**Tamweel PJSC and its subsidiaries**

**Review report and interim financial information for the period ended 30 June 2014**

**Tamweel PJSC and its subsidiaries**

**Review report and interim financial information for the period ended 30 June 2014**


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# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**To the Board of Directors**
**Tamweel PJSC and its subsidiaries**
**Dubai**
**United Arab Emirates**

*Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **Tamweel PJSC and its subsidiaries** (the "Group") as at 30 June 2014 and the related condensed consolidated income statement, condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months period then ended. Management of the Group is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

**Deloitte & Touche (M.E.)**



Anis Sadek
Registration Number 521
22 July 2014

## Condensed consolidated statement of financial position as at 30 June 2014

| | Notes | 30 June 2014 AED'000 (unaudited) | 31 December 2013 AED'000 (audited) |
|---|---|---|---|
| **ASSETS** | | | |
| Bank balances and cash | 4 | **195,699** | 233,169 |
| Islamic financing and investing assets | 5 | **6,867,475** | 7,676,168 |
| Other investments carried at FVTOCI | 6 | **46,293** | 33,767 |
| Investment properties | 7 | **374,239** | 376,881 |
| Advances, prepayments and other receivables | | **48,419** | 39,594 |
| Property and equipment | | **19,863** | 21,600 |
| **TOTAL ASSETS** | | **7,551,988** | 8,381,179 |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Zakat payable | | **-** | 4,870 |
| Accounts payable, accruals and other liabilities | | **248,359** | 243,470 |
| Financing obligations | 8 | **4,902,500** | 5,752,500 |
| **Total Liabilities** | | **5,150,859** | 6,000,840 |
| **Equity** | | | |
| Share capital | | **1,000,000** | 1,000,000 |
| Statutory reserve | | **212,975** | 212,975 |
| General reserve | | **538,980** | 538,980 |
| Special reserve | | **102,951** | 102,951 |
| Investment fair value reserve | | **33,374** | 22,427 |
| Retained earnings | | **512,849** | 503,006 |
| **Total Equity** | | **2,401,129** | 2,380,339 |
| **TOTAL LIABILITIES AND EQUITY** | | **7,551,988** | 8,381,179 |

**Varun Sood**
Acting Chief Executive Officer

**Abdullah Ali Al Hamli**
Chairman

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

## Condensed consolidated income statement (unaudited) for the period ended 30 June 2014

| | Notes | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | | **2014 AED'000** | 2013 AED'000 | **2014 AED'000** | 2013 AED'000 |
| Income from Islamic financing and investing assets | | **94,921** | 135,307 | **203,356** | 270,930 |
| Other income | | **16,004** | 6,885 | **25,766** | 20,307 |
| **Operating income** | | **110,925** | 142,192 | **229,122** | 291,237 |
| General and administrative expenses | | **(21,806)** | (25,269) | **(48,565)** | (50,019) |
| Impairment and other provisions | | **(4,312)** | (14,734) | **(4,312)** | (34,634) |
| **Profit before depositors'/investors' share of profit and related costs** | | **84,807** | 102,189 | **176,245** | 206,584 |
| Depositors'/investors' share of profit and related costs | | **(56,470)** | (76,113) | **(116,402)** | (160,002) |
| **Profit for the period** | | **28,337** | 26,076 | **59,843** | 46,582 |
| **Earnings per share:** Basic and diluted earnings per share (AED) | 9 | **0.028** | 0.026 | **0.060** | 0.045 |

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

## Condensed consolidated statement of comprehensive income (unaudited) for the period ended 30 June 2014

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| **Profit for the period** | **28,337** | 26,076 | **59,843** | 46,582 |
| **Other comprehensive income** | | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | | |
| Fair value gain on other investments carried at FVTOCI | **6,033** | 7,860 | **10,947** | 7,860 |
| **Total comprehensive income for the period** | **34,370** | 33,936 | **70,790** | 54,442 |

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

**Tamweel PJSC and its subsidiaries**

## Condensed consolidated statement of changes in equity for the period ended 30 June 2014

| | Share capital AED'000 | Employees' benefit plan AED'000 | Statutory reserve AED'000 | General reserve AED'000 | Special reserve AED'000 | Investment fair value reserve AED'000 | Retained earnings AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2013 (audited) | 1,000,000 | (10,883) | 202,584 | 538,980 | 102,951 | - | 465,349 | 2,298,981 |
| Profit for the period | - | - | - | - | - | - | 46,582 | 46,582 |
| Other comprehensive income for the period | - | - | - | - | - | 7,860 | - | 7,860 |
| Total comprehensive income for the period | - | - | - | - | - | 7,860 | 46,582 | 54,442 |
| Transfer to other investments | - | 10,883 | - | - | - | - | - | 10,883 |
| Directors' remuneration | - | - | - | - | - | | (1,150) | (1,150) |
| Dividends paid (Note 15) | - | - | - | - | - | - | (50,000) | (50,000) |
| **Balance at 30 June 2013 (unaudited)** | **1,000,000** | **-** | **202,584** | **538,980** | **102,951** | **7,860** | **460,781** | **2,313,156** |
| Balance at 1 January 2014 (audited) | 1,000,000 | - | 212,975 | 538,980 | 102,951 | 22,427 | 503,006 | 2,380,339 |
| Profit for the period | - | - | - | - | - | - | 59,843 | 59,843 |
| Other comprehensive income for the period | - | - | - | - | - | 10,947 | - | 10,947 |
| Total comprehensive income for the period | - | - | - | - | - | 10,947 | 59,843 | 70,790 |
| Dividends paid (Note 15) | - | - | - | - | - | - | (50,000) | (50,000) |
| **Balance at 30 June 2014 (unaudited)** | **1,000,000** | **-** | **212,975** | **538,980** | **102,951** | **33,374** | **512,849** | **2,401,129** |

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

## Condensed consolidated statement of cash flows (unaudited) for the period ended 30 June 2014

| | Six months ended 30 June | |
|---|---|---|
| | **2014** | 2013 |
| | **AED'000** | AED'000 |
| **Operating activities** | | |
| Profit for the period | **59,843** | 46,582 |
| Adjustments for: | | |
| Depreciation of property and equipment | **1,737** | 2,185 |
| Depreciation of investment properties | **2,642** | 1,744 |
| Amortisation of deferred cost | **875** | 1,770 |
| Provision for employees' end of service benefits | **1,142** | 1,123 |
| Impairment provisions | **4,312** | 34,634 |
| Depositors'/investors' share of profit and related cost | **115,527** | 158,232 |
| Income on mudaraba deposits and wakala investments | **(400)** | (1,897) |
| **Operating cash flows before changes in operating assets and liabilities** | **185,678** | 244,373 |
| Decrease in Islamic financing and investing assets, net | **804,381** | 691,265 |
| Increase in advances, prepayments and other receivables | **(11,397)** | (1,990) |
| Decrease in financing obligations - net | **(850,000)** | (1,195,150) |
| Increase/(decrease) in accounts payable, accruals and other liabilities | **6,256** | (25,908) |
| **Cash generated from/(used in) operations** | **134,918** | (287,410) |
| Employees' end of service benefits paid | **(859)** | (286) |
| Zakat paid | **(4,870)** | (34,252) |
| Depositors'/investors' share of profit and related cost paid | **(117,177)** | (168,270) |
| Dividend paid | **(50,000)** | (50,000) |
| Directors remuneration paid | **-** | (1,540) |
| **Net cash used in operating activities** | **(37,988)** | (541,758) |
| **Investing activities** | | |
| Purchase of property and equipment | **-** | (743) |
| Income received on mudaraba deposits and wakala investments | **518** | 4,301 |
| **Net cash generated from investing activities** | **518** | 3,558 |
| **Net decrease in cash and cash equivalents** | **(37,470)** | (538,200) |
| Cash and cash equivalents at beginning of the period | **167,055** | 1,112,698 |
| **Cash and cash equivalents at end of the period (Note 4)** | **129,585** | 574,498 |

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

## Notes to the condensed consolidated financial statements for the period ended 30 June 2014

### 1. General information

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

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

The registered head office of the Group is located at Business Avenue Building, Emirate of Dubai, U.A.E.

The Group has one branch each in the Emirates of Dubai and Abu Dhabi.

The Group consists of Tamweel PJSC (the "Parent Company") and its subsidiaries registered up to 30 June 2014 as listed below:

| Subsidiaries | Beneficial ownership | Principal activity | Country of incorporation |
|---|---|---|---|
| Tamweel Property (1) Limited | 100% | SPE for purchase of assets | DIFC, U.A.E. |
| Tamweel ESOT Limited | 100% | SPE for employees' benefit plan | British Virgin Islands |
| Tamweel Funding III Limited | 100% | SPE for issuance of sukuk | Cayman Islands |
| **Under liquidation** | | | |
| Tamweel Properties & Investments LLC | 100% | Business of property leasing and trading | U.A.E. |

The Company is a 86.47% subsidiary of Dubai Islamic Bank P.J.S.C. At the Extraordinary General Assembly Meeting held on 7 July 2013, the shareholders approved the conversion of the Company to a Private Joint Stock Company and delisting its shares from Dubai Financial Market, subject to relevant regulatory approval. On 26 September 2013, the Securities and Commodities Authority approved the suspension of trading in the Company's shares on Dubai Financial Market with effect from 1 October 2013.

**Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

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

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

In the current period, the Group has adopted the following new and revised or amended IFRSs or interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014. The application of these revised new and IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.

- Amendments to IAS 36 *Impairment of Assets* relating to recoverable amount disclosures. The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

- IFRIC 21 *Levies*. The Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* - Guidance on Investment Entities

  On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The objective of this project is to develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments.

  The application of the above amendments do not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### 2.2 New and revised standards and interpretation are in issue but not yet effective

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

| ***New and revised IFRSs*** | ***Effective for annual periods beginning on or after*** |
|---|---|
| • Amendments to IFRS 2 *Share based Payment* relating to definition of 'vesting condition'. The amendment was part of Annual Improvements Cycle 2010-2012. | 1 July 2014 |

**Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

## 2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

### 2.2 New and revised standards and interpretation are in issue but not yet effective (continued)

| *New and revised IFRSs* | *Effective for annual periods beginning on or after* |
|---|---|
| • Amendments to IFRS 3 *Business Combination* relating to contingent consideration and scope exception for joint ventures. The amendment was part of Annual Improvements Cycle 2010-2012. | 1 July 2014 |
| • Amendments to IFRS 7 *Financial Instruments*: *Disclosures* relating to disclosures about the initial application of IFRS 9. | When IFRS 9 is first applied |
| • IFRS 7 *Financial Instruments*: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. | When IFRS 9 is first applied |
| • Amendments to IFRS 8 *Operating Segments* relating to aggregation of segments, reconciliation of segment assets. The amendment was part of Annual Improvements Cycle 2010-2012. | 1 July 2014 |
| • Amendments to IFRS 13 *Fair Value Measurement* relating to scope of the portfolio exception in paragraph 52. The amendment was part of Annual Improvements Cycle 2011-2013. | 1 July 2014 |
| • IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation. | 1 January 2016 |
| • IFRS 15 - *Revenue from Contracts with Customers* | 1 January 2017 |
| • Amendments to IAS 16 *Property, Plant and Equipment* relating to proportionate restatement of accumulated depreciation on revaluation. The amendment was part of Annual Improvements Cycle 2010-2012. | 1 July 2014 |
| • Amendments to IAS 19 *Employee Benefits* - to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. | 1 July 2014 |

**Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

## 2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

### 2.2 New and revised standards and interpretation are in issue but not yet effective (continued)

| *New and revised IFRSs* | *Effective for annual periods beginning on or after* |
|---|---|
| • Amendments to IAS 24 *Related Party Disclosures* relating to management entities. The amendment was part of Annual Improvements Cycle 2010-2012. | 1 July 2014 |
| • Amendments to IAS 38 *Intangible Assets* relating to proportionate restatement of accumulated depreciation on revaluation. The amendment was part of Annual Improvements Cycle 2010-2012. | 1 July 2014 |
| • Amendments to IAS 40 *Investment Property* relating to interrelationship between IFRS 3 and IAS 40. The amendment was part of Annual Improvements Cycle 2011-2013. | 1 July 2014 |

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

## 3. Summary of significant accounting policies

### 3.1 Basis of preparation

These condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34. "*Interim Financial Reporting*" issued by the International Accounting Standards Board and also complies with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements are presented in Arab Emirates Dirham (AED) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

These condensed consolidated financial statements do not include all the information required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2013. In addition, results for the period from 1 January 2014 to 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

## Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)

### 3. Summary of significant accounting policies (continued)

### 3.1 Basis of preparation (continued)

As required by the Securities and Commodities Authority of the U.A.E. ("SCA") Notification No. 2624/2008 dated 12 October 2008, accounting policies relating to financial assets, cash and cash equivalents, Islamic financing and investing assets and investment properties have been disclosed in the condensed consolidated financial statements.

### 3.2 Significant judgment and sources of estimation uncertainty

The preparation of these condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual amount may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimates uncertainty were the same as those which were applied to the consolidated financial statements as at and for the year ended 31 December 2013.

### 3.3 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2013.

### 3.4 Basis of consolidation

These condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The condensed consolidated financial statements comprise the financial statements of the Company and of the subsidiaries as disclosed in Note 1 to these condensed consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

As required by SCA certain accounting policies are reproduced below. These are unchanged since 31 December 2013.

**Financial assets**

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

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

**Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

## 3. Summary of significant accounting policies (continued)

**Financial assets (continued)**

*Classification of financial assets*

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

*Financial assets measured at amortised cost*

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

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

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

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.

*Financial assets at fair value through other comprehensive income - FVTOCI*

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

A financial asset is held for trading if:

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

## Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)

### 3. Summary of significant accounting policies (continued)

### 3.4 Basis of consolidation (continued)

**Financial assets (continued)**

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

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

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

**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 condensed consolidated statement of cash flows, cash and cash equivalents consists of cash on 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 condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

## 3. Summary of significant accounting policies (continued)

**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 profit or loss in the period 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.

## 4. Bank balances and cash

| | **30 June 2014 AED'000 (unaudited)** | 31 December 2013 AED'000 (audited) |
|---|---|---|
| Bank balances | **195,689** | 233,164 |
| Cash on hand | **10** | 5 |
| **Bank balances and cash** | **195,699** | 233,169 |

Bank balances are held with banks within the U.A.E. and are profit generating at an average profit rate of 0.55% (31 December 2013: 1.00%).

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

| | **30 June 2014 AED'000 (unaudited)** | 31 December 2013 AED'000 (audited) |
|---|---|---|
| Bank balances and cash | **195,699** | 233,169 |
| Less: Deposit under lien with original maturity over 3 months | **(66,114)** | (66,114) |
| **Cash and cash equivalent** | **129,585** | 167,055 |

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 condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

## 5. Islamic financing and investing assets

| | 30 June 2014 AED'000 (unaudited) | 31 December 2013 AED'000 (audited) |
|---|---|---|
| Ijara and forward ijara (constructed and handed over properties) | **6,418,135** | 7,058,762 |
| Gross murabaha investments and mudaraba receivables | **363,593** | 333,015 |
| Less: Deferred profit | **(6,703)** | (6,633) |
| Net murabaha investments and mudaraba receivables | **356,890** | 326,382 |
| Istisna'a and forward Ijara (under construction properties) | **690,040** | 868,490 |
| | **1,046,930** | 1,194,872 |
| | **7,465,065** | 8,253,634 |
| Less: Profit suspended | **(165,835)** | (150,023) |
| Less: Provision for impairment | **(431,755)** | (427,443) |
| | **6,867,475** | 7,676,168 |

All Islamic financing and investing assets financed by the Group are within the U.A.E. and include accrued profits amounting to AED 276 million (31 December 2013: AED 278 million).

Included under Islamic financing and investing assets are receivables amounting to AED 402 million (31 December 2013: AED 342 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:

| | 30 June 2014 AED'000 (unaudited) | 31 December 2013 AED'000 (audited) |
|---|---|---|
| Balance at beginning of the period / year | **427,443** | 373,404 |
| Provision made during the period / year | **4,312** | 54,721 |
| Provision written off during the period / year | **-** | (682) |
| Balance at end of the period / year | **431,755** | 427,443 |

### 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.

**Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

## 6. Other investments carried at FVTOCI

| | 30 June 2014 AED'000 (unaudited) | 31 December 2013 AED'000 (audited) |
|---|---|---|
| *Investments measured at FVTOCI* | | |
| Quoted securities | **46,293** | 33,767 |
| | **46,293** | 33,767 |

During the second quarter of 2014, the Board of Directors decided to cancel the shares granted under the Employees' benefit plan and to hold these shares as "Other investments carried at FVTOCI". Accordingly, 877,522 shares of DIB were transferred from other receivables to other investments carried at FVTOCI.

## 7. Investment properties

| | Land AED'000 | Other real estate AED'000 | Investment properties under construction AED'000 | Total AED'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January 2014 | 339,811 | 106,329 | 149,531 | 595,671 |
| **At 30 June 2014** | **339,811** | **106,329** | **149,531** | **595,671** |
| **Accumulated depreciation** | | | | |
| At 1 January 2014 | - | 4,309 | - | 4,309 |
| Charge for the period | - | 2,642 | - | 2,642 |
| **At 30 June 2014** | **-** | **6,951** | **-** | **6,951** |
| **Provision for impairment** | | | | |
| At 1 January 2014 | 150,888 | 32,223 | 31,370 | 214,481 |
| **At 30 June 2014** | **150,888** | **32,223** | **31,370** | **214,481** |
| **Carrying amount** | | | | |
| **At 30 June 2014 (unaudited)** | **188,923** | **67,155** | **118,161** | **374,239** |
| At 31 December 2013 (audited) | 188,923 | 69,797 | 118,161 | 376,881 |

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

**Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

## 8. Financing obligations

| | 30 June 2014 AED'000 (unaudited) | 31 December 2013 AED'000 (audited) |
|---|---|---|
| Wakalas | **3,800,000** | 4,650,000 |
| Sukuk | **1,102,500** | 1,102,500 |
| | **4,902,500** | 5,752,500 |

***Wakalas***

Short term Wakala investments are received from Dubai Islamic Bank P.J.S.C. The effective average profit rate on these Wakalas is 4% (31 December 2013: 4%).

## 9. Earnings per share - basic and diluted

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

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

**Basic earnings per share**

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2014 AED'000 (unaudited)** | 2013 AED'000 (unaudited) | **2014 AED'000 (unaudited)** | 2013 AED'000 (unaudited) |
| Profit for the period net of directors' remuneration | **28,337** | 26,076 | **59,843** | 45,432 |
| Weighted average number of shares outstanding during the period (in thousands) | **1,000,000** | 1,000,000 | **1,000,000** | 1,000,000 |
| Basic and diluted earnings per share (AED) | **0.028** | 0.026 | **0.060** | 0.045 |

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

**Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

## 10. Fire damage to Tamweel Tower

On 18 November 2012, offices of the Group in Tamweel Tower suffered fire damage. The Group had contents insurance cover in relation to the offices and Tamweel Tower was insured by the building's Owners Association. The Group advised the contents insurer and submitted a claim in line with the policy. The Owners Association 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 appointed a consultant to assess the damage.

The consultant submitted his report of the extent of damage and the scope of restoration which has been sent for approval to the insurer and the regulatory authorities. Both the insurers have acknowledged the claims and management is of the view that there is no requirement for provision in relation to the carrying value of the property and contents assets in respect of loss or damage. The net carrying value of the property and the content assets is AED 18.32 million (31 December 2013: AED 19.43 million).

## Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)

### 11. Segment information

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

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

These segments are the basis on which the Group reports its segments information. Segment information is as follows:

| | For the period ended 30 June 2014 (unaudited) | | | | For the period ended 30 June 2013 (unaudited) | | | |
|---|---|---|---|---|---|---|---|---|
| | **Islamic financing and investing activities AED'000** | **Property trading and investment activities AED'000** | **Other AED'000** | **Total AED'000** | Islamic financing and investing activities AED'000 | Property trading and investment activities AED'000 | Other AED'000 | Total AED'000 |
| Gross income | **226,561** | **2,561** | **-** | **229,122** | 289,789 | 1,448 | - | 291,237 |
| Allocable expenses | **(157,900)** | **(2,688)** | **-** | **(160,588)** | (195,925) | (10,167) | - | (206,092) |
| Depreciation | **(1,737)** | **(2,642)** | **-** | **(4,379)** | (2,185) | (1,744) | | (3,929) |
| **Segment result** | **66,924** | **(2,769)** | **-** | **64,155** | 91,679 | (10,463) | - | 81,216 |
| Impairment and other provisions | **(4,312)** | **-** | **-** | **(4,312)** | (34,634) | - | - | (34,634) |
| **Segment result after provision** | **62,612** | **(2,769)** | **-** | **59,843** | 57,045 | (10,463) | - | 46,582 |
| **Profit for the period** | | | | **59,843** | | | | 46,582 |

| | As at 30 June 2014 (unaudited) | | | | As at 31 December 2013 (audited) | | | |
|---|---|---|---|---|---|---|---|---|
| | **AED'000** | **AED'000** | **AED'000** | **AED'000** | AED'000 | AED'000 | AED'000 | AED'000 |
| **Segment assets** | **6,889,274** | **376,667** | **286,047** | **7,551,988** | 7,698,891 | 379,005 | 303,283 | 8,381,179 |
| **Segment liabilities** | **4,698,853** | **256,907** | **195,099** | **5,150,859** | 5,507,861 | 271,144 | 221,835 | 6,000,840 |
| **Capital expenditure** | **-** | **-** | **-** | **-** | - | - | 840 | 840 |

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

**Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

## 12. Commitments

| | 30 June 2014 AED'000 (unaudited) | 31 December 2013 AED'000 (audited) |
|---|---|---|
| Irrevocable commitments to extend credit | **356,410** | 478,676 |

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.

## 13. Contingencies

a) The Group's bankers have provided a guarantee of AED 50 million (31 December 2013: 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 2013: AED 5 million) to the Economic Affairs Division of the Government of Dubai for establishing a subsidiary company.

c) At reporting date, the Group is in legal proceedings against certain customers in the UAE to recover AED 300 million (31 December 2013: AED 300 million). The customers are also counter claiming against the Group. These proceedings are in various stages in the courts of first instance and appeal court. Based on legal advice, the management of the Group is contesting the counterclaims as they believe such counter claims are without basis and is pursuing the full recovery of the outstanding balances. Accordingly, no provision for any liability has been made in these condensed consolidated financial statements.

## 14. Related party transactions

The Group enters into 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 condensed consolidated financial statements are as follows:

**Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)**

## 14. Related party transactions (continued)

| | For the period ended 30 June 2014 (unaudited) | | For the period ended 30 June 2013 (unaudited) | |
|---|---|---|---|---|
| | **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 | - | - | 500 | - |
| Income on mudaraba deposits and wakala investments | - | **400** | - | 1,897 |
| Commission and other income | - | **9,252** | - | 6,250 |
| Depositors'/investors' share of profit and related cost | - | **85,172** | - | 28,917 |
| General and administrative expenses | - | - | - | 1,847 |

Related party transactions with other related parties during the period amounted to AED 6.4 million (30 June 2013: AED 1.6 million).

| | As at 30 June 2014 (unaudited) | | As at 31 December 2013 (audited) | |
|---|---|---|---|---|
| | **Key management personnel AED'000** | **Major shareholders AED'000** | Key management personnel AED'000 | Major shareholders AED'000 |
| Islamic financing and investing assets | - | - | 10,153 | - |
| Bank balances and cash | - | **195,562** | - | 233,062 |
| Other investments | - | **46,293** | - | 33,767 |
| Advances, prepayments and other receivables | - | **18,738** | - | 10,108 |
| Financing obligations | - | **3,800,000** | - | 4,650,000 |
| Depositors'/investors' share of profit and related costs payable | - | **5,067** | - | 6,717 |

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

| | **For the period ended** | |
|---|---|---|
| | **30 June 2014 (unaudited) AED'000** | 30 June 2013 (unaudited) AED'000 |
| Short term employee benefits | **3,799** | 2,618 |
| Termination and other benefits | **164** | 119 |
| | **3,963** | 2,737 |

## Notes to the condensed consolidated financial statements for the period ended 30 June 2014 (continued)

### 15. Dividends paid

The shareholders at their Annual General Meeting held on 22 February 2014 approved a cash dividends of AED 0.05 per share, AED 50 million for the year ended 31 December 2013 (31 December 2012: AED 0.05 per share, AED 50 million).

### 16. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 22 July 2014.