, significantly less than the net loss of $80 million in 2013. It must be pointed out, however, that continued sustainable growth in its core retail banking operations resulted in a net profit before provisions for impairment and taxation of $28.9 million, compared to $4.8 million for the prior year. This progress is due to strategic decisions implemented during 2014, which literally transformed the Bank's operations. These included amongst others the divestment of non-core assets, cost rationalisation measures across the entire Ithmaar Group and a full conversion of Ithmaar's main subsidiary Faysal Bank of Pakistan's remaining conventional operations to Islamic banking.

The significance of this year is seen in the Bank's operating income, which grew 14% to $227.7 million from last year's $199.9 million, an increase seen in all revenue categories. Total expenses for 2014 were 1.9% higher than in the previous year, largely due to the one-time costs associated with the Staff Voluntary Separation Scheme and the full year impact of certain branches opened in Pakistan in 2013. The balance sheet indicated customer confidence through their choice for the Bank's products and services. Current accounts increased 8% over the prior year to $1.4 billion and deposits from banks and financial institutions have increased 13% to $1.5 billion. The additional liquidity generated was deployed in Murabaha and other financings. Total assets increased by 6.2% to $7.9 billion compared to $7.4 billion last year. Equity was sustained at $523.4 million at 31 December 2014.

Ithmaar Bank operates one of the largest retail banking networks in Bahrain with 46 ATM's and 17 full service branches and is committed to becoming a leading regional Islamic retail bank. DMI is pleased to witness the significant efforts made by Ithmaar Bank this year and is confident that the actions taken will continue to advance the Group in 2015 and beyond.

With the promising turnaround in Pakistan's economic environment, Faysal Bank Limited, in which the Group owns an economic interest of 31% through its ownership in Ithmaar Bank, registered a net profit of PKR 2,477 million ($24.4 million) after tax, a 34% increase over 2013. The growth was largely due to improved margin leveraging through increased yields on investments of newly acquired low cost deposits. After removal of one-off reorganisation costs, management has, through rigorous control efforts, effectively frozen operating expenses for the last three years. During the year the Pakistani Rupee strengthened by 4.5% against the US dollar, recovering some of its past devaluation. The country's biggest economic challenge still remains, however, in its long standing structural issues.

FBL, one of the top ten banks in Pakistan, holds high long and short term credit ratings of AA and A1+ respectively. FBL has a network of 274 branches, which presently includes 58 dedicated to Islamic Banking, and intends to fully convert the remaining conventional branches over the next three years. In 2014 the Bank adopted a new customer oriented business model whereby all business processes will be modernized to improve efficiency and effectiveness, reinforcing high quality customer service. By continuing to concentrate its efforts on further increasing revenue from core business activities, FBL is confident it will meet the future challenges and expectations of its shareholders.

Islamic Investment Company of the Gulf (Bahamas) Limited, DMI's wholly-owned subsidiary, reported a net profit of $29.1 million in 2014 compared to $3.8 million last year. This was mainly attributable to a one-off extraordinary gain of $22.1 million resulting from the sale of investment securities. On a consolidated basis the IICG Group achieved a net profit of $31.9 million. IICG's total assets decreased by 4.2% over 2013 amounting to $153.2 million, while shareholder's equity increased 23% to $67.7 million compared to the prior year due to the exceptional income recorded during the year. During this period, IICG funds under management reached $2.34 billion, marginally lower than 2013 deposits. The year on year decline in the funds under management resulted from a major asset restructuring, referenced earlier, which creates significant value, yield improvements and cash flow enhancements to the funds. IICG is engaged to deliver strategic improvements in its managed funds for the benefit of its clients now and in the future.

In its first full year of operation, IICG's 73% owned subsidiary, Gulf Investors Asset Management Company (GIAMCO), a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia, performed satisfactorily. In an environment where the decline in the oil price is a critical factor, GIAMCO successfully launched four funds; two public, Deem Saudi Equity Fund and Deem Liquidity Fund and two private, Deem Al Madina Real Estate Fund and Deem Real Estate Opportunities Fund. Total funds under management reached a creditable SAR 377 million ($100 million) at 31 December 2014. GIAMCO's expansion strategies include: increasing profitability by rationalising and strengthening its internal processes and supporting infrastructure, expressly enhancing the company's IT operations; reinforcing its public image; improving customer service; and diversifying its product range to increase its competitiveness and market share in its target operational areas. DMI recognises the importance of GIAMCO's key role in the Group's future and eagerly looks forward to the further development of its client base.

Following the aforementioned asset swap with DMI, the Group's managed funds now own a 48% interest in Faisal Islamic Bank of Egypt. In 2014 FIBE experienced another year of exceptional results, performing in line with targeted levels and results of the previous two years. This notable achievement came during a year mixed with international insecurities, including a significant decline in oil prices and uncertain local political conditions. Encouraging positive factors, accomplished through governmental structural and financial reforms, however, offset this with continuous declines in inflation and Egypt's improved ability to save funds and attract investments. In December, Fitch Ratings raised Egypt's credit assessment to "B" with a stable outlook, the first upgrade in the country's credit rating since one was assigned in 1997.

FIBE's net profit before tax of EGP 1,278 million ($181 million) represented an increase of 1.5% over the prior year. Again the Bank achieved double digit growth in total assets of 10.5% to EGP 50 billion ($7 billion) at 31 December 2014. Total equity amounted to EGP 3,721 million ($520 million) as compared to EGP 3,239 million ($466 million) in the prior year. This year fully confirmed the effectiveness of the five year banking strategy, which commenced during 2013, with the implementation of products offering both local and foreign currency to clients of all income levels. During the year, FIBE reached 1.1 million managed bank accounts. Retail banking grew not only geographically with two new branches but also developed additional services for clients by expanding credit card and ATM access. It is encouraging to announce that following approval from the authorities last year, FIBE founded Faisal Financial Securities, an Egyptian joint stock company, which will provide financial brokerage services to the Bank and its clients. FIBE is confident that the year's activities and its long term strategic mission will ensure its growth and expansion and continue to satisfy its shareholders well into the future.

I would again on behalf of the Board of Supervisors like to thank our participants for their continued support, 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 Monday, 15 Rajab, 1436H corresponding to 4 May 2015.

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 2014 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 2014 - 31 December 2014

Millions of US dollars

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net profit (loss)	28.7	52.1	50.7	12.3	(108.9)	130.2	(30.9)	4.0	(27.3)	35.1
Dividends	8.9	14.8	14.8	20.7	27.7	0.0	0.0	0.0	0.0	0.0
Trust capital	325	362	422	454	335	524	457	486	433	473
Return on average capital	9.4%	15.2%	12.9%	2.8%	(27.6)%	29.9%	(6.3)%	0.8%	(5.9)%	7.8%
Funds under management	4,762	1,856	1,906	2,296	2,508	8,589	8,098	8,355	8,399	9,009
Average number of employees	1,475	896	232	232	214	2,845	4,726*	3,978	4,075	3,882
Book value per unit	$109.83	$122.41	$142.88	$114.85	$84.59	$132.57	$115.51	$122.88	$109.48	$119.47

*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
2014 Annual Report

1 January 2014 - 31 December 2014

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 2014, 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 17 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 2014 and 2013 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 2014 and as such no impairment has been recognised on the related goodwill and intangible balances of US$ 32.2 million and US$ 18.4 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$ 50.6 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 2014, 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　　　　Philippe Bochud

Geneva, 13 May 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

(Thousands of US dollars except participation units)

	Notes	2014	2013
Assets			
Cash and cash equivalents	5	764,670	985,984
Investments with Islamic institutions		121,188	118,001
Trading securities	6	283,316	82,663
Investments in financings	7	2,177,289	2,086,627
Investment securities	10	1,505,615	1,180,535
Accounts receivable	12	186,501	164,958
Current tax receivable	20	36,097	35,901
Investment property	13	404,766	334,913
Investments in associates	15	696,350	967,549
Property, plant and equipment	16	114,788	116,961
Intangible assets	17	536,101	545,471
Non-current assets held for sale	18	18,081	21,032
Deferred tax assets	20	34,321	44,144
Total assets		**6,879,083**	**6,684,739**
Liabilities			
Accounts payable	19	813,273	937,839
Current tax payable	20	268	5,307
Massaref accounts	21	4,999,979	4,711,654
Provisions	22	73,000	73,000
Deferred tax liabilities	20	4,192	5,073
Total liabilities		**5,890,712**	**5,732,873**
Equity			
Trust capital attributable to equity participants			
Capital	42	390,316	390,316
Reserves		82,276	42,751
Total trust capital		**472,592**	**433,067**
Non-controlling interests	33	515,779	518,799
Total equity		**988,371**	**951,866**
Total equity and liabilities		**6,879,083**	**6,684,739**
Number of trust capital participation units		3,955,606	3,955,606
Book value per unit		$119.47	$109.48

The notes on pages 18 to 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Notes	2014	2013
Income			
Fund management and services	34	45,112	42,354
Income from investments with Islamic institutions		1,797	2,345
Net trading income	24	18,766	19,916
Income from investments in financings	25	156,872	152,510
Fee and commission income	26	37,936	37,466
Gains from investment securities	10	72,826	43,997
Dividend income	27	18,671	11,248
(Losses)/gains from other income	28	(12,314)	5,466
		339,666	315,302
Profit paid to financial and other institutions		(18,667)	(23,864)
Distribution to Massaref account holders		(212,587)	(201,289)
Operating income		108,412	90,149
Expenses			
Staff costs	29	(108,880)	(106,334)
General and administrative expenses	30	(93,143)	(86,581)
Depreciation and amortisation	16,17	(27,211)	(30,425)
Exchange gain/(loss)		12,818	(3,088)
Reversal of/(allowance for) impairment	9	987	(4,182)
Total expenses		(215,429)	(230,610)
Operating (loss)		(107,017)	(140,461)
Gain on disposal of associated company	15	111,111	-
Share of profit of associated companies	15	29,231	74,784
Profit/(loss) before income taxes		33,325	(65,677)
Taxes	32	(9,893)	(3,798)
Profit/(loss) after income taxes		**23,432**	**(69,475)**
Attributable to:			
Equity participants		35,108	(27,286)
Non-controlling interests	33	(11,676)	(42,189)
		23,432	**(69,475)**

The notes on pages 18 to 84 form an integral part of these consolidated financial statements.

(Thousands of US dollars)

	Notes	2014		2013	
		Equity holders	Non-controlling interests	Equity holders	Non-controlling interests
Profit/(loss) after income tax		**35,108**	**(11,676)**	**(27,286)**	**(42,189)**
Items that may be subsequently reclassified to profit or loss					
Movements in reserves due to change in ownership of a subsidiary		(2,571)	2,886	(1,176)	57,852
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		2,810	(1,085)	8,027	(2,403)
Movements in currency translation of associated companies		(6,259)	-	(20,602)	(1,930)
Transfer to income statement due to disposal of an associated company		11,764	-	-	-
Movement in fair value of available-for-sale investments		8,387	17,075	(9,062)	(13,223)
Movements in fair value reserves due to disposal of available-for-sale investments in a subsidiary		-	-	3,836	7,585
Transfer to income statement due to impairment of available-for-sale investments		(67)	(148)	(3,281)	(6,719)
Movements in deferred tax of available-for-sale investments		(2,710)	(6,048)	1,290	2,641
Foreign currency translation differences for foreign entities		(3,921)	(553)	(5,059)	(11,827)
Items that will not be reclassified to profit or loss					
Remeasurements of post-employment benefit obligations		(3,016)	(3,471)	3,702	3,809
Other comprehensive income		4,417	8,656	(25,698)	27,076
Total comprehensive income/(loss)		**39,525**	**(3,020)**	**(52,984)**	**(15,113)**

The notes on pages 18 to 84 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)

		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 2013		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	42	-	20,000	-	-	(20,000)	-	-	-
At 31 December 2013		390,316	227,453	64,269	(33,667)	(215,304)	42,751	518,799	951,866
Total comprehensive income/(loss)		-	-	(42,424)	52,429	29,520	39,525	(3,020)	36,505
Dividend declared		-	-	-	-	-	-	-	-
Allocation to fiduciary reserves	42	-	(207,453)	-	-	207,453	-	-	-
At 31 December 2014		390,316	20,000	21,845	18,762	21,669	82,276	515,779	988,371

The notes on pages 18 to 84 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	2014	2013
Cash flows from operating activities			
Profit/(loss) before taxes and non-controlling interests		33,325	(65,677)
Adjustments for:			
Depreciation and amortisation	16,17	27,211	27,621
Fair value adjustments on trading securities		(2,775)	(2,129)
Fair value adjustment on investments in financings	25	67,886	58,061
Loss/(gain) on retirement benefit plans	35	410	(4,289)
(Income) from associated companies	15	(29,231)	(74,784)
Disposal of associated company		(111,111)	-
Changes in fair value of investment properties	13	19,567	2,591
Provisions for impairment	9,10,16	14,865	26,904
Operating profit/(loss) before changes in operating assets and liabilities		20,147	(31,702)
Net (increase)/decrease in investments with Islamic institutions		(3,187)	1,372
Net (increase) of trading securities		(197,795)	(10,620)
Net (increase)/decrease in investments in financings		(9,336)	4,336
Net (increase) of investment securities	10	(283,179)	(195,052)
Net (increase) in accounts receivable		(4,516)	(5,441)
Net (decrease)/increase in accounts payable, excluding taxes		(123,630)	153,503
Net increase in Massaref accounts		380,242	38,220
Taxes paid		(11,118)	(12,689)
Net cash (used in)/provided by operating activities		(232,372)	(58,073)

The notes on pages 18 to 84 form an integral part of these consolidated financial statements.

(Thousands of US dollars)

	Notes	2014	2013
Cash flows from investing activities			
Purchase of investment property	13	(2,932)	-
Sale of investment property	13	5,200	37,243
Investments in associated companies	15	-	(8)
Sale of investment in associated companies	15	3,812	32,661
Dividends from associated companies	15	19,389	17,355
Purchase of property, plant and equipment and intangibles	16,17	(14,009)	(10,703)
Sale of property, plant and equipment and intangibles	16,17	8,709	3,840
Sold non-current assets via settlements		2,900	3,756
Net cash(used in)/provided by investing activities		23,069	84,144
Cash flows from financing activities			
Dividends paid		(658)	(397)
Cash (outflow)/inflow on acquisition of non-controlling interests		(13,263)	56,676
Cash (outflow)/inflow on sale of non-controlling interests		-	(5,238)
Cash (outflow)/inflow on merger with associated company		-	(6,844)
Net cash (used in)/provided by financing activities		(13,921)	44,197
Foreign currency translation adjustments		1,910	39,867
Net (decrease)/increase in cash and cash equivalents		**(221,314)**	**110,135**
Cash and cash equivalents at beginning of year		985,984	875,849
Cash and cash equivalents at end of year		**764,670**	**985,984**

Major non-cash transactions relate to the receipt of assets received of $387 million as a result of the sale of FIBE shares. Details of the transaction are found in Note 15.

The notes on pages 18 to 84 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 34.

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 2014 DMI Trust has a $190.0 million borrowing from its controlled and fully consolidated subsidiary Ithmaar Bank B.S.C. The facility is repayable on 15 August 2015. As of today, DMI Trust and Ithmaar Bank have held discussions on how the facility will be partially repaid and partially 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 2014.

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2014 that are expected to have a material impact on the Group, unless otherwise mentioned below.

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

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.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment did not have a significant impact on the Group financial statements.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to levies.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group has yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group has yet to assess the impact of IFRS 15.

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 on-going 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 37.

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 and those designated at fair value through profit or loss at inception. 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.

Offsetting financial instruments

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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

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.

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

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.

Consolidation of entities in which the Group holds less than 50%

The Group considers it has de facto control of Ithmaar Bank B.S.C. even though it has less than 50% of the voting rights. The Group is the majority shareholder with a 46.49% equity interest. As the Group maintains control over Ithmaar's Board of Directors and considering the dispersed nature of the remaining shareholders, DMI continues to consolidate Ithmaar Bank B.S.C. as a subsidiary based upon the Group's assessment under IFRS 10. There is no history of other shareholders forming a group to exercise their votes collectively.

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.

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 2014 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 carrying value adjusted for fair value changes.

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

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 4.5% (2013: 3.6%), discount rate of 13.4% (2013: 17.4%);
- Faysal Bank Limited: long term growth rate of 3% (2013: 3%), discount rate of 22.1% (2013: 25%);
- BBK: long term growth rate of 4% (2013: 4%), cost of the equity of 11.9% (2013: 10%), 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 (2013: $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.

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).

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 therefore not 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.

(Thousands of US dollars)

4. Financial instruments (continued)

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

	2014	2013
Total debt	1,631,975	1,585,323
Less: cash and cash equivalents	(764,670)	(985,984)
Net debt	867,305	599,339
Total equity	**472,592**	**433,067**
Debt-to-equity ratio	184%	138%

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 (RMD) 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 products. The RMD 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 commercial 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 and past due accounts are reviewed periodically. 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.

4. Financial instruments (continued)

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

(Thousands of US dollars)

4. Financial instruments (continued)

accounts. The assessment normally encompasses collateral held (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	
	2014	**2013**
Cash and cash equivalent	764,670	985,984
Investments with Islamic institutions	121,188	118,001
Trading securities	283,316	82,663
Investments in financings:		
Corporate financing	1,126,483	1,703,498
Bank and other financial institutions	86,331	-
Agricultural financing	92,499	76,784
Government/public financing	381,732	-
Trust financing	110,792	108,590
Consumer financing	190,660	166,723
Other financing	188,792	31,032
Investment securities	1,505,615	1,180,535
Accounts receivable (note 12)	186,501	164,958
Total financial assets	**5,038,579**	**4,618,768**
Credit risk exposure relating to off-balance sheet items are as follows:		
Financial acceptances, performance bonds, guarantees and irrevocable letters of credit	1,312,338	1,165,933
Financing commitments, undrawn facilities and other credit related liabilities	1,464,428	1,150,456
Total off-balance sheet	**2,776,766**	**2,316,389**
At 31 December	**7,815,345**	**6,935,157**
Fair value of collateral	**4,329,270**	**3,582,204**

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.

(Thousands of US dollars)

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:

2014

	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	-	-	-	8,300	-	-	276	8,576
Past due from 31 to 90 days	2,148	-	-	1,700	-	46	-	3,894
Past due greater than 90 days	-	-	-	-	-	-	537	537
Total	2,148	-	-	10,000	-	46	813	13,007
Fair value collateral	23,647	176	5,842	2,985	5,433	3,886	-	41,969

2013

	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

The collateral comprises $39.6 million (2013: $45.4 million) relating to financings of $14.9 million (2013: $5.4 million) where the coverage of client exposure is 100% or greater; and $2.4 million (2013: $0.9 million) relating to financings of $5.8 million (2013: $9.6 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.

(Thousands of US dollars)

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:

At 31 December 2014	USD/EUR	USD/BHD	USD/AED	USD/GBP	USD/EGP
Total currency exposure	(173,757)	(927,864)	(276,079)	(68,103)	54
Reasonable shift	0.55%	0.13%	0.04%	0.16%	10.31%
Total effect on income	(956)	(1,206)	(101)	(112)	6

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)

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.

(Thousands of US dollars)

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.

At 31 December 2014

	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	434,947	34,103	63,139	-	-	232,481	764,670
Investments with Islamic institutions	120,993	-	-	179	-	16	121,188
Trading securities	16,904	181,225	54,895	23,598	4,079	2,615	283,316
Investments in financings	398,897	623,875	844,036	214,830	47,494	48,157	2,177,289
Investment securities	37,341	4,981	544,835	518,865	153,887	245,706	1,505,615
Other assets	-	3,476	776	17,502	191,166	33,197	246,117
Total financial assets	1,009,082	847,660	1,507,681	774,974	396,626	562,172	5,098,195
Liabilities							
Massaref accounts	1,237,050	231,238	1,812,699	156,730	165,456	1,396,806	4,999,979
Other liabilities	1,745	191	125	429	12,168	758,889	773,547
Total financial liabilities	1,238,795	231,429	1,812,824	157,159	177,624	2,155,695	5,773,526
Total repricing gap	(229,713)	616,231	(305,143)	617,815	219,002	(1,593,523)	(675,331)

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)

At 31 December 2014

	USD	EUR	PKR	BHD	AED
Total profit rate exposure in the consolidated statement of financial position	195,201	341,567	963,946	491,854	283,244
Reasonable shift	0.26%	0.23%	0.03%	0.05%	0.38%
Total effect on income	498	786	289	246	1,076
Total effect on equity	-	-	328	-	-

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	-	-

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.

(Thousands of US dollars)

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	
	2014	2013
Pakistan stock exchange (+/-10%)	2,099	2,009
Cairo stock exchange (+/-10%)	580	-

	Impact on past tax profit	
	2014	2013
Bahrain Bourse (+/-10%)	54	-
Saudi Stock exchange (+/-10%)	5,320	-

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.

(Thousands of US dollars)

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.

At 31 December 2014

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Customer current accounts	1,397,603	-	-	-	(668)	1,396,935
Customer investment accounts	1,369,745	187,705	367,654	40,919	5,621	1,971,644
Due to banks and financial institutions	879,918	166,128	371,739	54,214	21,964	1,493,963
Investments from off-balance sheet funds	-	-	30,281	109,863	-	140,144
Accounts payable	702,745	498	69,044	31,833	9,154	813,274
Total liabilities liquidity risk	4,350,011	354,331	838,718	236,829	36,071	5,815,960
Total assets (less discounting) liquidity risk	1,392,997	1,069,110	1,191,491	1,425,919	1,822,852	6,902,369

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	1,912,102	6,685,805

(Thousands of US dollars)

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
At 31 December 2014				
Acceptances and endorsements	86,871	17,039	-	103,910
Guarantees and irrevocable letters of credit	530,089	204,232	-	734,321
Performance bid bonds	25,045	1,078	-	26,123
Other contingent liabilities	-	432,257	15,727	447,984
Undrawn facilities and other commitments to finance	1,048,691	-	17,167	1,065,858
Operating lease commitments	-	-	109	109
Open foreign currency positions	1,056,364	-	-	1,056,364
Repurchased and resale transactions	398,570	-	-	398,570
Total off-balance sheet liabilities	3,145,630	654,606	33,003	3,833,239
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

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.

(Thousands of US dollars)

4. Financial instruments (continued)

Derivative assets and 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.

At 31 December 2014	Up to one month	One-three months	Three-twelve months	One-five years	Total
Derivatives held for trading:					
- Foreign exchange derivatives					
- Outflow	-	-	(14)	-	(14)
- Inflow	-	-	674	-	674
- Interest rate derivatives					
- Outflow	-	-	-	-	-
- Inflow	-	-	-	-	-
Derivatives held for hedging:					
- Foreign exchange derivatives					
- Outflow	-	(9,412)	-	-	(9,412)
- Inflow	-	9,326	-	-	9,326
Total outflow	-	(9,412)	(14)	-	(9,426)
Total inflow	-	9,326	674	-	10,000

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

(Thousands of US dollars)

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

	2014	2013
Cash on hand	123,240	110,251
Cash at central banks - statutory reserve	154,082	163,432
Cash at central banks - current account	92,339	128,122
Cash at other banks	395,009	584,179
Cash and cash equivalents	764,670	985,984

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

6. Trading securities

	2014	2013
Trading securities - at fair value		
- Government securities	270,441	78,200
- Corporate securities	12,875	4,463
	283,316	82,663

The movement in trading securities is summarised as follows:

	2014	2013
At 1 January	82,663	81,073
Additions	3,534,045	2,704,841
Disposals	(3,341,034)	(2,701,144)
Gain/(loss) on trading	2,320	4,605
Revaluation of trading securities	2,774	2,129
Exchange differences	2,548	(8,841)
At 31 December	283,316	82,663

(Thousands of US dollars)

7. Investments in financings

	2014	2013
Islamic investments in financings	2,386,444	2,251,223
Financings subject to finance leases	109,764	95,908
Provision for bad and doubtful debts	(318,919)	(260,504)
	2,177,289	2,086,627

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 $110.8 million (2013: $108.6 million).

Financings subject to finance leases

2014	Investment in finance leases receivable	Unearned future finance income on finance leases	Gross investment in finance leases
Not later than one year	14,144	969	15,113
Later than one year and not later than five years	84,579	9,879	94,458
Later than five years	124	69	193
	98,847	10,917	109,764

2013			
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

There was no allowance for uncollectible finance lease receivables included in the provision for impairment at 31 December 2014 (2013: $Nil million).

(Thousands of US dollars)

8. Collateral received and re-pledged

There were no assets held as collateral against advances to financial institutions in the Group at 31 December 2014 (2013: $Nil million).

Repossessed collateral

There were no assets obtained by the Group during 2014 (2013: $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						
2014	Corporate financing	Bank financing	Agricultural financing	Consumer financing	Other financing	Other receivables	Total
Balance at 1 January	238,030	-	5,715	16,305	455	47,303	307,808
Provisions for impairment	28,483	12,184	442	3,304	1,254	3,445	49,112
Reversal of impairment provision	-	-	-	-	-	(4,432)	(4,432)
Foreign exchange	1,806	17	259	10,670	(5)	2,219	14,966
Balance at 31 December	**268,319**	**12,201**	**6,416**	**30,279**	**1,704**	**48,535**	**367,454**
General impairments	-	-	-	4,367	-	-	4,367
Individually impaired loans	268,319	12,201	6,416	25,912	1,704	48,535	363,087
Fair value of collateral	39,408	11	10,085	11,119	6,275	-	66,898

2013	Corporate financing	Bank 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

(Thousands of US dollars)

10. Investment securities

	2014	2013
Investment securities available-for-sale	1,276,463	1,162,397
Investment securities held to maturity	229,152	18,138
	1,505,615	1,180,535

Investment securities available-for-sale

	2014	2013
Investment securities - at fair value		
- Listed	126,682	61,927
- Unlisted	1,149,781	1,100,470
	1,276,463	1,162,397

Gains/(losses) from investment securities

	2014	2013
Sale of available-for-sale assets	88,266	63,760
Derecognition of available-for-sale assets	-	(131)
Provision for impairment of available-for-sale assets	(7,594)	(8,145)
Gain/(losses) on available-for-sale designated to income	(7,035)	-
Provision for impairment held-to-maturity	(1,222)	(11,773)
Term finance certificates	411	286
	72,826	43,997

(Thousands of US dollars)

10. Investment securities (continued)

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

	2014	2013
At 1 January	1,162,397	1,040,135
Additions	1,752,750	1,636,134
Disposals	(1,646,654)	(1,451,018)
Transfer from associated companies	5,156	-
Net gains/(losses) from changes in fair value	25,462	(22,285)
Net gains/(losses) fair value designated to income	(7,035)	-
Exchange differences	(8,019)	(32,424)
Reversal of impairment provision	4,658	1,949
Provision for impairment	(12,252)	(10,094)
At 31 December	1,276,463	1,162,397

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

	2014	2013
At 1 January	18,138	19,788
Additions	209,943	13,590
Matured	-	(2,233)
Provision for impairment	(1,222)	(11,773)
Exchange differences	2,293	(1,234)
	229,152	18,138

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 2.

(Thousands of US dollars)

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 2014	Level 1	Level 2	Level 3	Total
Trading securities				
Equity securities	2,618	10,257	-	12,875
Debt securities	-	270,441	-	270,441
Investment securities - available-for-sale				
Equity securities	56,880	2,073	211,384	270,337
Debt securities	-	1,006,091	-	1,006,091
Hedging derivatives	48	(14)	-	34
Total assets	59,546	1,288,848	211,384	1,559,778
Derivatives held for trading	91	-	-	91
Total liabilities	91	-	-	91

Reconciliation of Level 3 items

	Investment securities			
	Equity securities	Debt securities	Total Assets	Total liabilities
At 1 January 2014	80,377	-	80,377	-
Total profit/(loss)	(4,976)	-	(4,976)	-
Profit/(loss) - other comprehensive income/(loss)	(4,686)	-	(4,686)	-
Purchases	14,299	-	14,299	-
Sales	(1,227)	-	(1,227)	-
Settlements	-	-	-	-
Transfers into Level 3	127,597	-	127,597	-
At December 2014	211,384	-	211,384	-

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

At 31 December 2014	(4,976)	-	(4,976)	-

(Thousands of US dollars)

11. Fair value of financial instruments (continued)

Assets and liabilities measured at fair value

At 31 December 2013	Level 1	Level 2	Level 3	Total
Trading securities				
Equity securities	4,285	178	-	4,463
Debt securities	-	78,200	-	78,200
Investment securities - available-for-sale				
Equity securities	18,144	82,795	80,377	181,316
Debt securities	-	981,080	-	981,080
Hedging derivatives	-	3,614	-	3,614
Total assets	22,429	1,145,867	80,377	1,248,673
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)	(96)	-	(96)	-
Profit/(loss) - other comprehensive income/(loss)	(4)	-	(4)	-
Purchases	692	-	692	-
Sales	(5,302)	-	(5,302)	-
Settlements	-	-	-	-
Transfers into Level 3	-	-	-	-
At December 2013	80,377	-	80,377	-

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

At 31 December 2013	(96)	-	(96)	-

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

(Thousands of US dollars)

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 2014	Favourable changes	Unfavourable changes
Trading securities	-	-
Investment securities - available-for-sale	21,138	(21,138)
At 31 December 2013		
Trading securities	-	-
Investment securities - available-for-sale	8,038	(8,038)

(Thousands of US dollars)

12. Accounts receivable

	2014	2013
Accounts receivable	135,385	115,833
Provision for bad and doubtful debts (note 9)	(48,535)	(47,303)
Funds under management	99,617	92,814
Derivative financial instruments	34	3,614
	186,501	164,958

Included in accounts receivable are prepayments in the amount of $15.6 million (2013: $14.1 million) and loans to employees and directors of $19.9 million (2013: $22.0 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 2014 was $23.1 million (2013: $24.9 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:

2014	Contractual amount	Fair value
Equity futures	9,168	48
Currency forwards	674	(14)

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

(Thousands of US dollars)

13. Investment property

	2014	2013
At 1 January	334,913	385,921
Additions	108,585	-
Disposals	(5,199)	(37,243)
Fair value gains/(losses) during the year	(19,567)	(2,591)
Transfer to property, plant and equipment	-	(12,681)
Net exchange differences	(13,966)	1,507
At 31 December	404,766	334,913

Rental income from investment property amounting to $6.0 million (2013: $3.8 million) has been included in the consolidated statement of income under other income. There were no direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income (2013: $Nil thousand) and no operating expenses arising from investment property that did not generate rental income (2013: $Nil thousand).

Investment properties are located in the Middle East, Canada, 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 foot. 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:

	2014	2013
Not later than one year	1,963	1,996
Later than one year and not later than five years	1,249	2,724
Later than five years	38	-
	3,250	4,720

(Thousands of US dollars)

14. Fair values of land and buildings

An independent valuation of the Group's land and buildings recognised as investment property in the consolidated statement of financial position was performed by valuers to determine the fair value of the land and buildings as at 31 December 2014 and 2013. The revaluation surplus net of applicable deferred income taxes was debited or credited to the consolidated statement of income for assets recorded as investment property or assets designated at fair value through profit or loss at inception. Investment securities available-for-sale were debited or credited to other comprehensive income and were shown in other reserves in shareholders' equity. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Land and buildings in Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Land and buildings in Level 2

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).

(c) Land and buildings in Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Recurring fair value measurements

At 31 December 2014	Significant unobservable input (Level 3)	Total
Land	338,233	338,233
Office buildings	54,583	54,583
Other	11,950	11,950
	404,766	404,766
At 31 December 2013		
Land	265,920	265,920
Office buildings	52,239	52,239
Other	16,754	16,754
	334,913	334,913

There are no Level 1 or Level 2 assets nor transfers between Levels 1 and 2 during 2014 or 2013.

Other land and buildings comprise several smaller properties located in South Asia and the Middle East and individually would not have material impact on the Group accounts.

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of land and retail units have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

(Thousands of US dollars)

14. Fair values of land and buildings (continued)

Fair value measurements using significant unobservable inputs (Level 3) for significant properties

2014	Tour de Cointrin	Deem Al Madina	Schuman	Emile De Mot	Al Khumrah Land
At 1 January	52,239	-	-	-	-
Exchange gains or losses recognised in profit or loss	(367)	-	-	-	-
Revaluation gains or losses recognised in profit or loss	(1,590)	756	-	(1,392)	(4,694)
Exchange gains or losses recognised in other comprehensive income	(5,087)	(1)	(4,149)	-	-
Transfers to/(from) Level 3	-	-	-	-	-
Additions	-	2,932	11,304	3,625	58,405
Disposals	-	-	-	-	-
At 31 December	45,195	3,687	7,155	2,233	53,711

2014	Hidd Land	Domaine Saint Alexandre	Richmond Road	Barbar Land	Polish Assets	Health Island
At 1 January	-	-	-	59,933	56,212	149,775
Exchange gains or losses recognised in profit or loss	-	-	-	-	-	-
Revaluation gains or losses recognised in profit or loss	1	(7,000)	(1,471)	2,182	-	-
Exchange gains or losses recognised in other comprehensive income	-	-	-	-	(11,116)	-
Transfers to/(from) Level 3	-	-	-	-	-	-
Additions	5,400	21,920	5,000	-	-	-
Disposals	-	-	-	-	-	-
At 31 December	5,401	14,920	3,529	62,115	45,096	149,775

Fair value measurements using significant unobservable inputs (Level 3) for significant properties

2013	Tour de Cointrin	Barbar Land	Polish Assets	Health Island
At 1 January	50,920	59,933	56,011	149,775
Exchange gains or losses recognised in profit or loss	95	-	-	-
Revaluation gains or losses recognised in profit or loss	(93)	-	-	-
Exchange gains or losses recognised in other comprehensive income	1,317	-	201	-
At 31 December	52,239	59,933	56,212	149,775

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Valuation processes of the Group

On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's land and buildings.

The external valuations of the Level 3 land and buildings have been performed using a sales comparison approach, similar to the Level 2 land and buildings or market comparable approach using rents and sales and a discounted cash flow.

(Thousands of US dollars)

14. Fair values of land and buildings (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) for significant properties

Description	Fair Value	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
At 31 December 2014					
Tour de Cointrin Switzerland	45,195	Market comparable rents and sales and discounted cash flow	Rents per square meter, price per square meter, capitalisation / discount rate	CHF 260-605 (CHF 450), CHF 7,500-9000 (CHF 7,951), 5.0-5.25% (5.24%)	The higher the rent or price the higher the fair value. The lower the discount rate the higher the fair value.
Deem Al Madina Kingdom of Saudi Arabia	3,687	Residual Approach	Price per square meter	SAR 463	The higher the price per square meter the higher the fair value
Schuman Belgium	7,155	Income Capitalisation & Sales Comparison Approach	Rents per square meter	Office 1-9th floors EUR 275-285 (EUR 275), Retail EUR 431-600 (EUR 485), Archive EUR 92-100 (EUR 100), Parking EUR 1,225-1,999 (EUR 1,650)	The higher yield and net income generated for a property results in the higher fair value.
			Capitalisation	4.28%-6.83% (6.00%)	
Emile De Mot Belgium	2,233	Income Capitalisation & Sales Comparison Approach	Rents per square meter	Office Ground-9th floors EUR 101-202 (EUR 130) Archive & Storage EUR 60-70 (EUR 70), Parking EUR 1,001-2,193 (EUR 1,500)	The higher yield and net income generated for a property results in the higher fair value.
			Capitalisation	6.33%-12.63% (7.50%)	
Al Khumrah Land Kingdom of Saudi Arabia	53,711	Residual Approach	Price per square meter	Government Compensation SAR 796, Net Land Value SAR 547	The higher the price per square meter the higher the fair value.
Hidd Land Kingdom of Bahrain	5,401	Sales Comparison Approach	Price per square foot	BHD 38	The higher the price per square foot the higher the fair value.
Richmond Road Canada	3,529	Sales Comparison Approach	Price per square foot	CAD 28-358 (CAD 72.43)	The higher the price per square foot the higher the fair value.

(Thousands of US dollars)

14. Fair values of land and buildings (continued)

Description	Fair Value	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Domaine Saint Alexandre Canada	13,359	(i) Sales Comparable Approach & (ii) Income (Direct) Capitalisation Approach	(i) Price per square foot & (ii) present value of Net Operating Income (after all costs and expenses) Capitalisation	Net Marketable Area CAD .95-3.07 (CAD 3.07), Sales Comparable Rate CAD 7.02-17.04, or CAD 15.50-17.32 16%	(i) The higher the price per square foot the higher the fair value. (ii) The higher the estimated cost the lower the fair value.
	1,033	Cost Approach (Replacement Cost)	Cost of land including vacant building per square foot	Land CAD 15.50, Office building CAD 102.94	Replacement cost which represents the highest and best use of land and building will have impact on fair value.
	528	Sales Comparison Approach	Price per square foot	Land CAD 10.00	The higher the price per square foot the higher the fair value.
Barbar Land Bahrain	62,115	Sales Comparable & Market value approach	Price per square foot	BD 15.02	The higher the price per square foot the higher the fair value.
Polish Assets Poland	45,096	Residual Method	Price per square meter	PLN 2,223-8,651 per square meter (PLN 5,437 per square meter)	The higher the price per square meter the higher the fair value.
Health Island Bahrain	149,775	Sales Comparable approach	Price per square foot	BD 29.60	The higher the price per square foot the higher the fair value.
At 31 December 2013					
Tour de Cointrin Switzerland	52,239	Market comparable rents & sales and discounted cash flow	Rents per square meter, price per square meter, capitalisation / discount rate	CHF 270-605 (CHF 453), CHF 7,500-9,000 (CHF 8,230), 5.0-5.25% (5.125%)	The higher the rent or price the higher the fair value
Barbar Land Bahrain	59,933	Sales Comparable and Market value approach	Price per square foot	BD 14.92	The higher the price per square foot the higher the fair value.
Polish Assets Poland	56,212	Residual Method	Price per square meter	PLN 2,166-8,635 per square meter (PLN 5,401 per square meter)	The higher the price per square meter the higher the fair value.
Health Island Bahrain	149,775	Sales Comparable approach	Price per square foot	BD 30.12	The higher the price per square foot the higher the fair value.

(Thousands of US dollars)

15. Investments in associates

	2014	2013
At 1 January	967,549	958,649
Share of results before tax	51,390	125,693
Share of tax	(15,410)	(44,160)
Dividends paid	(19,389)	(17,355)
Share of fair value gains/(losses)	1,726	5,624
Additions	-	8
Disposals	(256,173)	(32,661)
Recycling of reserves on disposal	(11,764)	-
Transfer to investment securities	(5,156)	-
Amortisation of intangibles	(6,749)	(6,749)
Exchange differences	(9,674)	(21,500)
At 31 December	696,350	967,549

Investment in associates included $261.8 million (2013: $462.5 million) pledged as collateral against borrowings (note 23) with the terms and conditions in the ordinary course of business.

Set out below are the associates of the Group as at 31 December 2014, 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

Entity	Place of business/country of incorporation	% of ownership subsidiary	% of ownership Group	Measurement method
2014				
BBK B.S.C.	Bahrain	25	12	Equity
Solidarity Group Holding B.S.C. (c)	Bahrain	34	16	Equity
2013				
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

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.

In 2014, DMI disposed 47.52% of the investment in Faisal Islamic Bank of Egypt (FIBE) to Islamic Investment Company of the Gulf (Bahamas) Limited Funds Under Management, a related party. The net consideration of the sale was $387 million, which is comprised of $637 million as per the sales and purchase agreement, less $250 million of the receivable from the purchaser that was concurrently released. As a result of this transaction, FIBE ceased to be an investment in an associated company and the remaining shares held were classified as investment securities available-for-sale, as the Group no longer has significant influence over the entity.

(Thousands of US dollars)

15. Investments in associates (continued)

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.

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

	Stock Exchange	2014 Fair value	2014 Carrying amount	2013 Fair value	2013 Carrying amount
Faisal Islamic Bank of Egypt	Egypt Stock Exchange	-	-	230,064	272,656
BBK B.S.C.	Bahrain Bourse	325,911	442,360	268,545	431,236

Contingent liabilities relating to the Group's interest in the associates are found in note 37.

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

At 31 December	Faisal Islamic Bank of Egypt		BBK B.S.C.		Solidarity Group Holding B.S.C. (c)		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Cash and cash equivalents	-	491,357	737,912	595,098	32,542	33,668	770,454	1,120,123
Other assets	-	6,035,916	8,548,393	7,974,303	293,866	318,327	8,842,259	14,328,546
Total assets	**-**	**6,527,273**	**9,286,305**	**8,569,401**	**326,408**	**351,995**	**9,612,713**	**15,448,669**
Financial liabilities	-	10,739	1,569,406	1,266,138	-	-	1,569,406	1,276,877
Other liabilities	-	6,050,387	6,763,711	6,420,167	89,017	94,318	6,852,728	12,564,872
Total liabilities	**-**	**6,061,126**	**8,333,117**	**7,686,305**	**89,017**	**94,318**	**8,422,134**	**13,841,749**
Net assets	**-**	**466,147**	**953,188**	**883,096**	**237,391**	**257,677**	**1,190,579**	**1,606,920**

(Thousands of US dollars)

15. Investments in associates (continued)

Summarised statement of comprehensive income

At 31 December

	Faisal Islamic Bank of Egypt		BBK B.S.C.		Solidarity Group Holding B.S.C. (c)		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Income	-	527,213	311,793	298,103	19,652	17,857	331,445	843,173
Expense	-	(343,398)	(177,760)	(176,511)	(13,649)	(12,083)	(191,409)	(531,992)
Income tax expense	-	(90,193)	(594)	(1,520)	(615)	(444)	(1,209)	(92,157)
Post-tax profit	**-**	**93,622**	**133,439**	**120,072**	**5,388**	**5,330**	**138,827**	**219,024**
Dividends received from associate	**13,086**	**11,624**	**6,304**	**5,731**	**-**	**-**	**19,390**	**17,355**

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	
	2014*	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Opening net assets	466,147	419,634	883,096	768,347	257,677	294,852	1,140,773	1,482,833
Profit/(loss) for the period	31,335	93,622	133,439	120,072	5,388	5,330	138,827	219,024
Other comprehensive income	7,667	21,174	(33,790)	22,660	18,109	(31,405)	(15,681)	12,429
Dividends	(26,738)	(23,752)	(24,838)	(22,581)	-	-	(24,838)	(46,333)
IFRS adjustment	(6,293)	(5,985)	-	-	-	-	-	(5,985)
Foreign exchange differences	(12,867)	(38,546)	(4,719)	(5,402)	(43,783)	(11,100)	(48,502)	(55,048)
Closing net assets	459,251	466,147	953,188	883,096	237,931	257,677	1,190,579	1,606,920
% Interest in associates	49%	49%	25%	25%	34%	34%		
Interest in associates	224,757	228,132	241,454	224,130	79,480	88,737	320,934	540,999
Goodwill	44,524	44,524	110,952	110,952	-	-	110,952	155,476
Intangible assets	-	-	89,954	96,154	-	-	89,954	96,154
Disposal of shares in associate	(264,125)	-	-	-	-	-	-	-
Reclassification of remaining shares	(5,156)	-	-	-	-	-	-	-
Carrying value at 31 December	-	272,656	442,360	431,236	79,480	88,737	521,840	792,629

* as at 31 May 2014

(Thousands of US dollars)

15. 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
2014							
Unlisted:							
Solidarity Group Holding B.S.C. (c) (Bahrain)	326,408	89,017	39,171	5,388	-	34	16
CITIC International Asset Management Limited (Hong Kong)	384,093	27,641	33,873	15,492	-	20	9
CIAM-Shamil Asset Management Company Limited (Hong Kong)	630	6	-	-	-	50	23
Sanpak Engineering (Pakistan)	9,455	8,006	14,659	102	-	31	14
*Misr Company for Packing Materials "Egywrap" (Egypt)	31,139	11,911	11,671	427	-	23	11
Faysal Asset Management Limited (Pakistan)	2,654	273	-	-	-	30	14
*Ithraa Capital (Saudi Arabia)	21,870	1,435	1,663	(948)	-	23	11
Naseej B.S.C. (c) (Bahrain)	324,456	3,386	9,008	6,168	-	28	13
*Chase Manara B.S.C. (c) (Bahrain)	5,428	58	-	-	-	40	19
*Islamic Trading Company E.C. (Bahrain)	9,175	110	1,150	639	-	24	11
*Emerging Markets Partnership Bahrain B.S.C. (c) (Bahrain)	2,054	833	-	-	-	40	19

* For some of the associates, published information is not available for 31 December 2014 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.

(Thousands of US dollars)

15. 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
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.

(Thousands of US dollars)

15. 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	Carrying value per share	% holding Subsidiary	% holding Group
2014								
Listed:								
BBK B.S.C. (Bahrain)	9,286,305	8,333,117	432,769	133,439	BHD .47	BHD .64	25	12
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

USD United States Dollar
BHD Bahrain Dinar

Included in investment in associates at 31 December 2014 is $110.9 million (2013: $155.5 million) of goodwill. The movement is as follows:

	2014	2013
At 1 January	155,462	157,131
Additions	-	8
Conversion associated company to a subsidiary	-	(1,677)
Disposals	(44,523)	-
Impairment	-	-
At 31 December	110,939	155,462

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 $419.1 million (2013: $415.5 million) compared to a carrying value of $426.7 million (2013: $397.2 million). Based on this assessment management did not impair BBK's carrying value at 31 December 2014 (2013: $Nil million).

(Thousands of US dollars)

16. Property, Plant and Equipment

	Land and buildings	Leasehold property, furniture, equipment and motor vehicles	Total
Cost			
At 1 January 2014	111,719	104,149	215,868
Additions	4,803	5,470	10,273
Disposals	(4,853)	(3,923)	(8,776)
Currency effect	3,272	2,943	6,215
At 31 December 2014	114,941	108,639	223,580
Depreciation			
At 1 January 2014	14,207	84,700	98,907
Charge for the year	1,478	6,581	8,059
Disposals	-	(67)	(67)
Currency effect	1,622	271	1,893
At 31 December 2014	17,307	91,485	108,792
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
Net book value			
At 31 December 2014	97,634	17,154	114,788
At 31 December 2013	97,512	19,449	116,961

Land and buildings at 31 December 2014 included cost of land aggregated $83.2 million (2013: $84.2 million).

Leasehold property at 31 December 2014 aggregated $29.6 million (2013: $29.1 million), less accumulated depreciation of $23.6 million (2013: $21.7 million).

(Thousands of US dollars)

17. Intangible assets

	Goodwill	Customer relations	Core deposits	Other	Total
2014					
Year ended 31 December					
Opening net book amount	369,578	75,981	99,299	613	545,471
Additions	-	-	-	3,884	3,884
Disposals	-	-	-	(148)	(148)
Foreign exchange	560	(3,838)	2,241	7,083	6,046
Amortisation	-	(6,487)	(9,790)	(2,875)	(19,152)
Closing net book amount	370,138	65,656	91,750	8,557	536,101
At 31 December					
Cost	405,652	113,933	172,720	32,168	724,473
Accumulated amortisation and impairment	(35,514)	(48,277)	(80,970)	(23,611)	(188,372)
Net book amount	370,138	65,656	91,750	8,557	536,101

	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

(Thousands of US dollars)

17. Intangible assets (continued)

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

	2014	2013
Ithmaar Bank B.S.C	337,952	337,392
Islamic Investment Company of the Gulf (Bahamas) Limited	32,186	32,186
	370,138	369,578

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.

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

Non-current assets and liabilities held for sale

At 31 December 2014 non-current assets held for sale included properties comprising land and buildings in the amount of $18.1 million (2013: $21.0 million) which Faysal Bank Limited (FBL) management intends to dispose of in the future and the carrying amount will be recovered principally through a sale transaction rather than continuing use.

From the assets classified at 31 December 2013, $2.9 million from $21 million were disposed of during 2014 and the carrying amount was recovered through a sales transaction.

(Thousands of US dollars)

19. Accounts payable

	2014	2013
Accounts payable and other provisions	76,404	51,855
Advance received from customers	15,353	8,113
Demand drafts	53,132	47,248
Accruals	22,727	24,333
Security deposits on consumer leases	36,420	32,063
Funds under management	571,319	729,788
Dividends payable	14,573	15,214
Derivative financial instruments	91	103
Employee payables	22,070	27,520
Deferred income	1,184	1,602
	813,273	937,839

There were no liabilities against assets subject to finance leases at 31 December 2014 (2013 $Nil million).

Derivative financial instruments

Foreign exchange derivatives held for trading:

2014	Contractual amount	Fair value
Equity futures	8,800	91
2013		
Currency forwards	10,800	103

20. Tax liability

	2014	2013
Current tax (receivable)/payable		
At 1 January	(30,594)	(14,390)
Charge for the period	9,874	(4,346)
Payments made	(11,006)	(12,717)
Refund	(111)	28
Exchange differences	(3,992)	831
At 31 December	(35,829)	(30,594)
Deferred tax (asset)/liability		
At 1 January	(39,071)	(46,560)
Charge for the period	19	8,144
Changes due to fair value reserve	8,757	(3,931)
Refund	-	-
Exchange differences	166	3,276
At 31 December	(30,129)	(39,071)

(Thousands of US dollars)

21. Massaref accounts

	2014	2013
Customer current accounts		
Individuals	577,006	469,941
Financial institutions	2,018	1,790
Corporate institutions	817,911	798,831
Customer investment accounts		
Individuals	864,369	823,387
Financial institutions	71,838	66,643
Corporate institutions	1,034,863	965,739
Due to associated companies (note 36)	-	20,000
Investments from off balance sheet funds	138,676	251,441
Due to banks and financial institutions	1,493,298	1,313,882
	4,999,979	4,711,654

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 $218.4 million (2013: $247.7 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.

Included in investments from off balance sheet funds at 31 December 2014 is an amount of $110.8 million (2013: $108.6 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 $657.6 million (2013: $685.7 million) from two counterparties having contractual maturity ranging from one month to 3 years. Out of these, balances totalling $417 million (2013: $430 million) is from one counterparty which is subject to freeze and originating from jurisdiction under US and UN sanctions.

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.

22. Provisions

Included under liabilities are provisions of $55 million (2013: $55 million) relating to a guarantee issued to certain funds under management, and $18 million (2013: $18 million) relating to a specific asset risk.

(Thousands of US dollars)

23. Collateralised borrowings

Financial assets pledged to secure liabilities:

At 31 December 2014, there were collateralised borrowings in aggregate of $167.8 million (2013: $146.2 million).

Cash dividends amounting to $6.1 million (2013: $5.8 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.

24. Net trading income

	2014	2013
Income from foreign exchange trading	9,863	8,621
Income from government securities	3,809	4,561
Gains/(losses) on trading securities	2,320	4,605
Gains from revaluation	2,774	2,129
	18,766	19,916

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

25. Income from investments in financings

	2014	2013
Income from investments in financings	224,758	210,571
Present value adjustment	(22,219)	(1,050)
Provision for bad and doubtful debts	(45,667)	(72,347)
Reversal of provision for bad and doubtful debts	-	15,336
	156,872	152,510

26. Fee and commission income

	2014	2013
Arrangement fees	745	1,770
Guarantee fees	1,345	1,092
Documentary credit fees	2,716	2,611
Structuring fees and commissions	1,050	813
Other fees from banking services	32,080	31,185
Fees and commissions expense	-	(5)
	37,936	37,466

(Thousands of US dollars)

27. Dividend income

	2014	2013
Investment securities held to maturity	16,212	3,865
Investment securities available-for-sale	2,459	7,383
	18,671	11,248

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

28. Gains/(losses) from other income

	2014	2013
Fair value gain/(loss) on investment properties	(19,567)	(2,591)
Rental income from investment properties	5,989	3,807
Other	1,264	4,250
	(12,314)	5,466

29. Staff costs

	2014	2013
Salaries	75,005	84,613
Social security and other statutory costs	3,457	3,800
Pension and end of service	8,119	2,573
Other benefits	22,299	15,348
	108,880	106,334

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

30. General and administrative expenses

	2014	2013
Office expenses	56,658	52,438
Professional fees	14,759	14,241
Other	21,726	19,902
	93,143	86,581

31. Proposed dividend

No dividend has been proposed for 2014 (2013: $Nil).

32. Taxes

	2014	2013
Current taxes	9,874	(4,346)
Loss/(gain) on deferred taxes	19	8,144
	9,893	3,798

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.

(Thousands of US dollars)

32. 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:

	2014	2013
Net accounting profit/(loss)	33,325	(65,677)
Weighted average applicable domestic corporate tax rate	29.69%	(5.78)%
Weighted average applicable domestic corporate tax	8,397	6,012
Effect of revenue taxed at a different rate than domestic corporate tax rate	1,496	(2,214)
Effective tax gain	9,893	3,798

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.

33. 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.

	2014		2013	
	Non-controlling %		Non-controlling %	
Ithmaar Bank B.S.C. and wholly owned subsidiaries	54	290,496	51	293,844
Faysal Bank Limited	33	100,524	33	78,614
Gulf Investors Asset Management	27	7,303	27	7,566
Health Island B.S.C. (C)	50	100,766	50	110,382
Cityview Real Estate Development B.S.C. (C)	49	1,663	49	1,663
Sakana Holistic Housing Solutions B. S.C. (C)	50	15,027	50	26,730
		515,779		518,799

The non-controlling interest appropriation in the consolidated statement of income of $11.7 million represents the non-controlling shareholders' share of the loss of these subsidiaries for 2014 (2013: $42.2 million).

(Thousands of US dollars)

33. 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	**2014**	**2013**
Assets	6,357,748	6,091,243
Liabilities	5,640,336	5,339,398
Net assets	717,412	751,846
Summarised Income Statement	**2014**	**2013**
Income	165,535	114,648
Loss before income tax	(14,143)	(79,194)
Income tax expense	(9,892)	(3,797)
Post-tax loss	(24,035)	(82,991)
Other comprehensive income	(7,316)	(28,259)
Total comprehensive income	(31,351)	(111,250)
Total comprehensive income allocated to non-controlling interests	(591)	12,568
Dividend paid to non-controlling interests	-	-
Summarised Cash Flows	**2014**	**2013**
Cash flows from operating activities	35,964	(3,544)
Cash generated from operations	174,590	394,639
Net (increase)/decrease in investments	(424,368)	(179,515)
Taxes paid	(12,724)	(12,528)
Foreign currency translation adjustments	19,177	(92,056)
Net (decrease)/increase in cash and cash equivalents	**(207,361)**	**106,996**
Cash and cash equivalents at beginning of year	947,430	840,434
Cash and cash equivalents at end year	740,069	947,430

The information above is the amount before intercompany eliminations.

(Thousands of US dollars)

34. Funds under management

Funds under management aggregated $4.0 billion (2013: $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 $45.1 million associated with such funds in 2014 (2013: $42.4 million). At 31 December 2014, the Group had amounts due to funds under management of $710.0 million (2013: $981.2 million) and due from of $256.5 million (2013: $177.9 million).

35. 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.

	2014	2013
Balance sheet obligations for pension benefits	7,931	1,796
Income statement charge for pension benefits	1,571	(2,591)
Remeasurements for pension benefits	5,945	(7,511)

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

	2014	2013
Present value of funded obligations	59,634	57,230
Fair value of plan assets	(51,703)	(55,434)
Deficit of funded plans	7,931	1,796
Liability in the balance sheet	7,931	1,796

At year end the present value of the defined benefit obligation comprised approximately $46.1 million (2013: $40.7 million) relating to active employees, $Nil million (2013: $0.7 million) relating to deferred members and $13.6 million (2013: $15.8 million) relating to members in retirement.

(Thousands of US dollars)

35. 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 2014	57,230	(55,434)	1,796
Current service cost	1,547	-	1,547
Financial costs/(income)	1,209	(1,185)	24
	2,756	(1,185)	1,571
Remeasurements:			
Return on plan assets, excluding amounts included in financial costs/(income)	-	(1,016)	(1,016)
(Gain)/loss from change in financial assumptions	7,146	-	7,146
Experience (gains)/losses	319	-	319
	7,465	(1,016)	6,449
Exchange differences	(6,686)	5,963	(723)
Contributions:			
Employers	-	(1,162)	(1,162)
Plan participants	267	(267)	-
Payments from plans:			
Benefit payments	(1,176)	1,176	-
Insurance premiums for risk benefits	(222)	222	-
At 31 December 2014	59,634	(51,703)	7,931

(Thousands of US dollars)

35. Retirement benefit plans (continued)

	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

(Thousands of US dollars)

35. Retirement benefit plans (continued)

The significant actuarial assumptions were as follows:

	2014	2013
Discount rate	0.9%	2.2%
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.

	2014	2013
Retiring at the end of the reporting period:		
Male	21.4	21.3
Female	23.9	23.8
Retiring 25 years after the end of the reporting period:		
Male	23.5	23.5
Female	26.0	25.9

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

	Impact on defined benefit obligations		
2014	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Increase by 5.2%	Decrease by 4.6%
		Increase by one year in assumption	Decrease by one year in assumption
Life expectancy		Increase by 1.4%	Decrease by 1.5%
2013			
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.

(Thousands of US dollars)

35. Retirement benefit plans (continued)

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

	2014	2013
At 1 January	1,796	13,382
Defined benefit cost included in P&L	1,571	(2,591)
Total remeasurements included in OCI	5,945	(7,511)
Employer contributions	(1,162)	(1,698)
Exchange differences	(219)	214
At 31 December	7,931	1,796

Plan assets are comprised as follows:

	2014				2013			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Assets held by insurance company	-	34,361	34,361	66	-	37,041	37,041	67
Property in Switzerland	-	14,033	14,033	27	-	14,377	14,377	26
Cash and cash equivalents	3,309	-	3,309	7	4,016	-	4,016	7
Total	3,309	48,394	51,703	100	4,016	51,418	55,434	100

Pension assets include Swiss real estate partially occupied by the Group with a fair value of $14.0 million (2013: $14.4 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.

(Thousands of US dollars)

35. Retirement benefit plans (continued)

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.

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 2014 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 2015 are $1.1 million (2014: $1.2 million).

The weighted average duration of the defined benefit obligation is 9.8 years (2013: 8.5 years).

The expected maturity analysis of undiscounted pension benefits at 31 December 2014 was:

	Less than a year	Between one to two years	Between three to five years	Over five years	Total
Undiscounted pension benefits	1,040	4,391	6,424	14,546	26,401

36. 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

	2014	2013
Loans		
Loans outstanding at 1 January	404	1,549
Loans issued during the year	508	103
Loan repayments during the year	(341)	(1,234)
Foreign exchange	(15)	(14)
Loans outstanding at 31 December	556	404

No provisions were recognised in respect of loans given to related parties (2013: $Nil).

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

(Thousands of US dollars)

36. 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 2014 of $19.9 million (2013: $22.0 million).

c) Current and investment accounts

	Associated companies	
Period ended	2014	2013
Amounts payable to:		
Faisal Islamic Bank of Egypt	-	20,000
Naseej B.S.C. (c)	98,252	260,342

d) Key management compensation

	2014	2013
Salaries and other short term benefits	15,396	16,277
Post-employment benefits	687	600
Other long term benefits	362	1,966
	16,445	18,843

Related party transactions, balances and other relevant disclosures with IICG FUM are disclosed in Note 15, Note 19, Note 22 and Note 34.

37. Contingent liabilities and commitments

	2014	2013
Contingent liabilities		
Acceptances and endorsements	103,910	125,327
Performance bid bonds	26,123	26,233
Customer claims	447,984	430,128
Guarantees and irrevocable letters of credit	734,321	584,245
	1,312,338	1,165,933

Customer claims include a net claim amounting to $59.2 million (2013: $55.2 million) for which litigation has been filed against the Group and the counter claim and litigation filed by the Group against the counterparty in connection with a real estate transaction. The case is currently under court proceedings and the ultimate outcome cannot presently be determined. The Group's management is vigorously contesting the litigation and based on the advice received from its external legal counsel, the Group believes that it has strong grounds to successfully defend against this claim. Accordingly, no provision for this claim has been made in the consolidated financial statements.

(Thousands of US dollars)

37. Contingent liabilities and commitments (continued)

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.

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

BBK carried at 31 December 2014 contingent liabilities of $1,281.8 million (2013: $1,318.3 million), of which the Group's share was $151.4 million (2013: $165.1 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 2014 contingent liabilities of $32.4 million (2013: $199.7 million), of which the Group's share was $4.2 million (2013: $28.8 million). These related to guarantees and letters of credit issued as part of their normal banking operations.

Sanpak Engineering carried at 31 December 2014 contingent liabilities of $2.5 million (2013: $1.8 million), of which the Group's share was $0.4 million (2013: $0.3 million). These related to guarantees and letters of credit issued as part of their normal banking operations.

	2014	2013
Commitments		
Undrawn facilities, financing lines	1,042,264	900,180
Other commitments to finance	23,594	25,642
Repurchase and resale transactions	398,570	224,634
	1,464,428	1,150,456

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:

	2014	2013
Not later than one year	51	58
Later than one year and not later than five years	58	129
	109	187
Significant net open foreign currency position	1,056,364	927,741

(Thousands of US dollars)

38. Current and non-current assets and liabilities

At 31 December 2014

	Current	Non-current	Total
Cash and cash equivalents	764,670	-	764,670
Due from Islamic institutions	121,171	17	121,188
Trading securities	283,316	-	283,316
Investments in financings	1,232,826	944,463	2,177,289
Investment securities	957,167	548,448	1,505,615
Accounts receivable	105,960	80,541	186,501
Current tax receivable	36,097	-	36,097
Investment property	92,368	312,398	404,766
Investments in associates	-	696,350	696,350
Property, plant and equipment	6,555	108,233	114,788
Intangible assets	-	536,101	536,101
Assets held for sale	18,081	-	18,081
Deferred tax assets	34,321	-	34,321
Total assets	**3,652,532**	**3,226,551**	**6,879,083**
Customer current accounts	1,397,603	(668)	1,396,935
Customer investment accounts	1,925,009	46,061	1,971,070
Due to banks and other financial institutions	1,417,120	76,178	1,493,298
Investments from off balance sheet funds	28,813	109,863	138,676
Provisions	18,000	55,000	73,000
Accounts payable	772,287	40,986	813,273
Current tax payable	267	1	268
Deferred tax liabilities	-	4,192	4,192
Total liabilities	**5,559,099**	**331,613**	**5,890,712**
Net assets/liabilities	**(1,906,567)**	**2,894,938**	**988,371**

At 31 December 2013

Total assets	**3,498,191**	**3,186,548**	**6,684,739**
Total liabilities	**5,327,666**	**405,207**	**5,732,873**
Net assets/liabilities	**(1,829,475)**	**2,781,341**	**951,866**

(Thousands of US dollars)

39. Concentration of assets and liabilities

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

At 31 December 2014

Geographical regions	Asia/ Pacific	Middle East	Europe	North America	Others	Total
Cash and cash equivalents	215,828	410,123	110,813	22,744	5,162	764,670
Due from Islamic institutions	-	121,188	-	-	-	121,188
Trading securities	273,056	10,260	-	-	-	283,316
Investments in financings	1,861,796	96,726	119,095	6,976	92,696	2,177,289
Investment securities	1,297,686	182,001	8,058	7,074	10,796	1,505,615
Accounts receivable	48,957	72,640	52,963	11,939	2	186,501
Current tax receivable	36,064	33	-	-	-	36,097
Investment property	11,242	275,396	99,679	18,449	-	404,766
Investments in associates	70,789	625,561	-	-	-	696,350
Property, plant and equipment	53,404	61,286	98	-	-	114,788
Intangible assets	23,041	509,001	4,059	-	-	536,101
Assets held for sale	18,081	-	-	-	-	18,081
Deferred tax assets	34,321	-	-	-	-	34,321
Total assets	**3,944,265**	**2,364,215**	**394,765**	**67,182**	**108,656**	**6,879,083**
Customer current accounts	892,445	271,846	218,821	12,389	1,434	1,396,935
Customer investment accounts	1,971,064	6	-	-	-	1,971,070
Due to banks	608,383	875,611	-	-	9,304	1,493,298
Investments from off balance sheet funds	-	25,003	110,792	2,881	-	138,676
Provisions	-	18,000	55,000	-	-	73,000
Accounts payable	120,536	676,633	16,078	26	-	813,273
Current tax payable	-	9	259	-	-	268
Deferred tax liabilities	-	-	4,192	-	-	4,192
Total liabilities	**3,592,428**	**1,867,108**	**405,142**	**15,296**	**10,738**	**5,890,712**
Net on-balance sheet position	**351,837**	**497,106**	**(10,377)**	**51,886**	**97,918**	**988,371**
Contingent liabilities and commitments	**2,075,824**	**654,404**	**26,859**	**7,000**	**12,788**	**2,776,875**

At 31 December 2013

Geographical regions	Asia/ Pacific	Middle East	Europe	North America	Others	Total
Total assets	**3,495,587**	**2,541,397**	**459,641**	**89,977**	**98,137**	**6,684,739**
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**

(Thousands of US dollars)

39. Concentration of assets and liabilities (continued)

Industry sectors	Banks and financial institutions	Trading and manufacturing	Property and construction	Private individuals	Services	Textile	Other	Total
At 31 December 2014								
Cash and cash equivalents	616,385	-	-	-	148,282	-	3	764,670
Due from Islamic institutions	121,188	-	-	-	-	-	-	121,188
Trading securities	281,334	1,001	-	-	62	294	625	283,316
Investments in financings	213,567	888,983	83,800	152,714	385,413	106,102	346,710	2,177,289
Investment securities	84,850	69,079	55,613	-	1,216,920	900	78,253	1,505,615
Accounts receivable	55,265	31	18,513	47,501	37,143	113	27,935	186,501
Current tax receivable	36,064	-	-	-	33	-	-	36,097
Investment property	7,617	-	397,149	-	-	-	-	404,766
Investments in associates	689,235	5,334	1,781	-	-	-	-	696,350
Property, plant and equipment	53,404	-	61,384	-	-	-	-	114,788
Intangible assets	536,101	-	-	-	-	-	-	536,101
Assets held for sale	18,081	-	-	-	-	-	-	18,081
Deferred tax assets	-	-	-	-	34,321	-	-	34,321
Total assets	**2,713,091**	**964,428**	**618,240**	**200,215**	**1,822,174**	**107,409**	**453,526**	**6,879,083**
Customer current accounts	16,792	408,307	70,889	398,224	130,319	4,953	367,451	1,396,935
Customer investment accounts	208,501	208,373	44,218	849,571	215,768	3,590	441,049	1,971,070
Due to banks	1,490,363	-	-	-	-	-	2,935	1,493,298
Investments from off balance sheet funds	138,676	-	-	-	-	-	-	138,676
Provisions	18,000	-	55,000	-	-	-	-	73,000
Accounts payable	37,156	12,132	26,353	66,992	12,066	467	658,107	813,273
Current tax payable	-	-	-	-	268	-	-	268
Deferred tax liabilities	-	-	4,192	-	-	-	-	4,192
Total liabilities	**1,909,488**	**628,812**	**200,652**	**1,314,787**	**358,421**	**9,010**	**1,469,542**	**5,890,712**
Net on-balance sheet position	**803,603**	**335,616**	**417,588**	**(1,114,572)**	**1,463,753**	**98,399**	**(1,016,016)**	**988,371**
Contingent liabilities and commitments	**774,722**	**1,153,346**	**140,533**	**45,266**	**75,473**	**31,015**	**556,520**	**2,776,875**
At 31 December 2013								
Total assets	**2,869,270**	**1,025,435**	**573,755**	**177,798**	**1,503,167**	**109,280**	**426,034**	**6,684,739**
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**

(Thousands of US dollars)

40. Maturities of assets and liabilities

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

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
At 31 December 2014						
Cash and cash equivalents	709,932	-	54,738	-	-	764,670
Due from Islamic institutions	120,992	-	179	17	-	121,188
Trading securities	10,260	-	273,056	-	-	283,316
Investments in financings	221,475	586,938	424,412	763,344	181,120	2,177,289
Investment securities	280,992	451,972	224,204	371,713	176,734	1,505,615
Accounts receivable	43,828	30,167	31,966	60,343	20,197	186,501
Current tax receivable	-	-	36,097	-	-	36,097
Investment property	-	-	92,368	240,410	71,988	404,766
Investments in associates	-	-	-	-	696,350	696,350
Property, plant and equipment	4,452	33	2,070	12,688	95,545	114,788
Intangible assets	-	-	-	-	536,101	536,101
Assets held for sale	-	-	18,081	-	-	18,081
Deferred tax assets	-	-	34,321	-	-	34,321
Total assets	**1,391,931**	**1,069,110**	**1,191,492**	**1,448,515**	**1,778,035**	**6,879,083**
Customer current accounts	1,397,603	-	-	-	(668)	1,396,935
Customer investment accounts	1,369,745	187,706	367,558	40,919	5,142	1,971,070
Due to banks	879,918	166,128	371,074	54,214	21,964	1,493,298
Investments from off balance sheet funds	-	-	28,813	109,863	-	138,676
Provisions	-	-	18,000	-	55,000	73,000
Accounts payable	702,745	498	69,044	38,377	2,609	813,273
Current tax payable	-	-	267	1	-	268
Deferred tax liabilities	-	-	-	-	4,192	4,192
Total liabilities	**4,350,011**	**354,332**	**854,756**	**243,374**	**88,239**	**5,890,712**
Net liquidity gap	**(2,958,080)**	**714,778**	**336,736**	**1,205,141**	**1,689,796**	**988,371**
At 31 December 2013						
Total assets	**1,512,772**	**1,073,225**	**912,193**	**1,315,724**	**1,870,825**	**6,684,739**
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**

(Thousands of US dollars)

41. Currency exposure

At 31 December 2014

	United States Dollar	Pakistan Rupee	Bahrain Dinar	Euro	Swiss Franc	Saudi Riyal	Egyptian Pound	Other	Total
Cash and cash equivalents	132,159	142,129	230,957	216,402	1,328	15,493	694	25,508	764,670
Due from Islamic institutions	127,967	-	-	(6,779)	-	-	-	-	121,188
Trading securities	-	273,057	-	-	-	10,257	2	-	283,316
Investments in financings	285,022	1,800,882	1,284	37,778	-	5,141	-	47,182	2,177,289
Investment securities	185,167	1,295,876	(12,353)	6,474	718	14,710	4,760	10,263	1,505,615
Accounts receivable	104,615	48,160	16,083	12,093	1,844	2,189	977	540	186,501
Current tax receivable	-	36,064	-	-	-	-	33	-	36,097
Investment property	48,508	7,618	173,114	9,388	45,195	57,398	-	63,545	404,766
Investments in associates	617,024	1,039	-	-	-	4,263	4,429	69,595	696,350
Property, plant and equipment	5,527	53,405	55,598	11	86	130	31	-	114,788
Intangible assets	519,623	23,042	(6,564)	-	-	-	-	-	536,101
Assets held for sale	-	18,081	-	-	-	-	-	-	18,081
Deferred tax assets	-	34,321	-	-	-	-	-	-	34,321
Total assets	**2,025,612**	**3,733,674**	**458,119**	**275,367**	**49,171**	**109,581**	**10,926**	**216,633**	**6,879,083**
Customer current accounts	97,633	808,117	248,757	224,111	-	870	-	17,447	1,396,935
Customer investment accounts	158,280	1,753,301	-	40,455	-	-	-	19,034	1,971,070
Due to banks	213,602	598,026	244,381	108,001	-	857	-	328,431	1,493,298
Investments from off balance sheet funds	138,676	-	-	-	-	-	-	-	138,676
Provisions	18,000	-	-	55,000	-	-	-	-	73,000
Accounts payable	574,848	120,180	94,956	11,196	7,602	1,001	807	2,683	813,273
Current tax payable	-	-	-	3	256	-	9	-	268
Deferred tax liabilities	-	-	-	-	4,192	-	-	-	4,192
Total liabilities	**1,201,039**	**3,279,624**	**588,094**	**438,766**	**12,050**	**2,728**	**816**	**367,595**	**5,890,712**
Net on-balance sheet position	**824,573**	**454,050**	**(129,975)**	**(163,399)**	**37,121**	**106,853**	**10,110**	**(150,962)**	**988,371**
Contingent liabilities and commitments	**241,616**	**1,833,903**	**565,511**	**37,142**	**14,507**	**9,824**	**-**	**74,372**	**2,776,875**

At 31 December 2013

	United States Dollar	Pakistan Rupee	Bahrain Dinar	Euro	Swiss Franc	Saudi Riyal	Egyptian Pound	Other	Total
Total assets	**2,323,243**	**3,293,722**	**493,062**	**299,410**	**57,747**	**33,182**	**9,270**	**175,103**	**6,684,739**
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**

(Thousands of US dollars)

42. Trust capital

The fiduciary reserve was created to cover potential risk which might arise in the Group's capacity as fund manager. During the year, DMI released the fiduciary reserve as at 31 December 2013 amounting to $227.5 million to other reserves in the statement of changes in equity.

As at 31 December 2014, an amount of $20 million has been appropriated from other reserves to the fiduciary reserve to cover potential fiduciary risk which might arise in the Group's capacity as fund manager.

43. Date of authorisation for issue

These consolidated financial statements have been approved for issue by the Board of Supervisors on 13 May 2015 and are subject to approval at the Annual General Meeting, which will be held on 11 June 2015.

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	46	46	Kingdom of Bahrain
Faysal Bank Limited	Retail Banking	67	31	Pakistan
Ithmaar Development Company Limited	Real Estate Investment	100	46	Cayman Islands
Sakana Holistic Housing Solutions B.S.C. (C)	Mortgage Finance	63	29	Kingdom of Bahrain
DMI Administrative Services S.A.	Management Services	100	46	Switzerland

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