Tamweel PJSC and its subsidiaries

Report and consolidated financial statements for the year ended 31 December 2012

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for the year ended 31 December 2012

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INDEPENDENT AUDITOR'S REPORT

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of **Tamweel PJSC** (the "Company") **and its subsidiaries** (together referred to as the "Group"), **Dubai, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of **Tamweel PJSC and its subsidiaries, Dubai, United Arab Emirates** as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The comparative amounts in the consolidated statement of financial position at 31 December 2011, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and the related explanatory information were audited by another auditor whose report dated 29 January 2012 expressed an unqualified opinion thereon.

Report on other legal and regulatory requirements

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

The accompanying consolidated financial statements have been prepared for submission to the United Arab Emirates Central Bank and are yet to be approved by the Central Bank. These consolidated financial statements should not be published until such approval is obtained.

Deloitte & Touche (M.E.)



Mohammad Khamees Al Tah
Registration Number 717
21 January 2013

Consolidated statement of financial position as at 31 December 2012

	Notes	2012 AED'000	2011 AED'000
ASSETS			
Bank balances and cash	6	**1,178,812**	187,519
Islamic financing and investing assets	7	**9,324,190**	9,299,603
Other investments	8	**-**	46,787
Properties held for sale	9	**-**	387,203
Investment properties	10	**381,749**	-
Advances, prepayments and other receivables	11	**37,236**	79,527
Property and equipment	12	**24,879**	27,373
TOTAL ASSETS		**10,946,866**	10,028,012
LIABILITIES AND EQUITY			
Liabilities			
Zakat payable		**48,584**	66,326
Accounts payable, accruals and other liabilities	13	**324,221**	256,462
Financing obligations	14	**8,275,080**	7,412,704
Total liabilities		**8,647,885**	7,735,492
Equity			
Share capital	15	**1,000,000**	1,000,000
Employees' benefit plan	16	**(10,883)**	(10,701)
Statutory reserve	17	**202,584**	195,336
General reserve	18	**538,980**	538,980
Special reserve	19	**102,951**	102,951
Retained earnings		**465,349**	451,155
Convertible sukuk equity component		**-**	14,799
Total equity		**2,298,981**	2,292,520
TOTAL LIABILITIES AND EQUITY		**10,946,866**	10,028,012

Abdulla Ali Al Hamli
Chairman

Varun Sood
Acting Chief Executive Officer

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

Consolidated income statement for the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000
Income from Islamic financing and investing assets	20	**552,333**	558,902
Commission and other income	21	**50,960**	42,022
Operating income		**603,293**	600,924
General and administrative expenses	22	**(97,344)**	(102,043)
Impairment and other provisions	23	**(75,656)**	(69,747)
Profit before depositors'/investors' share of profit and related costs		**430,293**	429,134
Depositors'/investors' share of profit and related costs	24	**(357,815)**	(327,267)
Profit for the year		**72,478**	101,867
Earnings per share:			
Basic earnings per share (AED)	25	**0.07**	0.10
Diluted earnings per share (AED)	25	**N.A.**	N.A.

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

Consolidated statement of comprehensive income for the year ended 31 December 2012

	2012 AED'000	2011 AED'000
Profit for the year	**72,478**	101,867
Other comprehensive income	-	-
Total comprehensive income for the year	**72,478**	101,867

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

Consolidated statement of changes in equity for the year ended 31 December 2012

	Share capital AED'000	Employees' benefit plan AED'000	Statutory reserve AED'000	General reserve AED'000	Special reserve AED'000	Retained earnings AED'000	Convertible sukuk equity component AED'000	Total AED'000
Balance at 1 January 2012	1,000,000	(10,701)	195,336	538,980	102,951	451,155	14,799	2,292,520
Total comprehensive income for the year	-	-	-	-	-	72,478	-	72,478
Shares forfeited under employees' benefit plan	-	(182)	-	-	-	(3)	-	(185)
Directors' remuneration (Note 36)	-	-	-	-	-	(1,500)	-	(1,500)
Equity component of convertible sukuk	-	-	-	-	-	14,799	(14,799)	-
Dividend paid	-	-	-	-	-	(50,000)	-	(50,000)
Transfer to statutory reserve (Note 17)	-	-	7,248	-	-	(7,248)	-	-
Zakat	-	-	-	-	-	(14,332)	-	(14,332)
Balance at 31 December 2012	**1,000,000**	**(10,883)**	**202,584**	**538,980**	**102,951**	**465,349**	**-**	**2,298,981**

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

Consolidated statement of changes in equity for the year ended 31 December 2012 (continued)

	Share capital AED'000	Employees' benefit plan AED'000	Statutory reserve AED'000	General reserve AED'000	Special reserve AED'000	Retained earnings AED'000	Convertible sukuk equity component AED'000	Total AED'000
Balance at 1 January 2011	1,000,000	(10,646)	185,149	528,793	102,951	390,303	28,706	2,225,256
Total comprehensive income for the year	-	-	-	-	-	101,867	-	101,867
Shares forfeited under employees' benefit plan	-	(55)	-	-	-	(1)	-	(56)
Directors' remuneration, net	-	-	-	-	-	(295)	-	(295)
Equity component of convertible sukuk	-	-	-	-	-	13,907	(13,907)	-
Transfer to statutory reserve (Note 17)	-	-	10,187	-	-	(10,187)	-	-
Transfer to general reserve (Note 18)	-	-	-	10,187	-	(10,187)	-	-
Zakat	-	-	-	-	-	(34,252)	-	(34,252)
Balance at 31 December 2011	1,000,000	(10,701)	195,336	538,980	102,951	451,155	14,799	2,292,520

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

Consolidated statement of cash flows for the year ended 31 December 2012

	2012 AED'000	2011 AED'000
Operating activities		
Profit for the year	**72,478**	101,867
Adjustments for:		
Depreciation of property and equipment	**4,408**	5,362
Amortisation of deferred cost	**5,960**	6,599
Provision for employees' end of service benefits	**2,095**	2,128
Impairment and other provisions	**75,656**	69,747
Depositors'/investors' share of profit and related costs	**351,855**	320,668
Income on mudaraba deposits and wakala investments	**(14,082)**	(4,611)
Operating cash flows before changes in operating assets and liabilities	**498,370**	501,760
Decrease/(increase) in Islamic financing and investing assets	**41,085**	(173,409)
Increase in other investments	**-**	(890)
Increase in advances, prepayments and other receivables	**(8,429)**	(21,976)
Increase/(decrease) in financing obligations	**859,949**	(208,264)
Decrease in accounts payable, accruals and other liabilities	**(47,296)**	(18,873)
Cash generated from operating activities	**1,343,679**	78,348
Depositors'/investors' share of profit and related cost paid	**(328,746)**	(322,574)
Employees' end of service benefits paid	**(1,024)**	(1,031)
Zakat paid	**(32,074)**	(53,729)
Net cash generated from/(used in) operating activities	**981,835**	(298,986)
Investing activities		
Additions to property and equipment	**(1,914)**	(369)
Deposit under lien with original maturity over 3 months	**(66,114)**	-
Income received on mudaraba deposits and wakala investments	**11,372**	4,611
Net cash (used in)/generated from investing activities	**(56,656)**	4,242
Increase/(decrease) in cash and cash equivalents	**925,179**	(294,744)
Cash and cash equivalents at beginning of the year	**187,519**	482,263
Cash and cash equivalents at end of the year (Note 6)	**1,112,698**	187,519

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

Notes to the consolidated financial statements for the year ended 31 December 2012

1 General information

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

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

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

The Group consists of Tamweel PJSC (the "Parent Company") and its subsidiaries registered up to 31 December 2012, as listed below:

Subsidiaries	Beneficial ownership	Principal activity	Country of incorporation
Tamweel Properties & Investments LLC	100%	Dormant (Under liquidation)	U.A.E.
Tahfeez Middle East Limited	100%	Dormant (Under liquidation)	JAFZA, U.A.E.
Tamweel Funding Limited	100%	SPE for issuance of sukuk	Jersey
Tamweel Sukuk Limited	100%	SPE for issuance of sukuk	Cayman Islands
Tamweel ESOT Limited	100%	SPE for employees' benefit plan	British Virgin Islands
Tamweel Funding III Limited	100%	SPE for issuance of sukuk	Cayman Islands
Tamweel Property (1) Limited	100%	SPE for purchase of assets	DIFC, U.A.E

The Company is a 58.25% subsidiary of Dubai Islamic Bank P.J.S.C ("DIB"). Subsequent to year end, the Board of Directors of DIB has announced its intention to acquire 100% of Tamweel PJSC's shares by offering DIB shares in exchange for Tamweel shares to the minority shareholders. The acquisition is subject to the approval of DIB's shareholders, Tamweel's shareholders and regulatory authorities including the Ministry of Economy, the Securities and Commodities Authority of the U.A.E., the U.A.E. Central Bank, and Dubai Financial Market.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

2 Application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Revised IFRSs applied with no material effect on the consolidated financial statements

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

- Amendments to IFRS 1 *Severe Hyperinflation*

The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for first time. The amendments are effective for annual periods beginning on or after 1 July 2011 with retrospective application.

- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 Investment Property by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The amendments are effective for annual periods beginning on or after 1 January 2012 with retrospective application.

- Amendments to IFRS 7 *Disclosures Transfers of Financial Assets*

The amendments increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The amendments are effective for annual periods beginning on or after 1 July 2011. Entities need not provide the disclosures required by the amendments for any period presented that begins before the date of the initial application of the amendments.

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 1 *Government Loans* provide relief to first-time adopters of IFRSs by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* to government loans outstanding at the date of transition to IFRSs.	1 January 2013
• Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS.	1 January 2015 (or otherwise when IFRS 9 is first applied)
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.	1 January 2013

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 10 *Consolidated Financial Statements** uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 *Separate Financial Statements** and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.	1 January 2013
• IFRS 11 *Joint Arrangements** establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.	1 January 2013
• IFRS 12 *Disclosure of Interests in Other Entities** combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard.	1 January 2013
• IFRS 13 *Fair Value Measurement* issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013
• Amendments to IAS 1 – *Presentation of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	1 July 2012
• Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.*	1 January 2013

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Annual Improvements to *IFRSs 2009 - 2011 Cycle*	1 January 2013

The annual improvements include the amendments to five IFRSs which have been summarized below:

- *IFRS 1 First Time Adoption of International Financial Reporting Standards* - Repeated application of IFRS 1
- *IFRS 1 First Time Adoption of International Financial Reporting Standards* - Borrowing costs
- *IAS 1 Presentation of Financial Statements* - Clarification of the requirements for comparative information
- *IAS 16 Property, Plant and Equipment* - Classification of serving equipment
- *IAS 32 Financial Instruments: Presentation* - Tax effect of the distribution to the holders of equity instruments.
- *IAS 34 Interim Financial Reporting* - Interim financial reporting and segment information for total assets and liabilities.

• Amendments to IFRS 10, IFRS 12 and IAS 27 - Guidance on Investment Entities	1 January 2014

On 31 October 2012, the IASB published a final standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The amendments establish an exception to IFRS 10's general consolidation principle for investment entities, requiring them to "measure particular subsidiaries at fair value through profit or loss, rather than consolidate them." In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity.

*In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time. These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2013 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

3 Definitions of significant terms

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

Sharia'a

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

Ijara

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

Istisna'a

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

Murabaha

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

Forward Ijara

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

Mudaraba

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

3 Definitions of significant terms (continued)

Wakala

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

Sukuk

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

4 Significant accounting policies

Statement of compliance

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

Basis of preparation

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries as listed in Note 1 to the consolidated financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

4 Significant accounting policies (continued)

Basis of consolidation (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in the consolidated income statement and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Revenue recognition

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

Ijara income

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

Murabaha income

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

Istisna'a income

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

Forward Ijara income

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

Sale of properties held for sale

Sale of properties held for sale is recognised on full accrual method as and when the risk and reward and control is transferred to the buyer.

Processing fees

Processing fees are recognised when the services are provided.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

4 Significant accounting policies (continued)

Revenue recognition (continued)

Other income

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

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

Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

Non-equity financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through profit or loss on initial recognition):

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

4 Significant accounting policies (continued)

Financial assets at fair value through other comprehensive income (FVTOCI)

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

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve in equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in the consolidated income statement and are included in the 'gain from other investments' line item.

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

4 Significant accounting policies (continued)

Impairment of financial assets

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

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

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

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

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

Effective profit method

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

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

Cash and cash equivalents

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

Islamic financing and investing assets

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

4 Significant accounting policies (continued)

Individually assessed Islamic financing and investing assets

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

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

Incurred but not yet identified

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

Derecognition of financial assets

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

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

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve in equity is not reclassified to the consolidated income statement, but is transferred to retained earnings within equity.

Financial liabilities and equity instruments

Classification as debt or equity

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

4 Significant accounting policies (continued)

Financial liabilities

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

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

Properties held for sale

Properties acquired or constructed with the intention of sale are classified as properties held for sale. Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale.

Cost includes the cost of land, infrastructure, construction and other related expenditure such as professional fees and engineering costs attributable to the project, which are capitalised as and when the activities that are necessary to get the assets ready for the intended use are in progress.

Investment properties

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

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

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

Property and equipment

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

4 Significant accounting policies (continued)

Property and equipment (continued)

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

Impairment of tangible and intangible assets

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

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

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

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

Securitisation

The Group enters into securitisation transactions to finance specific Islamic finances to customers. Both the securities in issue and the finances and advances to customers remain on the Group's consolidated statement of financial position within the appropriate headings in the consolidated statement of financial position unless:

i) a fully proportionate share of all or of specifically identified cash flows have been transferred to the holders of the securities, in which case that proportion of the assets are derecognised;

ii) substantially all the risks and rewards associated with the assets have been transferred, in which case the assets are fully derecognised; or

iii) if a significant proportion of the risks and rewards have been transferred, the assets are recognised only to the extent of the Group's continuing involvement.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

4 Significant accounting policies (continued)

Zakat

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

- Zakat on shareholders' equity is computed at 2.5775% of the aggregate of general and legal reserves, retained earnings, other reserves and provision for staff gratuity. For 2012, DIB will compute and pay Zakat on its consolidated financial position including its equity in Tamweel PJSC. Accordingly no Zakat is considered in these financial statements in respect of shareholders' equity pertaining to DIB.
- Zakat is disbursed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board.
- Zakat on the paid up capital is not included in the Zakat computations and is payable by the shareholders personally.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

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

Employees' end-of-service benefits

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

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

Employees' benefit plan shares

Employees' benefit plan shares consist of the Group's own shares that have been designated under the Employee Stock Ownership Plan and not yet reissued or cancelled. These shares are accounted for using the weighted average cost method. Under the cost method, the average cost of the shares is shown as a deduction from total shareholders' equity.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

4 Significant accounting policies (continued)

Convertible Sukuk

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

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the consolidated income statement over the remaining vesting period, with a corresponding adjustment to the employees' incentive plan reserve.

Foreign currencies

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

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

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

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

Leasing

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

The Group as lessor

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

4 Significant accounting policies (continued)

Leasing (continued)

The Group as lessee

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

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

Fair values

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

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

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

Offsetting

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

5 Critical accounting judgments and key sources of estimation of uncertainty

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

Impairment losses on Islamic financing and investing assets

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

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

Individually assessed Islamic financing and investing assets

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

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

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

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

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

Collective impairment provisions on Islamic financing and investing assets

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

Classification of financial assets

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

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

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

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

Fair value of financial instruments

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

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

Property and equipment and investment properties

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

6 Bank balances and cash

	2012 AED'000	2011 AED'000
Bank balances	**1,178,787**	187,494
Cash on hand	**25**	25
Bank balances and cash	**1,178,812**	187,519

Bank balances are held with banks within the U.A.E. and are profit generating at an average profit rate of 1.25% (2011: 2.35%).

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

	2012 AED'000	2011 AED'000
Bank balances and cash	**1,178,812**	187,519
Less: Deposit under lien with original maturity over 3 months	**(66,114)**	-
Cash and cash equivalent	**1,112,698**	187,519

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

7 Islamic financing and investing assets

	2012 AED'000	2011 AED'000
Ijara and forward Ijara (constructed and handed over properties)	**7,950,602**	7,084,638
Gross murabaha investments and mudaraba receivables	**353,168**	363,642
Less: Deferred profit	**(8,595)**	(8,599)
Net murabaha investments and mudaraba receivables	**344,573**	355,043
Istisna'a and forward Ijara (under construction properties)	**1,514,410**	2,274,998
	9,809,585	9,714,679
Less: Profit suspended	**(111,991)**	(70,922)
Less: Provision for impairment	**(373,404)**	(344,154)
	9,324,190	9,299,603

All the assets financed by the Group are within the U.A.E. Islamic financing and investing assets include accrued profits amounting to AED 206 million (31 December 2011: AED 297 million).

Included under Islamic financing and investing assets are receivables amounting to AED 295 million (31 December 2011: AED 138 million) in respect of which the Group has obtained the clear legal title to the properties financed and is in the process of finalizing formalities for possession of such properties. Such receivables are carried at current market values of the properties and a full provision has been made for the remaining exposure.

Provisions for impairment

Movements in the provision for impairment were as follows:

	2012 AED'000	2011 AED'000
Balance at beginning of the year	**344,154**	330,654
Provision made during the year	**29,250**	13,500
Balance at end of the year	**373,404**	344,154

Collateral

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

The fair value of the collaterals that the Group holds relating to facilities individually determined to be impaired at 31 December 2012 amounting to AED 1,226 million (2011: AED 1,036 million).

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

8 Other investments

	2012 AED'000	2011 AED'000
Investments measured at amortised costs: (outside the U.A.E.)		
Investments in notes	-	29,273
Profit on notes	-	17,514
	-	46,787

During the year, investment in notes along with the accrued profits were settled in full (Refer Note 27).

9 Properties held for sale

Movements in properties held for sale were as follows:

	2012 AED'000	2011 AED'000
Cost		
Balance at beginning of the year	**596,344**	578,232
Properties acquired	**546**	18,112
	596,890	596,344
Less: Transferred to Investment properties (Note 10)	**(596,890)**	-
Balance at end of the year	-	596,344
Provision for impairment		
Balance at beginning of the year	**209,141**	168,641
Provisions made during the year	**6,000**	40,500
	215,141	209,141
Less: Transferred to Investment properties (Note 10)	**(215,141)**	-
Balance at end of the year	-	209,141
Carrying value at end of the year	-	387,203

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

10 Investment properties

2012	Land AED'000	Other real estate AED'000	Investment properties under construction AED'000	Total AED'000
Cost				
Balance at beginning of the year	-	-	-	-
Transferred from properties held for sale (Note 9)	339,811	69,763	187,316	596,890
Balance at end of the year	**339,811**	**69,763**	**187,316**	**596,890**
Provision for impairment				
Balance at beginning of the year	-	-	-	-
Transferred from properties held for sale (Note 9)	150,888	24,884	39,369	215,141
Balance at end of the year	**150,888**	**24,884**	**39,369**	**215,141**
Carrying amount at end of the year	**188,923**	**44,879**	**147,947**	**381,749**

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

At reporting date, the fair value of the investment property is approximate to its net carrying value.

11 Advances, prepayments and other receivables

	2012 AED'000	2011 AED'000
Receivable on notes (Note 27)	-	48,530
Reserve account receivable	**3,866**	-
Profit on wakala deposits	**2,839**	129
Staff personal loans	**2,782**	-
Portfolio management fee receivable	**1,042**	10,500
Receivable from developers	**8,684**	8,589
Commission receivable	**11,779**	10,795
Deferred cost	**8,044**	2,833
Receivable under employees' benefit plan	**2,160**	2,344
Prepaid expenses	**1,242**	1,466
Other	**9,463**	7,975
	51,901	93,161
Less: Provision for impairment	**(14,665)**	(13,634)
	37,236	79,527
Provision for impairment		
Balance at beginning of the year	**13,634**	11,134
Add: Provision during the year	**1,031**	2,500
Balance at end of the year	**14,665**	13,634

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

12 Property and equipment

	Buildings AED'000	Leasehold improvements, furniture and fixtures AED'000	Software licenses, networks and computer equipment AED'000	Motor vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost						
At 1 January 2012	21,779	12,570	15,873	104	286	50,612
Additions	-	-	667	-	1,247	1,914
At 31 December 2012	**21,779**	**12,570**	**16,540**	**104**	**1,533**	**52,526**
Accumulated depreciation						
At 1 January 2012	2,523	7,919	12,787	10	-	23,239
Charge for the year	1,055	1,549	1,783	21	-	4,408
At 31 December 2012	**3,578**	**9,468**	**14,570**	**31**	**-**	**27,647**
Carrying amount						
At 31 December 2012	**18,201**	**3,102**	**1,970**	**73**	**1,533**	**24,879**

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

12 Property and equipment (continued)

	Buildings AED'000	Leasehold improvements, furniture and fixtures AED'000	Software licenses, networks and computer equipment AED'000	Motor vehicles AED'000	Capital work-in-progress AED'000	Total AED'000
Cost						
At 1 January 2011	21,779	12,381	18,509	-	315	52,984
Additions	-	109	-	104	156	369
Transfers	-	80	105	-	(185)	-
Disposals	-	-	(2,741)	-	-	(2,741)
At 31 December 2011	21,779	12,570	15,873	104	286	50,612
Accumulated depreciation						
At 1 January 2011	1,468	6,211	12,939	-	-	20,618
Charge for the year	1,055	1,708	2,589	10	-	5,362
Eliminated to disposals	-	-	(2,741)	-	-	(2,741)
At 31 December 2011	2,523	7,919	12,787	10	-	23,239
Carrying amount						
At 31 December 2011	19,256	4,651	3,086	94	286	27,373

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

13 Accounts payable, accruals and other liabilities

	2012 AED'000	2011 AED'000
Profit payable on financing obligations	**74,140**	51,031
Accounts payable	**55,462**	57,928
Property purchase payables	**43,106**	51,000
Developers' payables	**27,614**	19,686
Dividends payable	**18,735**	18,752
Takaful payable	**12,564**	11,996
Employees' end of service benefits (see Note 13.1 below)	**7,294**	6,223
Payable under escrow accounts	**176**	3,041
Provision for litigation losses	**44,623**	15,000
Provision for damage from fire (Note 26)	**6,500**	-
Accrual and other liabilities	**34,007**	21,805
	324,221	256,462

13.1 Employees' end of service benefits

	2012 AED'000	2011 AED'000
Balance at beginning at the year	**6,223**	5,126
Charge for the year	**2,095**	2,128
Paid during the year	**(1,024)**	(1,031)
	7,294	6,223

14 Financing obligations

	2012 AED'000	2011 AED'000
Wakalas	**3,727,430**	3,677,430
Mudarabas (Note 33)	**1,250,000**	1,550,000
Sukuk	**2,202,500**	1,100,000
Convertible Sukuk	**1,095,150**	1,085,274
	8,275,080	7,412,704

Wakalas

Wakalas represent investment amounts received by the Group ("Wakeel") from customers ("Muwakkils") for investment purposes to generate profits for the Muwakkils. Any profit exceeding the expected profit after deduction of Wakala fee is allowed to be kept by the Group as a performance incentive. The effective average profit rate on these Wakalas is 4% (2011: 4%).

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

14 Financing obligations (continued)

Mudarabas

Mudarabas represent funds for investment in the Group's ("Mudareb's") on-going real estate investment activities (the "Project") on a mudaraba basis. The actual profit generated by investing the Mudaraba capital is shared between the Rab Al Mal and the Mudareb based on a pre agreed profit distribution ratio. Further, the Rab Al Mals agree to reward the Mudareb for profits earned by it in excess of a minimum return (based on EIBOR) determined at inception as a performance incentive/bonus for profitable, efficient and safe deployment of the Rab Al Mal's capital. The effective average profit rate on these Mudarabas is 4.01% (2011: 3.95%). All these Mudarabas are short term to medium term.

Sukuk

a) In July 2008, the Group issued Trust Certificates ("2008 Sukuk"), for the total value of AED 1,100 million through Tamweel Sukuk Limited, which are listed on NASDAQ Dubai. The 2008 Sukuk is structured to conform to principles of Islamic Sharia'a, matures in July 2013 and has an expected profit rate of 3M EIBOR + 225 basis points per annum, to be paid quarterly in arrears.

b) In January 2012, the Group issued Trust Certificates ("2012 Sukuk") of US$ 300 million, through Tamweel Funding III Limited, which are listed on the Irish Stock Exchange. The 2012 Sukuk is structured to conform to principles of Islamic Sharia'a, matures in 2017 and has a profit rate of 5.15% per annum, payable semi-annually in arrears.

Convertible Sukuk

In January 2008, the Group issued a convertible sukuk in the form of Trust Certificates / Shirkat -ul-Milk (the "Sukuk"), for a total value of USD 300 million, which are listed on NASDAQ Dubai. The Sukuk is structured to conform to the principles of Islamic Sharia'a, matures in January 2013 and has a fixed profit rate of 4.31% per annum, to be paid on a quarterly basis in arrears. The reference share price (the relevant exchange price) for conversion, to which an exchange premium of 20.5% will apply, was taken as the closing price of the Parent Company's share as at 13 December 2008. This exchange premium was subsequently reduced to 16.8% due to the payment of dividend for the financial year 2008. This adjustment to the exchange price was made in accordance with the terms and conditions of the transaction documents.

In accordance with the terms of the subscription, each Trust Certificate may be redeemed at the option of the Certificate holder or the issuer as follows:

a) At the option of the Certificate holder through "Voluntary Early Redemption" at any time one year after the issue date subject to satisfying certain conditions. At the option of the issuer, either the shares will be issued at the relevant exchange price or cash will be paid. The cash amount to be paid will be based on the arithmetic average of the volume weighted average price of the shares on each trading day during the last 10 consecutive trading days, multiplied by the number of shares that would have been issued under the equity settlement.

b) At the option of the issuer at any time 3 years after the issue date through "Optional Partial Redemption" subject to satisfying certain conditions. In case of Optional Partial Redemption, either shares will be issued at the relevant exchange price or cash will be paid. The cash amount to be paid will be arrived similarly as in the case of Voluntary Early redemption.

At the time of final maturity, any remaining Trust Certificates will be redeemed in full by the issuer in cash at face value plus any unpaid profit amount.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

14 Financing obligations (continued)

The Convertible Sukuk has been included under financing obligations in the consolidated statement of financial position as follows:

	2012 AED'000	2011 AED'000
Proceeds from issue of convertible sukuk	**1,101,840**	1,101,840
Less: Unamortised issuance costs	**-**	(2,427)
Net proceeds from convertible sukuk	**1,101,840**	1,099,413
Less: Equity component on initial recognition	**(69,534)**	(69,534)
Liability component	**1,032,306**	1,029,879
Add: Exchange difference	**660**	660
Add: Additional profit at effective rate	**69,534**	54,735
	1,102,500	1,085,274
Less: Investment in convertible sukuk	**(7,350)**	-
	1,095,150	1,085,274

15 Share capital

	2012 AED'000	2011 AED'000
Authorised, issued and paid up 1,000,000,000 ordinary shares of AED 1 each (31 December 2011: 1,000,000,000 ordinary shares of AED 1 each)	**1,000,000**	1,000,000

16 Employees' benefit plan

On 26 February 2006, the Group established an Employee benefit plan (the "Plan") to recognise and retain good performing key employees. The Plan gives the employee the right to purchase the Company's shares at an exercise price and was established with 18,000,000 shares, at par value, of the Group which are held by two trustee companies. Out of these 18 million shares, the Group has granted 7,117,123 shares (2011: 7,299,123 shares) at AED 1.015 per share up to 31 December 2012, net of forfeitures. These shares vest over a period of three years. As at 31 December 2012, there were 2,127,590 unvested shares (2011: 2,309,590).

During 2012, there have been no new grants to the employees (2011: NIL) and there has been no vesting of the shares previously granted (2011: NIL). However, employees leaving the Group forfeited 182,000 (2011: 55,000) shares.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

16 Employees' benefit plan (continued)

The remaining 10,882,877 shares (2011: 10,700,877 shares) of AED 1 each held under this scheme are held as plan shares by the trustees and will be granted in the future as and when the employees meet the pre-determined criteria. When granted to employees, the difference between the fair value of these shares on the grant date and amounts recovered from employees, if any, will be charged to the consolidated income statement. The fair value of these shares at 31 December 2012 based on quoted price of AED 1.14 per share is AED 12.4 million.

17 Statutory reserve

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

18 General reserve

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

19 Special reserve

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

20 Income from Islamic financing and investing assets

	2012 AED'000	2011 AED'000
Ijara and Forward Ijara (constructed and handed over properties)	**483,784**	482,345
Istisna'a and Forward Ijara (under construction properties)	**22,614**	39,971
Murabaha and Mudaraba	**1,957**	2,480
Processing fees, other fees and commission income	**43,978**	34,106
	552,333	558,902

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

21 Commission and other income

	2012 AED'000	2011 AED'000
Income on mudaraba deposits and wakala investments	**14,082**	11,719
Takaful income	**17,913**	11,500
Portfolio management fee (Note 33)	**12,500**	10,500
Other	**6,465**	8,303
	50,960	42,022

22 General and administrative expenses

	2012 AED'000	2011 AED'000
Staff costs	**60,643**	64,180
Legal and professional charges	**15,062**	10,384
Advertisement and sales promotion	**3,640**	7,117
Depreciation (Note 12)	**4,408**	5,362
Office rent	**930**	1,399
Other expenses	**12,661**	13,601
	97,344	102,043

23 Impairment and other provisions

	2012 AED'000	2011 AED'000
Provision for impairment		
- Islamic financing and investing assets (Note 7)	**29,250**	13,500
- Properties held for sale (Note 9)	**6,000**	40,500
Provision for impairment on other receivables	**1,031**	2,500
Provision for impairment on other investments	**-**	1,030
Provision for litigation losses (a)	**32,875**	12,217
Provision for Tamweel Tower fire damage (b)	**6,500**	-
	75,656	69,747

a. The Group has taken a charge of AED 33 million for the year ended 31 December 2012 in respect of certain ongoing legal cases (31 December 2011: AED 12 million).

b. The Group has created a provision of AED 6.5 million towards the business disruption and other incidental costs resulting from fire. (Refer Note 26).

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

24 Depositors'/investors' share of profit and related costs

	2012 AED'000	2011 AED'000
Financing obligations, net	**348,178**	318,556
Amortisation of deferred cost	**5,960**	6,599
Other	**3,677**	2,112
	357,815	327,267

25 Earnings per share - basic and diluted

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

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

Basic earnings per share

	2012 AED'000	2011 AED'000
Profit for the year net of directors' remuneration	**70,978**	101,572
	Number of shares '000	
Weighted average number of shares outstanding during the year	1,000,000	1,000,000
Basic earnings per share (AED)	0.07	0.10

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

25 Earnings per share - basic and diluted (continued)

Diluted earnings per share

	2012 AED'000	2011 AED'000
Profit for the year net of directors' remuneration	**70,978**	101,572
Add: Profit on convertible Sukuk	**47,488**	47,498
	118,466	149,070
	Number of shares '000	
Weighted average number of shares outstanding during the year	1,136,338	1,136,338
Diluted earnings per share (AED)	N.A.	N.A.

Diluted earnings per share for the years ended 31 December 2012 and 31 December 2011 have not been calculated since the conversion of the sukuk into ordinary shares would have an antidilutive effect.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements for issuance. The Group holds 10,882,877 (2011: 10,700,877) shares under the employees' benefit plan, the impact of which on the earning per share is not material.

26 Fire damage to Tamweel Tower

On 18 November 2012, offices of the Group in Tamweel Tower suffered fire damage. The Group has contents insurance cover in relation to the offices and Tamweel Tower is insured by the building's Owners Association. The Group has advised the contents insurer and is in the process of submitting a claim in line with the policy. The Owners Association has advised the property insurer and received an acknowledgement from the insurer of the liability in relation to the damage. The insurance company in consultation with Owners Association is in the process of appointing a consultant to assess the damage and quantify the cost of the repair. Whilst both insurance claims are at their initial stages, management are of the view that there is no requirement for provision in relation to the carrying value of the property and contents assets in respect of loss or damage. The net carrying value of these property and content assets is AED 24.88 million.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

27 Repurchase of securitisation assets

On 14 December 2012, the Group entered into an agreement with various parties including Tamweel Residential ABS CI (1) Ltd (as issuer), Tamweel Properties (1) Limited, (as owner of Ijara contracts and underlying properties), Deutsche Trustee Company Limited (as Trustee and Security Trustee) and Deutsche Bank AG, London Branch (as Principal Paying Agent, Reference Agent, Cash Manager, USD Account Bank and Custodian) whereby Tamweel PJSC settled the outstanding Floating Rate Secured Notes issued in July 2007 (the "notes") and acquired the ownership of Tamweel Properties (1) Ltd and certain other assets in accordance with clause 5 of the Terms and Conditions of the Notes.

At reporting date, the fair values of the identifiable assets and liabilities acquired by the Group are as follows:

	Fair values and carrying value AED'000
Assets	
Islamic financing and investing assets	106,202
Bank balances and cash	6,432
	112,634
Liabilities	
Accounts payable	(140)
Net Assets acquired	112,494
Purchase consideration	
Tamweel PJSC's investment in the notes along with accrued profits	47,127
Incentives fees receivable	53,879
Cash outflows	11,488
	112,494

28 Commitments

	2012 AED'000	2011 AED'000
Irrevocable commitments to extend credit	**652,300**	1,167,277

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

29 Contingencies

a) The Group's bankers have provided a guarantee of AED 50 million (31 December 2011: AED 50 million) favouring the U.A.E. Central Bank against the share capital.

b) The Group's bankers have also provided a guarantee of AED 5 million (31 December 2011: AED 5 million) to the Economic Affairs Division of the Government of Dubai for establishing a subsidiary company.

c) At reporting date, the Group is in legal proceedings against certain customers in the U.A.E. to recover AED 300 million. The customers are also counter claiming against the Group, but based on legal advice, the management of the Group is contesting the counterclaims as they believe such counter claims are without basis and is pursuing the full recovery of the outstanding balances. Accordingly, no provision for any liability has been made in these consolidated financial statements.

30 Risk management

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

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

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

Risk Management Structure

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Risk management (continued)

Risk Management Structure (continued)

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

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

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

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

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Risk management (continued)

Types of Risk the Group is subject to:

Concentration risk

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

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

Credit risk

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

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

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Risk management (continued)

Credit risk (continued)

Quantitative information

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

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

	Gross maximum exposure 2012 AED'000	*Gross maximum exposure 2011 AED'000*
Bank balances (Note 6)	**1,178,787**	187,494
Islamic financing and investing assets (Note 7)	**9,809,585**	9,714,679
Other investments (Note 8)	**-**	46,787
Advances and other receivables	**42,615**	88,862
Total	**11,030,987**	10,037,822
Irrevocable commitments to extend credit (Note 28)	**652,300**	1,167,277

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

The Group's financial assets, before taking into account any collateral held or other credit enhancements are analysed by business segment in note 31.

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Risk management (continued)

Credit risk (continued)

Quantitative information (continued)

At 31 December 2012

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

At 31 December 2011

	Neither past due nor impaired				
	Normal grade AED'000	*Watch list grade AED'000*	*Past due but not individually impaired AED'000*	*Past due and individually impaired AED'000*	*Total AED'000*
Bank balances	187,494	-	-	-	187,494
Islamic financing and investing assets	7,866,493	719,148	156,245	972,793	9,714,679
Other investments	46,787	-	-	-	46,787
Advances and other receivables	66,639	8,589	-	13,634	88,862
Total	8,167,413	727,737	156,245	986,427	10,037,822

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Risk management (continued)

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

	31 December 2012			
	Less than 60 days AED'000	*60 to 90 days AED'000*	*91 to 120 days AED'000*	*Total AED'000*
Islamic financing and investing assets	**101,808**	**76,213**	**-**	**178,021**

	31 December 2011			
	Less than 60 days AED'000	*60 to 90 days AED'000*	*91 to 120 days AED'000*	*Total AED'000*
Islamic financing and investing assets	116,425	39,820	-	156,245

Collateral and other credit enhancements

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

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

Profit rate risk

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

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

The profit rate on financing obligations is contractually determined on contract initiation. Refer to Note 14 for further details.

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

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in profit rates on the net profit earned for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2012 and 31 December 2011.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Risk management (continued)

Profit rate risk (continued)

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

	31 December 2011	
	Increase/ (decrease) in basis points	*Sensitivity of net returns increase/ (decrease) AED 000's*
AED	50bps	26,328
AED	(50bps)	(26,328)

Currency risk

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

All assets and liabilities as at 31 December 2012 are denominated in the U.A.E. Dirhams or US Dollars. U.A.E. Dirham is currently pegged to US Dollar and therefore, the Group is not exposed to any significant currency risk except for the balances relating to foreign subsidiaries, which are not significant.

Equity price risk

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

The Group is not subject to any equity price risk as it does not have any investment in equity shares.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Risk management (continued)

Early settlement risk

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

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

Operational risk

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

Liquidity risk

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

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

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

30 Risk management (continued)

Maturity analysis of assets and liabilities

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

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

At 31 December 2012

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

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Risk management (continued)

Maturity analysis of assets and liabilities (continued)

At 31 December 2011

	Within 1 month AED'000	*1 to 3 months AED'000*	*3 to 12 months AED'000*	*Subtotal less than 12 months AED'000*	*1-5 years AED'000*	*Over 5 years AED'000*	*Total AED'000*
ASSETS							
Bank balances and cash	187,519	-	-	187,519	-	-	187,519
Islamic financing and investing assets	77,607	178,738	441,444	697,789	2,624,694	5,977,120	9,299,603
Other investments	-	-	-	-	46,787	-	46,787
Properties held for sale	-	-	-	-	387,203	-	387,203
Investment properties	-	-	-	-	-	-	-
Advances, prepayments and other receivables	350	5,307	17,866	23,523	56,004	-	79,527
Property and equipment	-	-	-	-	27,373	-	27,373
Total assets	265,476	184,045	459,310	908,831	3,142,061	5,977,120	10,028,012
LIABILITIES							
Zakat payable	-	32,074	34,252	66,326	-	-	66,326
Accounts payable, accruals and other liabilities	37,238	21,699	145,767	204,704	45,534	6,224	256,462
Financing obligations	50,000	-	300,000	350,000	7,062,704	-	7,412,704
Total liabilities	87,238	53,773	480,019	621,030	7,108,238	6,224	7,735,492
Assets less liabilities	178,238	130,272	(20,709)	287,801	(3,966,177)	5,970,896	2,292,520
Commitments							
Irrevocable commitments to extend credit	-	399,532	442,427	841,959	325,318	-	1,167,277

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

30 Risk management (continued)

Contractual undiscounted repayment obligations

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

	Within 1 month AED'000	*1 to 3 months AED'000*	*3 to 12 months AED'000*	*Subtotal less than 12 months AED'000*	*Over 1 year AED'000*	*Total AED'000*
At 31 December 2012						
Zakat payable	-	**17,126**	**17,126**	**34,252**	**14,332**	**48,584**
Accounts payable, accruals and other liabilities	-	**89,781**	**142,407**	**232,188**	**92,033**	**324,221**
Financing obligations	**1,102,187**	-	**1,387,667**	**2,489,854**	**6,602,836**	**9,092,690**
	1,102,187	**106,907**	**1,547,200**	**2,756,294**	**6,709,201**	**9,465,495**

	Within 1 month AED'000	*1 to 3 months AED'000*	*3 to 12 months AED'000*	*Subtotal less than 12 months AED'000*	*Over 1 year AED'000*	*Total AED'000*
At 31 December 2011						
Zakat payable	-	32,074	34,252	66,326	-	66,326
Accounts payable, accruals and other liabilities	37,238	21,699	145,767	204,704	51,758	256,462
Financing obligations	73,862	2,285	546,646	622,793	7,741,952	8,364,745
	111,100	56,058	726,665	893,823	7,793,710	8,687,533

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

31 Segmental information

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

Islamic financing and investing activities	Principally handling Islamic financing and investing activities.
Real estate and investment activities	Principally involved in the leasing and trading of properties and related activities.
Others	Mainly bank balances, property and equipment, other assets and other liabilities not allocated to any segment.

These segments are the basis on which the Group reports its segments information. Segmental information for the years ended 31 December 2012 and 2011 was as follows:

	31 December 2012				*31 December 2011*			
	Islamic financing and investing activities AED'000	***Real estate and investment activities AED'000***	***Others AED'000***	***Total AED'000***	*Islamic financing and investing activities AED'000*	*Real estate and investment activities AED'000*	*Others AED'000*	*Total AED'000*
Gross income	**600,311**	**2,982**	**-**	**603,293**	598,755	2,169	-	600,924
Allocable expenses	**(466,554)**	**(27,980)**	**-**	**(494,534)**	(414,246)	(27,281)	-	(441,527)
Segment result	**133,757**	**(24,998)**	**-**	**108,759**	184,509	(25,112)	-	159,397
Impairment provisions, net	**(29,250)**	**(7,031)**	**-**	**(36,281)**	(16,000)	(41,530)	-	(57,530)
Segment result after provision	**104,507**	**(32,029)**	**-**	**72,478**	168,509	(66,642)	-	101,867
Profit for the year				**72,478**				101,867
Segment assets	**9,346,910**	**384,918**	**1,215,038**	**10,946,866**	9,405,814	389,153	233,045	10,028,012
Segment liabilities	**7,336,900**	**312,175**	**998,810**	**8,647,885**	7,203,941	313,322	218,229	7,735,492
Depreciation	**-**	**-**	**4,408**	**4,408**	-	-	5,362	5,362
Capital expenditure	**-**	**-**	**1,914**	**1,914**	-	-	369	369

No geographical analysis has been provided as currently the operations of the Group are concentrated primarily in the United Arab Emirates.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

32 Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011. Capital comprises share capital, statutory reserve, general reserve, special reserve, convertible sukuk equity component, shares held under employees' benefit plan and retained earnings and is measured at AED 2,279,374 thousands as at 31 December 2012 (31 December 2011: AED 2,292,520 thousands).

33 Related party transactions

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

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

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

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	Key management personnel AED'000	**Major shareholders AED'000**	Key management personnel AED'000	Major shareholders AED'000
Income from Islamic financing and investing activities	**1,283**	-	1,422	-
Income on mudaraba deposits and wakala investments	-	**10,065**	-	4,611
Commission and other income	-	**12,500**	-	10,500
Depositors'/investors' share of profit and related cost	-	**55,205**	-	55,255
General and administrative expenses	-	**3,131**	-	1,283

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

33 Related party transactions (continued)

	As at 31 December 2012		As at 31 December 2011	
	Key management personnel AED'000	**Major shareholders AED'000**	Key management personnel AED'000	Major shareholders AED'000
Islamic financing and investing assets	-	**20,994**	27,666	-
Bank balances and cash	-	**1,169,625**	-	178,659
Advances, prepayments and other receivables	-	**4,161**	-	10,732
Financing obligations	-	**1,250,000**	-	1,550,000
Depositors'/investors' share of profit payable and related cost	-	**139**	-	2,415

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

	For the year ended	
	31 December 2012 AED'000	31 December 2011 AED'000
Directors' remuneration and fees	**1,540**	1,875
Short term employee benefits	**5,898**	5,573
Termination and other benefits	**250**	344
	7,688	7,792

34 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

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

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

35 Proposed dividend

The Board of Directors has proposed a dividend of AED 0.05 per share totaling to AED 50 million (2011: AED 50 million). The amount of proposed dividend is subject to approval at the Annual General Meeting.

Notes to the consolidated financial statements for the year ended 31 December 2012 (continued)

36 Directors' remuneration

Proposed directors' remuneration for the year 2012 is subject to approval of the shareholders at the Annual General Meeting and shall be accounted for when approved.

Directors' remuneration for 2011 was approved by the shareholders at the Annual General Meeting dated 08 March 2012. Out of this AED 0.375 million was appropriated to retained earnings in 2011 and AED 1.5 million was appropriated to retained earnings in 2012.

37 Comparative amounts

Early adoption of International Financial Reporting Standard 9

The Group has adopted IFRS 9 Financial Instruments (IFRS 9) in advance of its effective date. The Group has chosen 1 January 2011 as its date of initial application (i.e. the date on which the Group has assessed its existing financial assets).

IFRS 9 specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

The management has reviewed and assessed all of the Group's existing financial assets as at the date of initial application of IFRS 9. As a result:

- the Group's investments in financing instruments meeting the required criteria are measured at amortized cost; and
- the Group's equity investments that are not held for trading have been designated as at FVTOCI.

The change in accounting policy has been applied retrospectively, in accordance with the transitional provisions of IFRS 9, where no restatement of comparative figures was applied.

There is no impact to the reported equity or income resulting from this change in accounting policy.

38 Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue 21 January 2013.