MAWARID FINANCE P.J.S.C.

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

MAWARID FINANCE P.J.S.C.

Contents **Pages**

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Mawarid Finance P.J.S.C.
Dubai
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mawarid Finance P.J.S.C. (the "Company") and its Subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of income, 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 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mawarid Finance P.J.S.C. and its Subsidiaries, as at 31 December 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account. We obtained all the information and explanations which we considered necessary for 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 Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations.

Deloitte & Touche (M.E.)

Samir Madbak
Registration Number 386

28 March 2013

MAWARID FINANCE P.J.S.C.

Consolidated statement of financial position as at 31 December 2012

	Notes	2012 AED'000	2011 AED'000
ASSETS			
Cash and balances with the Central Bank of U.A.E.	5	**170,816**	155,593
Islamic deposits with banks and other financial institutions	5	**42,589**	162,500
Financing and investing assets	6	**399,943**	415,980
Investment properties	7	**165,175**	87,702
Investment in securities	8	**130,853**	145,396
Investment in associates	9	**133,847**	126,673
Goodwill	10	**8,630**	-
Property and equipment	11	**76,456**	76,037
Intangible assets	12	**10,068**	-
Other assets	13	**26,058**	25,274
Total assets		**1,164,435**	1,195,155
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**1,000,000**	1,000,000
Treasury shares	14	**(6,000)**	(6,000)
Statutory reserve	15	**15,481**	13,400
General reserve	16	**14,903**	12,822
Investment revaluation reserve		**(24,472)**	(19,869)
Accumulated losses		**(22,655)**	(38,532)
Attributable to equity holders of the Parent		**977,257**	961,821
Non-controlling interests		**11,136**	1,100
Total equity		**988,393**	962,921
Liabilities			
Wakala deposits	17	**151,841**	129,988
Other liabilities	18	**24,201**	102,246
Total liabilities		**176,042**	232,234
Total equity and liabilities		**1,164,435**	1,195,155

Omran Al-Owais
Chairman

Mohamed Al Nuaimi
Director & Chief Executive Officer

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

Consolidated statement of income for the year ended 31 December 2012

	Notes	2012 AED'000	2011 AED'000
Income from financing and investing assets	19	**35,004**	37,851
Income on Islamic deposits and Wakala placements	20	**5,248**	6,826
Changes in fair value of investment properties	7	-	(8,282)
Net loss on investments carried at FVTPL	8	-	(2,549)
Share of profit from associates	9	**16,023**	12,505
Other income	21	**25,856**	5,318
Operating income		**82,131**	51,669
General and administrative expenses	22	**(50,328)**	(38,806)
Finance costs		-	(1,370)
Provision for impairment	23	**(10,189)**	(8,802)
Profit before depositors' share of profit		**21,614**	2,691
Depositors' share of profit		**(794)**	(1,880)
Profit for the year		**20,820**	811
Attributable to:			
Equity holders of the Parent		**20,039**	3,852
Non-controlling interests		**781**	(3,041)
		20,820	811

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	**20,820**	811
Other comprehensive (loss)/gain		
Change in the fair value of available for sale investments	**(4,455)**	(7,245)
Total comprehensive income/(loss) for the year	**16,365**	(6,434)
Total comprehensive loss attributable to:		
Equity holders of the Parent	**15,436**	(3,084)
Non-controlling interests	**929**	(3,350)
Total comprehensive loss for the year	**16,365**	(6,434)

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	Treasury shares AED'000	Statutory reserve AED'000	General reserve AED'000	Investment revaluation reserve AED'000	Accumulated losses AED'000	Attributable to equity holders of the parent AED'000	Non-controlling interests AED'000	Total AED'000
Balance at 1 January 2011	1,000,000	(6,000)	13,319	12,822	(12,933)	(42,303)	964,905	4,450	969,355
Net profit for the year	-	-	-	-	-	3,852	3,852	(3,041)	811
Other comprehensive loss	-	-	-	-	(6,936)	-	(6,936)	(309)	(7,245)
Total comprehensive loss for the year	-	-	-		(6,936)	3,852	(3,084)	(3,350)	(6,434)
Transfer to statutory reserve	-	-	81	-	-	(81)	-	-	-
Balance at 31 December 2011	1,000,000	(6,000)	13,400	12,822	(19,869)	(38,532)	961,821	1,100	962,921
Net profit for the year	-	-	-	-	-	20,039	20,039	781	20,820
Other comprehensive loss	-	-	-	-	(4,603)	-	(4,603)	148	(4,455)
Total comprehensive loss for the year	-	-	-	-	(4,603)	20,039	15,436	929	16,365
Transfer to statutory reserve	-	-	2,081	2,081	-	(4,162)	-	-	-
Acquisition on subsidiary	-	-	-	-	-	-	-	9,107	9,107
Balance at 31 December 2012	**1,000,000**	**(6,000)**	**15,481**	**14,903**	**(24,472)**	**(22,655)**	**977,257**	**11,136**	**988,393**

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
Cash flows from operating activities		
Profit for the year	20,820	811
Adjustment for:		
Depreciation of property and equipment	4,136	4,964
Income on Islamic deposits and Wakala placements	(5,248)	(6,826)
Change in fair value of investment properties	-	8,282
Amortisation during the period	2,748	-
Depositors' share of profit	794	1,880
Unrealised loss on investments carried at FVTPL	-	2,549
Share of profit in associates	(16,023)	(12,505)
Provision for impairment on financing and investing assets	12,620	5,694
Reversal for impairment on brokerage operation receivables	-	(2,473)
Impairment of available for sale investments	-	5,581
Gain on sale of assets	(91)	-
Finance costs	-	1,370
	19,756	9,327
Changes in operating assets and liabilities		
Decrease in financing and investing assets	3,417	53,194
Derease in other assets	2,056	14,011
Increase/(decrease) in Wakala deposits	16,803	(22,420)
(Decrease)/increase in other liabilities	(80,736)	82,017
Cash (used in)/generated from operations	(38,704)	136,129
Depositors' share of profit paid	(794)	(1,880)
Finance cost paid	-	(1,370)
Net cash (used in)/from operating activities	(39,498)	132,879
Cash flow from investing activities		
Purchase of property and equipment	(3,875)	(501)
Net movement in investment in securities	19,146	28,766
Purchase of investment properties	(77,473)	(2,934)
Purchase of investment in an associate	(4,000)	(74,960)
Decrease/(increase) in Islamic deposits	119,911	(67,500)
Income received on Wakala placements	5,248	6,826
Intangibles from acquisition of subsidiary	(7,243)	-
Proceeds from sale of assets	281	-
Dividends received from associate	12,849	-
Consideration paid for acquisition of subsidiaries	(10,123)	-
Net cash generated from/(used in) investing activities	54,721	(110,303)
Net increase in cash and cash equivalents	15,223	22,576
Cash and cash equivalents at the beginning of the year	155,593	133,017
Cash and cash equivalents at the end of the year (Note 5)	170,816	155,593
Non-cash transaction:		
Consideration for purchase of a subsidiary	45,000	-

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 Establishment and operations

Mawarid Finance P.J.S.C (the "Company") was registered on 4 December 2006 as a Private Joint Stock Company in accordance with the U.A.E. Federal Law No 8 of 1984, as amended. The address of the Company's registered office is P.O. Box 212121, Dubai, United Arab Emirates.

The Company is licensed by the Central Bank of the U.A.E. as a finance company and is primarily engaged in Islamic Shari'a compliant financing and investment activities involving products such as Ijara, Forward Ijara, Murabaha, Musharaka and Wakala. The activities of the Company are conducted in accordance with Islamic Shari'a, which prohibits usury, and within the provisions of its Memorandum and Articles of Association.

The consolidated financial information includes the results of the operations of the Company and its subsidiaries (collectively referred to as "the Group"). Details of the Company's subsidiaries are as follows:

Name	Holding	Country of incorporation	Principal activities
Al Jazeera Financial Services LLC	55%	U.A.E.	Brokerage business.
MFI Investments LLC	100%	U.A.E.	Holding company.
IFS (FZE)	100%	U.A.E.	Operational services.
Technical Art Concepts (TACME)	51%	U.A.E.	IT services.
Mawarid Exchange LLC	90%	U.A.E.	Money Exchange.

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

2.1 Standards and Interpretations effective for the current year

The following new and revised standards and interpretations have been adopted in the current year with no material impact on the disclosures and amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

- Amendments to IAS 24 *Related Party Disclosures* modify the definition of a related party and simplify disclosures for government-related entities.
- Amendments to IAS 32 *Classification of Rights Issues address the classification of certain rights* issues denominated in a foreign currency as either an equity instrument or as a financial liability.
- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement.* The amendments correct an unintended consequence of IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular equity instruments issued under such arrangements are measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued are recognized in the consolidated statement of income.
- Improvements to IFRSs issued in 2010 – Amendments to: IFRS 1; IFRS 3 (2008); IFRS 7; IAS 1; IAS 27 (2008); IAS34; and IFRIC 13.

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

2.2 Standards and Interpretations in issue but not yet effective

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

	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* 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.	1 July 2011
• 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 classified into those that will and will not subsequently be reclassified to the consolidated statement of income.	1 July 2012

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 Standards and Interpretations in issue but not yet effective (continued)

	Effective for annual periods beginning on or after
• Amendments to IAS 12 *Income Taxes* 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.	1 January 2013
• 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
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine.*	1 January 2013
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.	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
• Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.	1 January 2015 (or otherwise when IFRS 9 is first applied)

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures 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 directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Company's disclosures.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

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

2.2 Standards and Interpretations in issue but not yet effective (continued)

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with earlier application permitted.

  *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). 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 the adoption of the above Standards and Interpretations in future years will have no material impact on the financial statements of the Company in the year of initial application.

3.1 Definitions

The following terms are used in the consolidated financial statements with the meanings specified:

Shari'a

Shari'a is the Islamic law which is essentially derived from the Quran and Sunnah that governs beliefs and conducts of human beings. The Group, incorporates the Shari'a rules and principles in its activities.

3.1 Definitions (continued)

Ijarah

An agreement whereby the Company (lessor) purchases or leases an asset according to the customer's request (lessee), based on his promise to lease the asset for a specific period and against certain rental instalments. Ijarah could be ended by transferring the ownership of the asset to the lessee.

Forward Ijarah

Forward Ijarah is an arrangement whereby the Company agrees to provide, on a specified future date, certain specified property on lease to the customer upon its completion and delivery by the developer, from whom the Company has purchased the property. The lease rent under Forward Ijarah commences only upon the customer having received possession of the property from the Company. The arrangement could be ended by transferring the ownership of the asset to the lessee.

Murabaha

An agreement whereby the Company sells to a customer a commodity which the Company has purchased based on a promise received from the customer to buy the item purchased according to specific terms and conditions.

Mudaraba

Mudaraba is an agreement between the Company (Raab-ul-Maal) and another party (Mudarib), whereby the Raab-ul-Maal would provide a certain amount of funds, which Mudarib would then invest against a specific share in the profit. The Mudarib would bear the loss in case of default, negligence or violation of any of the terms and conditions of the Mudaraba.

Wakala

An agreement whereby the Company (Muwakkil) provides a certain sum of money to an agent (Wakeel), who invests it according to specific conditions in return for a certain fee which can be a lump sum or a percentage of the amount invested. The Wakeel is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

Musharaka

Musharaka is an agreement between the Company and a customer to contribute to a certain investment enterprise, whether existing or new, or the ownership of a certain property either permanently or according to a diminishing arrangement ending up with the acquisition by the customer of the full ownership. The profit is shared as per the agreement set between both parties while the loss is shared in proportion to their shares of capital in the enterprise.

3.2 Significant accounting policies

Statement of compliance

The consolidated financial statements of the Group are prepared in accordance with IFRS.

3.2 Significant accounting policies (continued)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties which are stated at fair value.

These consolidated financial statements have been presented in the United Arab Emirates Dirhams ("AED") rounded to the nearest thousand unless specified otherwise, being the financial currency of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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. The financial statements of subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies.

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's share of equity therein. The interests of non-controlling shareholders are the amounts of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses applicable to the non-controlling interests in excess of the non-controlling shareholders' interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

Business combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that met the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date.

Goodwill arising on the acquisition of any entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the acquiree at the date of acquisition.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

3.2 Significant accounting policies (continued)

Business combination (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Foreign currencies

Transactions denominated in foreign currencies are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences are recognised in consolidated statement of income in the period in which they arise.

Revenue recognition

Ijarah

Ijarah income is recognised on a time-apportioned basis over the lease term based on the principal amount outstanding.

Murabaha

Murabaha income is recognised on a time-proportion basis over the period of the contract based on the principal amounts outstanding.

Mudaraba

Income or losses on Mudaraba financing are recognised on an accrual basis if they can be reliably estimated. Otherwise, income is recognised on distribution by the Mudarib, whereas losses are charged to income on their declaration by the Mudarib.

Musharaka

Income is accounted for on the basis of the reducing balance on a time-apportioned basis that reflects the effective yield on the asset.

3.2 Significant accounting policies (continued)

Revenue recognition (continued)

Income on deposits and Wakala placements

Income earned on deposits and Wakala placements is recognised on a time proportion basis.

Dividend income

Dividends on equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividends is established.

All other income is recognised when the right to receive is established.

Commission income

Commission income is recognised when related services are rendered.

IT income

IT income is recognised when related services are rendered

Allocation of profit

Allocation of profit between the depositors and the shareholders is calculated according to the Group's standard procedures and is approved by the Company's Shari'a Supervisory Board.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.2 Significant accounting policies (continued)

Investment in associates

An associate is an entity over which the Group has significant influence and that neither a subsidiary nor interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are notrelated to the Group.

Property and equipment

Property and equipment other than free hold land is carried at cost less accumulated depreciation less impairment, if any. Freehold land is not depreciated and carried at cost.

Depreciation is recognised so as to write off the cost (other than land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis as follows:

	Years
Office building	25
Furniture and fixtures	4
Office and IT equipment	3 – 5
Motor vehicles	5

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

3.2 Significant accounting policies (continued)

Intangible asset

Intangible asset acquired in a business combination is identified and recognised separately from goodwill where it satisfies the definition of an intangible asset and fair value can be measured reliably. The cost of such intangible asset is its fair value at the acquisition date.

Subsequent to initial recognition, intangible asset acquired is reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately. The intangible asset is amortized over a period of five to seven years.

Impairment of tangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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 asset 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also be allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, but so 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 immediately in consolidated statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Forfeited income

According to the Shari'a Supervisory Board of the Company, the Group is required to identify any income deemed to be derived from sources not acceptable under Shari'a regulations and to set aside such amount in a separate account used to pay for local social activities.

3.2 Significant accounting policies (continued)

Financial assets

Initial recognition and subsequent measurement

All financial assets are recognised and derecognised on 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, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'financing and investing assets', financial assets at fair value through profit or loss (FVTPL), 'available-for-sale' ("AFS") investments and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financing and investing assets

Financing and investing assets consist of Murabaha receivables, Mudaraba, Musharaka, Wakala arrangements and Ijarah contracts and they are measured at amortised cost less any amounts written off and allowance for impairment losses.

Allowance for impairment is made against financing and investing assets when their recovery is in doubt taking into consideration IAS 39 requirements for fair value measurement. Financing and investing assets are written off only when all possible courses of action to achieve recovery have proved unsuccessful. Losses expected from future events are not recognised.

Individually assessed financing and investing assets

Individually assessed financing and investing assets mainly represent corporate and commercial financing and investing assets which are assessed individually in order to determine whether there exists any objective evidence that they are impaired. They 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.

Collectively assessed financing and investing assets

Impairment losses of collectively assessed financing and investing assets include mainly the allowances on financing and investing assets with common features which are assessed on a portfolio basis.

Reversal of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the impairment allowance account accordingly. The write-back is recognised in the consolidated statement of income in the period in which it occurs.

3.2 Significant accounting policies (continued)

Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprises cash on hand, non-restricted current accounts with the Central Bank of U.A.E. and amounts due from/to other entities on demand or with an original maturity of three months or less.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when they are either held for trading or designated at FVTPL at inception.

A financial asset is classified as 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 a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

FVTPL investments are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or profit earned on the financial asset and is included in the consolidated statement of income.

AFS investments

These are non-derivative financial assets that are designated as AFS investments. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative fair value gains and losses previously reported in equity are transferred to the consolidated statement of income.

If an AFS investments is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the consolidated statement of income, is transferred from equity to the consolidated statement of income. Reversals in respect of equity instruments classified as AFS investmens are not recognised in the consolidated statement of income. Reversals of impairment losses on debt instruments classified as AFS investments are reversed through the consolidated statement of income if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the consolidated statement of income.

The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the financial position date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the consolidated statement of income, and other changes are recognised in equity.

3.2 Significant accounting policies (continued)

Financial assets (continued)

Receivables

These consist mainly of due from customers (brokerage operation) are stated at amortised cost net of allowance for doubtful debts.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets 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 asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financiang assets asseessed collectivey for impairment, objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, 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.

With the exception of AFS equity instruments, 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 consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity iinstruments, impairment losses previously recognised in the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

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

3.2 Significant accounting policies (continued)

Financial assets (continued)

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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in consolidated statement of income.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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, plus direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other financial liabilities

Other financial liabilities, including wakala deposits and account payables are initially measured at fair value, plus transaction costs. Other financial liabilities are subsequently measured at amortised cost.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.2 Significant accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Employees' end of service indemnity

Provision for expatriate employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current basic remuneration and cumulative years of service at the consolidated statement of financial position date.

Defined contribution plan

U.A.E. national employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme. As per Federal Labour Law No. 7 of 1999, the Group is required to contribute 15% of the "contribution calculation salary" of U.A.E. payroll costs to the retirement benefit scheme to fund the benefits. The employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated statement of income for the year.

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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where 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, the 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.

4 Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment losses on financing and investing assets

The impairment allowance for financing and investing assets is established through charges to the consolidated statement of income as specific impairment provisions.

Impairment losses for individually assessed financing and investing assets are determined by an evaluation of exposure on a case-by-case basis. The following factors are considered by management when determining allowance for impairment on individual financing and investing assets which are significant:

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

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

Impaired 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.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimations. The Group calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data.

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

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

Key sources of estimation uncertainty (continued)

Classification of investments

Management decides on acquisition of an investment whether it should be classified as carried at FVTPL or AFS investments.

The Group classifies investments as FVTPL if they are acquired primarily for the purpose of making a short term profit by the dealers. Changes in fair values are reported as part of the consolidated statement of income.

All other investments are classified as AFS investments.

Impairment of investments

The Group treats AFS investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Critical judgment in applying the Group's accounting policies

Useful life of property and equipment

The costs of items of property and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and/ or category of assets based on the following factors:

- expected usage of the assets;
- expected physical wear and tear, which depends on operational and environmental factors; and
- legal or similar limits on the use of the assets.

Management considers the depreciation method utilised reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Group. Management has not made estimates of residual values for any items of property and equipment at the end of their useful lives as these have been deemed to be immaterial.

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

5 Balances and deposits with banks and other financial institutions

	2012 AED'000	2011 AED'000
Cash and balances with Central Bank	**4,756**	13,918
Current accounts with banks	**36,060**	6,675
Islamic deposits with original maturity of less than 3 months from the date of deposit	**130,000**	135,000
	170,816	155,593
Islamic deposits with original maturity of more than 3 months from the date of deposit	**42,589**	162,500
Total	**213,405**	318,093

Deposits with Islamic institutions mature within 3 months from the date of deposit, except for an amount of AED 43 million (2011:163 million) which matures after 3 months. Average profit rate on these deposits ranges from 0.5% to 2.5% (2011: 2.1% to 4.0%) per annum.

All deposits and amounts are held with financial institutions within the United Arab Emirates.

6 Financing and investing assets

	2012 AED'000	2011 AED'000
Financing		
Ijarah	**163,726**	187,963
Forward Ijarah	**111,516**	107,164
Vehicle Murabaha	**19,174**	17,545
Plot Murabha	**12,131**	14,870
Commodity Murabaha Micro Financing	**115,601**	96,534
	422,148	424,076
Provision for impairment	**(26,128)**	(13,508)
	396,020	410,568
Investing		
Musharaka	**3,923**	5,412
Financing and investing assets - net	**399,943**	415,980

All financing and investing assets are U.A.E. based.

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

6 Financing and investing assets (continued)

The movement for provision for impairment is as follows:

	2012 AED'000	2011 AED'000
impairment		
Opening balance	**13,508**	7,814
Net movement during the year	**12,620**	5,694
Closing balance	**26,128**	13,508

7 Investment properties

	2012 AED'000	2011 AED'000
Opening balance	**87,702**	85,326
Acquired during the year	**77,473**	2,934
Transfer from property and equipment (Note 11)	-	7,724
Changes in fair value	-	(8,282)
Closing balance	**165,175**	87,702

8 Investment in securities

	2012 AED'000	2011 AED'000
AFS investments		
Unquoted securities	**121,981**	130,141
Quoted securities	**8,872**	15,255
	130,853	145,396

In 2011, the management reclassified all FVTPL investments to AFS investments effective 1 July 2011.

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

9 Investment in associates

	2012 AED'000	2011 AED'000
Carrying value of investments in:		
Dar Al Takaful P.J.S.C (9a)	**34,508**	38,974
Levant Retail Holdings Limited (9b)	**82,984**	76,155
Naxos Finance Limited (9c)	**12,472**	11,544
Quick Net LLC (9d)	**3,883**	-
	133,847	126,673

9(a) Dar Al Takaful P.J.S.C.		
Opening balance	**38,974**	39,209
Acquisition	**-**	1,482
Share in loss for the year	**(4,466)**	(1,717)
Closing balance	**34,508**	38,974

The fair value of the Group's investment in Dar Al Takaful P.J.S.C. was AED 18.3 million as at 31 December 2012 (2011: AED 23.3 million).

	2012 AED'000	2011 AED'000
9(b) Levant Retail Holdings		
Opening balance	**76,155**	-
Acquisition	**-**	61,933
Dividend received	**(12,849)**	-
Share in profit for the year	**19,678**	14,222
Closing balance	**82,984**	76,155
9(c) Naxos Finance Limited		
Opening balance	**11,544**	-
Acquisition	**-**	11,544
Share in profit for the year	**928**	-
Closing balance	**12,472**	11,544
9(d) Quick Net LLC		
Opening balance	**-**	-
Acquisition	**4,000**	-
Share in loss for the year	**(117)**	-
Closing balance	**3,883**	-

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

9 Investment in associates (continued)

Details of the associates at 31 December 2012 are as follows:

Name of associates	Place of incorporation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Dar Al Takaful P.J.S.C.	United Arab Emirates	35%	35%	Takaful and retakaful (insurance).
Levant Retail Holdings Limited.	United Arab Emirates	35.7%	35.7%	Investment holding special purpose entity.
Naxos Finance Limited.	Cayman Islands	35.7%	35.7%	Investment holding special purpose entity.
Quick Net LLC	United Arab Emirates	20%	20%	Credit card issuing services and stored value cards issuing services.

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

	2012 AED'000	2011 AED'000
Total assets	**471,507**	596,983
Total liabilities	**(132,876)**	(282,555)
Net assets	**338,631**	314,428
Group's share of associates' net assets	**164,116**	111,879

10. Goodwill

a) During the year, the Company acquired 51% of the issued share capital and control of the following subsidiary:

Name of subsidiary	Date of acquisition	Percentage of ownership and control
Technical Art Concept (TACME) LLC	1 April 2012	51%

b) The fair value of the net assets at the time of acquisition is as follows:

	Recognized on acquisition AED'000
Assets	
Property and equipment	714
Intangible asset - development cost capitalized	4,904
Account receivables	4,997
Other assets	457
Cash and cash equivalent	734
Total assets	11,806
Liabilities	
Due to banks	278
Trade and other payable	1,606
Shareholder's current account	843
Total liabilities	2,727
Net assets	9,079
Consideration paid	13,260
Total net assets acquired (51% of net assets)	(4,630)
Goodwill	8,630

The Group's management performed the purchase price allocation and concluded that the difference between the consideration paid and the net assets acquired will be accounted for as goodwill. The Group's management will reassess this allocation within the twelve months grace period from the date of acquisition as allowed by IFRS.

During the year ended 31 December 2012, Technical Art Concept (TACME) LLC contributed to the result of the Group total revenues and a net profit of AED 18.7 million and AED 3.8 million, respectively.

11 Property and equipment

	Freehold Land AED'000	Office building AED'000	Furniture and fixtures AED'000	Office and IT equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost						
At 1 January 2011	52,324	34,197	4,741	9,934	108	101,304
Additions during the year	-	-	81	414	6	501
Transfers to investment property	-	(7,724)	-	-	-	(7,724)
Disposals during the year	-	-	-	-	(40)	(40)
At 31 December 2011	52,324	26,473	4,822	10,348	74	94,041
Additions during the year	-	-	2,244	2,291	210	4,745
Disposals during the year	-	-	(3,171)	-	(69)	(3,240)
At 31 December 2012	**52,324**	**26,473**	**3,895**	**12,639**	**215**	**95,546**
Accumulated depreciation						
At 1 January 2011	-	2,943	2,886	7,143	108	13,080
Charge for the year	-	1,838	987	2,138	1	4,964
Eliminated on disposals	-	-	-	-	(40)	(40)
At 31 December 2011	-	4,781	3,873	9,281	69	18,004
Charge for the year	-	1,580	1,412	1,082	62	4,136
Eliminated on disposals	-	-	(2,981)	-	(69)	(3,050)
At 31 December 2012	-	**6,361**	**2,304**	**10,363**	**62**	**19,090**
Carrying amount						
At 31 December 2012	**52,324**	**20,112**	**1,591**	**2,276**	**153**	**76,456**
At 31 December 2011	52,324	21,692	949	1,067	5	76,037

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

12. Intangible assets

	30 September 2012 AED'000 (un-audited)	31 December 2011 AED'000 (audited)
At the beginning of the period	-	-
Software development (a)	9,743	
On acquisition of Mawarid Exchange LLC (b)	3,073	-
Amortization during the period	(2,748)	-
At the end of the period	**10,068**	-

(a) Intangible assets represent the capitalization of software development cost by a subsidiary, Technical Art Concept (TACME) LLC and is amortized on straight-line basis over five years.

(b) Intangible assets also include an Exchange License attained in respect of acquiring 90% of the issued share capital and control of the following subsidiary:

Name of subsidiary	Date of acquisition	Percentage of ownership and control
Mawarid Exchange LLC	29 September 2012	90%

The fair value of the net assets at the time of acquisition is as follows:

	Recognized on acquisition AED'000
Assets	
Property and equipment	562
Other assets	65
Cash and cash equivalent	47,403
Total assets	48,030
Liabilities	
Trade and other payable	1,444
Total liabilities	1,444
Net assets	46,586
Consideration paid	45,000
Total net assets acquired (90% of net assets)	(41,927)
Intangible asset	3,073

The intangible asset related to the exchange license and is amortized on a straight line basis over a period of seven years.

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

13 Other assets

	2012 AED'000	2011 AED'000
Advances to suppliers	**1,410**	2,581
Advances to Etisalat Misr	**3,266**	3,575
Prepayments	**1,668**	1,188
Due from customers	**12,380**	13,152
Other	**7,334**	4,778
Total	**26,058**	25,274

14 Share capital

	2012 AED'000	2011 AED'000
Authorised issued and paid up capital: 1 billion ordinary shares of AED 1 each	**1,000,000**	1,000,000
Treasury shares - 6 million ordinary shares of AED 1 each (Note 28)	**(6,000)**	(6,000)

The treasury shares are held by one of the Group's subsidiary.

15 Statutory reserve

In accordance with Article (82) of Union Law No. 10 of 1980, Federal Commercial Companies Law, the Company has established a statutory reserve by appropriation of 10% of net profit for each year until the reserve equals 50% of the share capital. This reserve is not available for distribution.

16 General reserve

In accordance with the Articles of Association of the Company, 10% of the Company's net profit for the year is transferred to the general reserve until the reserve equals to 50% of the paid up share capital. This reserve may be used for purposes determined by the Ordinary General Assembly pursuant to a proposal by the Board of Directors.

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

17 Wakala deposits

Wakala deposits carry profit rates ranging between 1.0% to 2.3% (2011: 1.0% to 3.5%) per annum and mature between one month to 3 years. Any profit exceeding the expected profit after deduction of Wakala fee may be retained by the Group as an additional incentive.

18 Other liabilities

	2012 AED'000	2011 AED'000
Employees' end of service benefits	**3,800**	2,122
Accounts payable	**1,910**	1,522
Profit payable	**404**	380
Accrued liabilities	**3,361**	1,160
Borrowing – subsidiary	-	12,098
Purchase consideration due for purchase of associates	-	73,477
Structuring fee on acquisition of associates	-	3,673
Other	**14,726**	7,814
	24,201	102,246

Movement in employees' end of service benefit:

	2012 AED'000	2011 AED'000
Opening balance	**2,122**	1,789
Charged during the year	**2,000**	655
Payment made during the year	**(322)**	(322)
Closing balance	**3,800**	2,122

19 Income from financing and investing assets

	2012 AED'000	2011 AED'000
Ijarah	**20,520**	21,309
Musharaka	**370**	481
Murabaha	**14,114**	16,061
	35,004	37,851