Dar Al-Maal Al-Islami Trust

ANNUAL REPORT 2017

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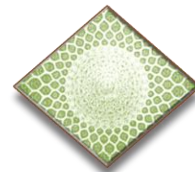

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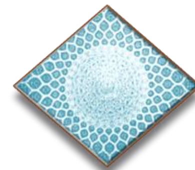

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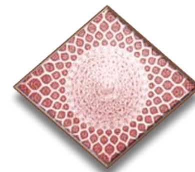

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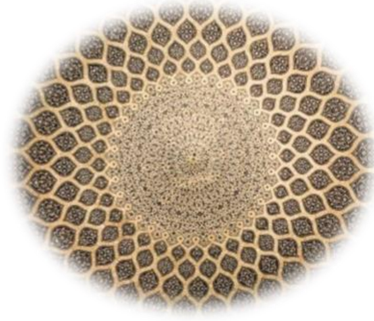


Board of Supervisors and Religious Board

Board of Supervisors

Amr Mohamed Al Faisal Al Saud

Abdelaziz Abdallah Alfadda

Ebrahim Khalifa Al Khalifa

Mohamed A. Abdelkarim El Kheriji

Omar Abdi Ali

Moustafa Abu Bakr Azzam

Khalid Omar Abdel Rahman Azzam

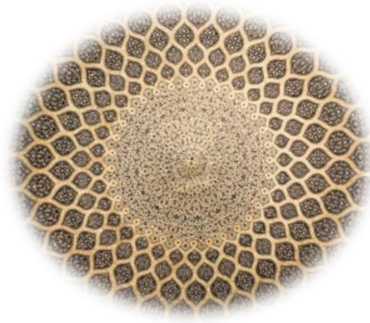
Faisal Islamic Bank-Egypt
(Represented by Abdelhameed Abou Moussa)

Religious Board

Nasr Farid Mohamed Wasel, Chairman

Halil Gonenc

Osama Mohamed Ali



DAR AL-MAAL AL-ISLAMI TRUST

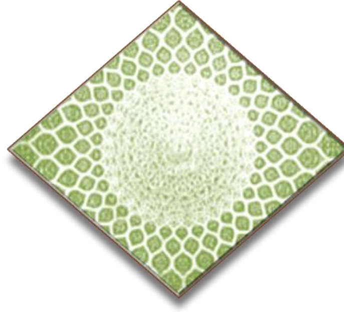
Dar Al-Maal Al-Islami Trust (DMI) was founded in 1981. It has an extensive network stretching over four continents, with well integrated regional subsidiaries enabling it to respond to local business needs and conditions. Based on this geographic structure, the DMI Group and associates act as a financial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

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

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

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

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



CHAIRMAN'S MESSAGE

Dear Participants,

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

On behalf of the Board of Supervisors, I am pleased to present the thirty-six annual report of Dar Al-Maal Al-Islami Trust for the financial year ended 31 December 2017.

The Group continued to perform well during 2017, with notable achievements despite the persisting uncertainty in many of our markets and increasing level of headwinds in the MENA region.

During 2017, there was a change at top management, commencing a new era of adherence to good corporate governance practices.

Global economic growth has risen from 3.2% in 2016 to approximately 3.8% in 2017 and a further improvement to 3.9% is expected for the year 2018. The growth in advanced economies rebounded to around 2.2% in 2017, driven by investment recovery, external demand and continuation of loose monetary policies. Economic growth in Eurozone was stronger than forecast.

The outlook for 2018 may appear a bit cloudy, particularly due to fear of trade barriers, though even on worse-case scenario the impact may be a reduction of 0.2% to 0.3%

GDP growth in emerging markets and developing economies accelerated to 4.6% in 2017 primarily due to solid growth and a firming of commodity exports. However, there was a significant slowdown in GDP growth for the year in the GCC from 2.2% in 2016 to 0.5% in 2017. No doubt that growth was impacted by oil production cuts and fiscal consolidation mainly through spending cuts, which largely negated the positive impact on non-oil growth, which rose by 2.6% in 2017 from 1.8% in 2016.

In 2017, the Group embarked on two major initiatives; cost rationalization and expansion in retail network in Pakistan, Egypt and Bahrain, pursuant to positioning Group in the market and capturing opportunities.

The Group in 2017 managed to reduce the net loss attributable to Unit-holders to US$ 14.6 million from $36.4 million in 2016, due to improvement in operating income by 9.4%, to $ 256 million compared with $ 234 million in 2016. During 2017, the Group recognized an impairment of $ 112 million on its investment in Ithmaar Holding B.S.C. and resolved the write off of intangibles of $14.5 million arising from acquisition of the Islamic Investment Company of the Gulf (Bahamas) Limited, which is no longer supported by economic value, in addition to fair value adjustments on investments of $ 9 million. Accordingly, the Trust capital has decreased from $295 million at the end of 2016 to $289 million in 2017. The value of each participation unit decreased from $74.51 in 2016 to $73.06 in 2017.

The Group continued to develop opportunities for clients and their communities. Considering the economic outlook and pursuing this strategy, maintenance of resources remains critical.

The Board of Supervisors has therefore resolved not to recommend a dividend in respect of the year ended 31 December 2017 at the Annual General Meeting.

Due to better management of the situation in Islamic Investment Company of the Gulf (Bahamas) Limited, Kingdom of Saudi Arabia's operations, the fiduciary risk reserve at 31 December 2017 amounted to $60 million. The overall situation is being kept under continuous meticulous review.

Ithmaar Holding BSC, regulated by the Central Bank of Bahrain and its shares are listed on the Bourse of Bahrain, Kuwait Stock Exchange and Dubai Financial Market - a key subsidiary in which the Group owns 46.7% continued implementation of its strategic decision in converting Ithmaar into two major units, Ithmaar Bank B.S.C.(c) focusing on core retail business. The other part is IB Capital B.S.C. (c), an investment subsidiary which holds investments and other non-core assets.

The Board of Supervisors is convinced that this structure will assist in realising long term strategy for growth by providing greater insight into the strength of core retail banking operations and further facilitate the focussed management of the Group's investment and non-core assets. It will also help highlight the performance of core business and assist in the planned divestment of investment and non-core assets. The new organization will further focus its efforts, allowing the Group to take advantage of new growth opportunities and help generate greater value to shareholders.

In 2017, Ithmaar Holding B.S.C. recorded a net loss attributed to shareholders of $ 84.7 million, primarily due to impairment on investments and other assets. However, the Ithmaar Bank BSC (c) achieved a net profit attributable to shareholders of $ 4.2 million.

Ithmaar will continue yielding the strategic decision through continuous efforts to improve its products and services, keep its costs under control, enhance its customer service offerings and expand its network. Ithmaar will continue in developing the core retail banking business, and will continue in the new group structure.

The Group owns 31.3% of the economic interest of Faysal Bank Limited ("FBL") through DMI's investment in Ithmaar Bank. FBL achieved a net profit after tax of PKR 4.5 billion ($42.7 million) in 2017, compared with PKR 4.3 billion ($41.1 million) in 2016. This achievement was the result of FBL's timely and effective measures taken for maintaining revenue streams despite the low interest rate era and pressure on banking spreads and profitability. Total assets registered an increase of 10% from PKR 444 billion ($4.2 billion) at 31 December 2016 to PKR 488 billion ($4.4 billion) at 31 December 2017. During the year, FBL made concentrated efforts to acquire low cost CASA deposit (current and saving accounts), resulting in an increase in CASA by 14.4% from PKR 228 billion ($ 2.2 billion) to PKR 261 billion ($2.4 billion). Similarly, total deposits registered an increase by 10% over 2016, from PKR 340 billion (US$ 3.2 Billion) to PKR 373 billion ($ 3.4 billion). Consequently, the cost of deposit of FBL dropped by 20bp.

In the light of series of measures taken by FBL during 2017, FBL maintained stable outlook long and short term credit ratings of AA and A1+, respectively, as reported by two reputable rating agencies. The Bank opened 50 new branches to realize a network of 405 branches of which 198 (49%) are dedicated to Islamic banking. FBL will continue its horizontal growth in branch network to provide easy access to customers. These branches will not only generate low cost core deposits but will also improve the current and saving accounts mix, with the goal of reducing the average cost of funding as described above. FBL continues to focus on expanding development of new Islamic products, aiming to attracting more deposit in this sector.

With the new business structure at FBL, future strategy will continue to focus on Islamic finance which enjoyed a successful year, taking lead role in a number of syndications and big-ticket transactions.

The Bank is confident that synergies will be captured and expectations of its shareholders will be met. Reflecting FBL's commitment to provide a better, easier and

seamless customers experience, FBL has initiated a comprehensive digital strategy, implementing a new online banking platform.

Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), DMI's wholly owned subsidiary, reported a net profit of $ 8.7 million in 2017 compared with a loss of $0.4 million in 2016. Shareholder's equity decreased to $48.0 million compared to $48.3 million in 2016, following the payment of a dividend of $ 9 million to the parent, in respect of 2016. IICG's total assets declined by 18%, from $107.2 million in 2016, to $87.9 million, in 2017, reflecting the distribution of dividend of 2016, and reduction in investment in Funds under Management and receivable from Group entities. IICG's Funds Under Management amounted to $2.1 billion in December 2017, a marginal decrease of 4.5% from $ 2.2 billion in 2016, primarily due to redemptions.

Following the directives of the regulatory authorities in the Kingdom of Saudi Arabia, IICG is in a process of liquidating its Modarabas in this country. All assets are now under liquidation and distributions to investors are made proportionately. Since 2016 four distributions have so far been made to the investors, equivalent to 8% of investors' equity. As the liquidation of the assets progresses, further repayments will be made as and when more assets are liquidated. The overall Group risk in respect of Funds Under Management does not appear to have been worsen since last year, while discussions with the regulators are progressing smoothly .

IICG's 73% owned subsidiary, Gulf Investors Asset Management Company ("GIAMCO"), a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia, recorded a net loss of $2.5 million in 2017 compared to a net loss of $ 1.0 million in the previous year. Total Funds Under Management as at December 31, 2017 amounted to $ 86 million, compared with $91.6 million in 2016. On strategic basis, the Group decided to transfer the management of GIAMCO's 3 funds to other funds managers, during 2018.

Faisal Islamic Bank of Egypt ("FIBE"), 475% owned by the Group's managed funds, achieved a remarkable results in 2017. At an all-time high since incorporation in 1981. Additionally, the liberalization of the Egyptian Pound ("L.E") had a positive impact on the Bank's business results. The exchange rate for L.E. against the US Dollar, as advised by the Central Bank in Egypt, improved during 2017 from L.E. 18.27 to L.E. 17.73. Further improvement was also witnessed against world's currencies. As a result, the FIBE maintained its leadership in Islamic banking activities within the Egyptian market and strengthened its competitive position considerably on regional and international levels. Branch network expanded during 2017 and reached 36 branches, while another new branch is planned for 2018. As per new regulatory rules, the Capital Adequacy Ratio ("CAR") increased during 2017 from 11.25% to 11.875%. In addition the adoption of IFRS 9 by the Central Bank of Egypt, in respect of provisioning, may form a challenge to the banking system in Egypt.

FIBE has continued its policy of strengthening its capital base and mitigating the risks related to its activities. As December 31, 2017, the CAR for FIBE reached 13.184%, compared with a regulatory level of 11. 875%

FIBE's net profit after tax in 2017 amounted to L.E. 1,723 million ($ 97 million) compared with L.E. 2,887 million ($ 288 million) in 2016. However, after elimination of the impact of foreign exchange gain earned in 2016 of L.E. 1,557 million ($156 million), the results of 2017 represents an increase of 30% over 2016. Total assets in 2017 amounted to L.E. 82.61 billion ($ 4.7 billion) represents an increase by 10% over December 2016 of L.E. 74.98 billion ($4.2 billion). Total equity reached L.E. 9,247 million ($ 522 million) compared to L.E. 8,395 million ($ 466 million) for the previous year. The most important source of funds for the Bank, savings pools and investment certificates (funds under management) increased by 11%, from L.E. 64.1 billion ($3.6 billion) in 2016, to L.E. 71.1 billion ($ 4.01 billion) in 2017. FIBE will continue to play a pioneering role in the development of Islamic banking and consolidation of its position.

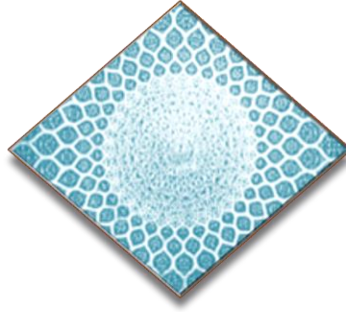
Looking forward to 2018 and beyond, the recovery in global and regional markets will provide wider prospects for the Group's business and growth plans. The Board of Supervisors will continue to direct the implementation of Group's strategy towards enhancing the returns while strengthening our organisational health, operating efficiency and accelerating our digital transformation across business and geographies in the coming years.

I express my gratitude to the entire Group's staff for their hard work, loyalty, commitment and adaptability in a year of significant changes.

On behalf of the Board of Supervisors, I would like to thank our participants for their continued support, the Religious Board for its counsel and guidance.

Allah is the purveyor of success.

Amr Mohammed Al Faisal



REPORT OF THE RELIGIOUS BOARD

The DMI Trust Religious Board held a meeting in Manama, Bahrain, on Sunday 9, Thu Al Quadh 1439H, corresponding to 22 July 2018.

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

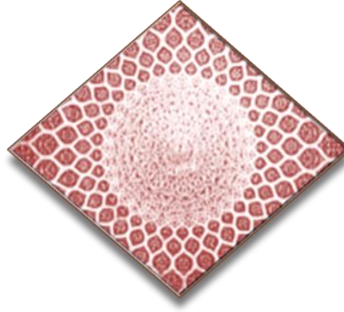
Furthermore the Religious Board reviewed the 2017 balance sheet and financial statements presented to it and after examining and discussing the same, the Religious Board considered that all DMI Group investment activities, projects and banking services undertaken during the year were in conformity with the principles of the glorious Sharia and in line with the standard contracts previously approved by the Religious Board.

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

The Board wishes further success to the DMI Group.

Allah is the purveyor of success.

Dr. Nasr Farid Mohamed Wasel
Chairman of the Religious Board



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net profit (loss)	12.3	(108.9)	26.2	(30.9)	4.0	(34.8)	35.1	(28.1)	(36.4)	(14.6)
Dividends	20.7	27.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trust capital	454	335	420	353	382	322	361	331	295	289
Return on average capital	2.8%	(27.6)%	6.2%	(8.8)%	1%	(10.8)%	9.7%	(8.5)%	(11.1)%	(5.0)%
Funds under management	2,296	2,508	8,589	8,098	8,355	8,399	9,009	9,105	9,053	8,705
Average number of employees	232	214	2,845	4,726*	3,978	4,075	3,882	3,628	3,866	4,244
Book value per unit	$114.85	$84.59	$106.18	$89.24	$96.57	$81.40	$91.26	$83.69	$74.51	$73.06

Ten-Year Financial Summary

Dar Al-Maal Al-Islami Trust

2017

ANNUAL REPORT

1 January 2017 – 31 December 2017

Consolidated Financial Statements

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Independent auditor's report to the Bearers and Owners of Equity Participations of Dar Al-Maal Al-Islami Trust

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dar Al-Maal Al-Islami Trust (the "Parent Company") and its subsidiaries (together referred to as "the Group") as at 31 December 2017 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with the IESBA code.

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Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

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Independent auditor's report to the Bearers and Owners of Equity Participations of Dar Al-Maal Al-Islami Trust

Report on the audit of the consolidated financial statements (continued)

Emphasis of matter

In February 2016, Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), a subsidiary of the Group, communicated to its investors in Saudi Arabia that it intended to wind up IICG's Funds Under Management ("FUM") in Saudi Arabia as the regulator, Capital Markets Authority ("CMA"), declined to grant any exemptions with respect to the registration and transfer of such FUM to a CMA registered subsidiary of IICG. The FUM has commenced distribution of the disposal proceeds of the underlying assets to the investors as and when such proceeds are realised. The final liquidation proceeds will only be known upon completion of the liquidation process which may take several years. IICG's management recognises that claims may be initiated against IICG by investors who are unlikely to recover the full value of their investments. As at 31 December 2017, such claims aggregating USD 23.3 million have been filed by investors against IICG. IICG's management is contesting the validity of such claims and potential losses from such claims have been disclosed in Note 34 as a contingent liability. However, the value of future claims of a similar nature cannot be reasonably estimated. Our opinion is not modified in respect of this matter.

Other information

The Board of Supervisors are responsible for the other information. The other information comprises the report of chairman's statement and the religious board report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Supervisors and those charged with governance for the consolidated financial statements

The Board of Supervisors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Supervisors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Supervisors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Independent auditor's report to the Bearers and Owners of Equity Participations of Dar Al-Maal Al-Islami Trust

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the Board of Supervisors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
29 July 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

(Thousands of US dollars except participation units)

	Notes	2017	2016 (Restated)	2015 (Restated)
Assets				
Cash and cash equivalents	5	837,344	761,520	630,874
Investments with Islamic institutions		196	130,336	270,780
Trading securities	6	314,851	27,010	78,072
Investments in financings	7	1,812,957	2,034,069	1,894,045
Investment securities	10	1,592,880	1,811,316	1,813,944
Accounts and other financial assets	12	379,254	326,323	233,830
Current tax receivable	20	26,746	18,702	16,507
Cash at Central Bank – statutory reserve	5	171,113	161,858	161,066
Investment property	13	526,060	509,049	514,180
Investments in associates	15	220,207	700,802	685,048
Property, plant and equipment	16	141,722	114,163	114,012
Intangible assets	17	317,802	348,110	400,839
Assets classified as held-for-sale	18	477,182	-	-
Deferred tax assets	20	21,142	27,713	34,769
Total assets		**6,839,456**	**6,970,971**	**6,847,966**
Liabilities				
Accounts payable	19	406,933	321,025	300,623
Current tax payable	20	1,050	1,009	840
Due to customers, banks and other financial institutions	21	5,592,619	5,750,094	5,621,620
Provisions	22	68,317	68,317	68,317
Deferred tax liabilities	20	4,355	4,001	4,417
Total liabilities		**6,073,274**	**6,144,446**	**5,995,817**
Equity				
Trust capital attributable to equity participants				
Capital		390,316	390,316	390,316
Reserves		(101,316)	(95,603)	(59,278)
Total trust capital		**289,000**	**294,713**	**331,038**
Non-controlling interests	33	477,182	531,812	521,111
Total equity		**766,182**	**826,525**	**852,149**
Total equity and liabilities		**6,839,456**	**6,970,971**	**6,847,966**
Number of trust capital participation units		3,955,606	3,955,606	3,955,606
Book value per unit		$73.06	$74.51	$83.69

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes on pages 21 to 93 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Notes	2017	2016 (Restated)
Income			
Fund management and services	34	98,312	51,979
Income from investments with Islamic institutions		3,157	6,482
Net trading income	24	22,996	27,295
Income from investments in financings	25	149,934	146,753
Fee and commission income	26	47,670	46,093
Gains from investment securities	10	73,238	92,064
Income from investments	27	18,411	26,959
Gains from other income	28	23,167	4,927
		436,885	402,552
Profit paid to financial and other institutions		(21,794)	(16,484)
Profit paid to customers		(159,286)	(152,254)
Operating income		255,805	233,814
Expenses			
Staff costs	29	(101,331)	(98,912)
General and administrative expenses	30	(96,146)	(92,958)
Depreciation, amortisation and impairment of goodwill	16,17	(39,832)	(61,294)
Exchange (loss)/gain		(20,445)	3,713
Allowance for impairment		(37,719)	(14,503)
Total expenses		(295,473)	(263,954)
Operating loss		**(39,668)**	**(30,140)**
Share of profit of associated companies	15	19,620	40,457
(Loss)/income before income taxes		**(20,048)**	**10,317**
Taxes	32	(26,425)	(25,507)
Loss after income taxes		**(46,473)**	**(15,190)**
Attributable to:			
Equity participants		(14,625)	(36,417)
Non-controlling interests	33	(31,849)	21,227
		(46,473)	**(15,190)**

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	2017		2016	
	Equity holders	Non-controlling interests	Equity holders (Restated)	Non-controlling interests (Restated)
(Loss)/profit after income tax	**(14,625)**	**(31,849)**	**(36,417)**	**21,227**
Items that may be subsequently reclassified to the consolidated statement of income				
Recycling of investment security reserve on sale of subsidiary	(10)	-	(25)	-
Movements in reserves due to change in treasury shares of subsidiary	(895)	(1,030)	614	703
Movements in fair value reserves of associated companies	2,373	2,732	542	623
Movement in fair value of available-for-sale investments	1,702	(7,404)	2,051	1,141
Transfer to income statement due to impairment of available-for-sale investments	-	-	297	661
Movements in deferred tax of available-for-sale investments	1,248	2,784	1,079	2,409
Foreign currency translation differences for foreign entities	3,862	(3,482)	(6,270)	(8,349)
Items that will not be reclassified to the consolidated statement of income				
Re-measurements of post-employment benefit obligations	631	727	1,804	2,076
Other comprehensive income/(loss)	8,911	(5,673)	92	(736)
Total comprehensive (loss)/income	**(5,714)**	**(37,522)**	**(36,325)**	**20,491**

Omar Abdi Ali
Member of Board of Supervisor

Amr Mohammed Al Faisal
Chairman

The notes on pages 21 to 93 form an integral part of these consolidated financial statements.

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

(Thousands of US dollars)

	Note	Attributable to equity participants							
	Note	Paid in capital	Fiduciary reserve	Fair value reserve	Currency translation	Other reserves	Total reserves	Non-controlling interests	Total equity
At 1 January 2016 (prior to restatement)		390,316	40,000	14,060	14,300	(42,312)	26,048	426,211	842,575
Effect of restatement (Note 45)						(85,326)	(85,326)	94,900	9,574
At 1 January 2016 (as restated)		390,316	40,000	14,060	14,300	(127,638)	(59,278)	521,111	852,149
Profit/(loss) after income tax (restated)		-	-	-	-	(36,417)	(36,417)	21,227	(15,190)
Total other comprehensive (loss)/income		-	-	3,944	(6,270)	2,418	92	(736)	(644)
Dividend paid		-	-	-	-	-	-	(7,136)	(7,136)
Return of capital		-	-	-	-	-	-	(2,654)	(2,654)
Allocation to fiduciary reserves	42	-	20,000	-	-	(20,000)	-	-	-
At 31 December 2016 Restated		**390,316**	**60,000**	**18,004**	**8,030**	**(181,637)**	**(95,603)**	**531,812**	**826,525**
Loss after income tax		-	-	-	-	(14,625)	(14,625)	(31,849)	(46,473)
Total other comprehensive income/(loss)		-	-	5,311	3,862	(262)	8,911	(5,673)	3,238
Dividend paid		-	-	-	-	-	-	(15,782)	(15,782)
Return of capital		-	-	-	-	-	-	(1,326)	(1,326)
At 31 December 2017		**390,316**	**60,000**	**23,315**	**11,892**	**(196,523)**	**(101,316)**	**477,182**	**766,182**

The notes on pages 21 to 93 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

(Thousands of US dollars)

	Notes	2017	2016 (Restated)
Cash flows from operating activities			
(Loss) before taxes and non-controlling interests		(20,048)	(10,317)
Adjustments for:			
Depreciation and amortisation	16,17	39,832	61,295
Fair value adjustments on trading securities		357	(267)
Loss/(income) on retirement benefit plans		(3,012)	484
Net trading income		(22,996)	(27,295)
Income from associated companies	15	(19,621)	(40,457)
Disposal of subsidiary	28	-	(1,631)
Changes in fair value of investment properties	14	(26,622)	4,627
Provisions for impairment	9,10,16,17,22	(8,808)	4,546
Taxes paid		(26,546)	(17,232)
Adjusted cash flow before changes in operating assets and liabilities		(87,464)	(26,247)
Net decrease in investments with Islamic institutions		130,141	107,465
Net (increase)/ decrease of trading securities		(302,163)	51,360
Net decrease/(increase) in investments in financings		221,111	(140,538)
Net increase in accounts and other financial assets		(33,816)	(57,582)
Net increase in accounts payable, excluding taxes		78,058	257,497
Cash at central banks - statutory reserve		(9,255)	(792)
Net (decrease) in due to customers, banks and other financial institutions		(146,962)	(101,248)
Net cash (used in)/ generated from operating activities		(150,350)	89,915

The notes on pages 21 to 93 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER (CONTINUED)

(Thousands of US dollars)

	Notes	2017	2016 (Restated)
Cash flows from investing activities			
Purchase of investment property	13	(4,966)	(12,352)
Sale of investment property	13	23,526	8,261
Dividends from associated companies	15	22,484	18,202
Net decrease of investment securities		150,441	51,188
Purchase of property, plant and equipment and intangibles	16,17	(44,358)	(12,693)
Sale of property, plant and equipment and intangibles	16,17	3,608	4,966
Sale of subsidiaries	18	-	(195)
Acquired non-current assets via settlements	18	(1,005)	(1,947)
Net cash provided by investing activities		149,730	55,430
Cash flows from financing activities			
Dividends paid outflow		(187)	(79)
Cash outflow return of shares of subsidiary		(1,325)	(2,654)
Cash outflow on dividends paid to non-controlling interests		(15,782)	(7,136)
Net cash used in financing activities		(17,294)	(9,869)
Foreign currency translation adjustments		93,738	14,170
Net increase in cash and cash equivalents		**75,824**	**149,646**
Cash and cash equivalents at beginning of year		761,520	611,874
Cash and cash equivalents at end of year		**837,344**	**761,520**

Non-cash items included a transfer of investment amounting to USD 477,182 from investment for associate to non current asset held for sale.

The notes on pages 21 to 93 form an integral part of these consolidated financial statements.

1. Formation and activities

Dar Al-Maal Al-Islami Trust (DMI) was formed by indenture under the laws of the Commonwealth of The Bahamas for the purpose of conducting business affairs in conformity with Islamic law, principles and traditions. DMI subsidiaries and associates offer a wide range of Islamic financial services including investment, commercial and private banking, private equity, public and private issue of securities, mergers and acquisitions advice, takaful, equipment leasing real estate development and modarabas which are similar to investment funds. The modarabas, being separate entities, do not have their funds consolidated in the annexed financial statements. They are included in off-balance sheet accounts as disclosed in note 34.

2. Accounting policies

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

Basis of preparation

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

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

Impact of New Accounting Pronouncements

New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2017.

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2017 that have a material impact on the Group, unless otherwise mentioned below.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of OCI. These amendments do not have a significant impact on the Group.

Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

Amendments to IFRS 12 - Annual improvements 2014-2016 cycle:

The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for the summarised financial information.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, unless mentioned in the following:

IFRS 9 Financial instruments: The complete version of IFRS 9 replaces most of the guidance in IAS 39.

Impact of New Accounting Pronouncements

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2017 and not early adopted (continued)

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

IFRS 9 addresses the classification, measurement, recognition and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group is prepared for adherence to the requirements of IFRS 9 as at 1 January 2018 and has completed the measurement and classification of its financial assets and liabilities in accordance with business model as stipulated by IFRS 9. These classifications comprise FVOCI, FVTPL and amortised cost. The majority of financial assets and liabilities are classified as amortised cost in accordance with the Group's business model. Accordingly, impact on the consolidated financial statements.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than the incurred credit losses basis as is the case under IAS 39. It applies to financial assets classified as amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The Group has elected not to re-state comparative periods and the difference between the previous carrying amounts and the new carrying amounts at the date of initial application (i.e. effective date of 1 January 2018) will be recorded in retained earnings at 1 January 2018.

The Group has also reviewed and completed its assessment of the impairment provision and methodology in accordance with IFRS 9 requirements. Retained earnings at 1 January 2018 will be reduced by approximate USD 90 million to recognise the incremental impairment provision under IFRS 9.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The adoption of IFRS 9 will not have any material impact on the Group financial statements as the Group did not apply hedge accounting and the use of derivatives is minimal.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments in 2018.

IFRS 15 Revenue from contracts with customers: This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Amendment to IFRS 15, 'Revenue from contracts with customers'

These amendments comprise clarifications on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

There is no material impact on the consolidated financial statements of the Group from the adoption of above new standard on 1 January 2018.

IFRS 16 Leases: IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective for annual periods beginning on or after 1 January 2019. The Group is assessing the material impact of these new requirements, but does not expect any.

Disclosure Initiative – Amendments to IAS 7: Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The Group is assessing the impact if this new standard but does not expect any material impact.

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12: Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that: a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period; an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit; where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type; tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. The amendment is effective for accounting periods on or after 1 January 2017. The Group is assessing the impact if this new standard but does not expect any material impact.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on 1 January 2017 that would be expected to have a material impact on the consolidated financial statements of the Group

Consolidation

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

are recognised in the consolidated statement of income.

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

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

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

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

(b) Transactions and non-controlling interests

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

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

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

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

(c) Associates

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

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

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

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

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

Foreign currency translation

(a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income, except where hedge accounting is applied.

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

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component in the statement of comprehensive income.

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

Derivative financial instruments and hedging

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

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

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

Income from investments with Islamic institutions and investments in financings

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

Fee and commission income

Fees and other income from banking services are recognised on an accrual basis as the service is performed, when it is probable that associated economic benefits will flow to the Group and a reliable estimate of amount can be made. Fees and commission income and expense that are integral to the effective profit rate on a financial asset or liability are included in the measurement of the effective profit rate.

Other fees and commission income earned and expense incurred from the provision of services are recognised as revenue and expense, as and when the services are rendered.

Foreign exchange income on foreign exchange transactions undertaken on behalf of customers is recognised as and when these transactions are completed.

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

Sale and repurchase agreements

Securities sold subject to a linked repurchase agreement (repos) are recognised in the consolidated statement of financial position and are measured in accordance with related accounting policies for trading or investment securities. The counterparty liability for amounts received under

these agreements is included in customer investment accounts. The difference between the sale and repurchase value is accrued over the period of the contract and recorded as expense in the consolidated statement of income.

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

Obligations for the return of securities or for forward sales, which are a part of the repurchase agreements, are recognised as commitments as disclosed in note 37.

Financial Assets

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

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

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity

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

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

(d) Available-for-sale

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

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

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

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

All financial assets other than the one specifically classified as available for sale, financial asset at fair value through profit and loss and held to maturity are classified as loans and receivables.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Impairment of Financial Assets

(a) Assets carried at amortised cost

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

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

(i) Delinquency in contractual payments of principal or return;

(ii) Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);

(iii) Breach of loan covenants or conditions;

(iv) Initiation of bankruptcy proceedings;

(v) Deterioration of the borrower's competitive position;

(vi) Deterioration in the value of collateral; and

(vii) Downgrading below investment grade level.

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

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant

to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of income.

The Group sometimes renegotiates or otherwise modifies the contractual cash flow of financing given to customer. When this happens the group assesses whether or not the new terms are substantially different then original terms. If the terms are substantially different then the group derecognises the original financial asset and recognise a new asset at fair value and recalculate a new effective rate for the asset. Difference in the carrying amount are recognised in the profit and loss at the derecognition. If the terms are substantively different the renegotiation and modification does not result into derecognition and group recalculates the gross carrying amount based on revised cash flow of financial assets and recognise modified gain or loss in profit and loss. The new gross carrying amount recalculated by discounting the modified cash flows at the original effective profit rate.

Past due definition

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

(b) Assets classified as available-for-sale

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

Impairment of non-financial assets

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

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill on subsidiaries is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal or the value in use. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Computer software

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

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

Computer software development costs recognised as assets are amortised using the straight line method over their useful lives.

(c) Other acquired intangible assets

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

Investment property

Investment property principally comprises office buildings which are held to earn rental income or for long term capital appreciation or both. Investment property is initially recognised at cost, including transaction expenses. Subsequently, it is carried at fair value, representing open market value determined annually by reference either to external valuers or to other independent valuation sources. Changes in fair values are recorded in the consolidated statement of income and are included in other income. Investment property also include development properties which are carried at cost.

Property, plant and equipment and depreciation

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

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

Building: 50 years
Leasehold improvements:
over the period of the lease or useful life
Furniture, equipment and motor
vehicles: 3-10 years

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

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

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

Leases

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

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

over the shorter of the useful life of the asset or the lease term.

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

Provisions

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

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

Non-current assets held for sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. A non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups). Its sale must be planned and committed and an active programme initiated to locate a buyer and complete the plan within one year. The asset (or disposal group) must be actively marketed for a price that is reasonable in relation to its current fair value.

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

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

Non-current assets, which are to be abandoned, are not classified as held for sale and are reclassified as discontinued operations, to the extent they meet the requirements of discontinued operations in the paragraph which follows.

If a non-current asset (or disposal group) ceases to be classified as held for sale or as discontinued operations, the results of operations are reclassified and included in the consolidated statement of income from continuing operations for all periods presented.

Discontinued Operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

Due to banks and financial institutions

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

Borrowings

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

Financial liabilities

All financial liabilities are initially recognised at fair value less transaction costs. Subsequently, financial liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost using the effective profit method. Amortised cost is calculated by taking into account any discount or premium on settlement.

Retirement benefit plans

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further

contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

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

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

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

Past-service costs are recognised immediately in income.

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

The Group's contributions to defined contribution pension plans are charged in the consolidated statement of income in the year to which they relate.

Taxation

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

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

Deferred income taxes

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

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

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

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

Trust capital and treasury stock

Dividends on participation units

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

Treasury stock

Where DMI purchases its own capital or obtains rights to purchase its own capital, the consideration paid is shown as a deduction from Trust capital.

Fiduciary risk reserve

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

Acceptances

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

Cash and cash equivalents

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

Fiduciary activities

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

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

3. Critical accounting estimates and judgements in applying accounting policies

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

Impairment of investments in financings

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

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

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

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

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

Fair value of investment properties

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

Income taxes

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

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

The Group considers it has de facto control of Ithmaar Holding B.S.C. even though it has less than 50% of the voting rights. The Group is the majority shareholder with a 46.49% equity interest. As the Group maintains control over Ithmaar's Board of Directors and considering the dispersed nature of the remaining shareholders, DMI continues to

consolidate Ithmaar Holding B.S.C. as a subsidiary based upon the Group's assessment under IFRS 10. There is no history of other shareholders forming a group to exercise their votes collectively.

The de facto control of Ithmaar Holding BSC is constantly assessed for changes in shareholding which may impact this assessment

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The determination of whether an outflow is probable and the amount, which is assessed by Group management, in conjunction with the Group's legal and other advisors, requires the judgement of the Group's management.

Impairment of associated companies

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

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

Estimated impairment of goodwill

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

Ithmaar Holding BSC

During 2017 and 2016 the Group used a sum-of-the-parts approach to arrive at a business value of the Ithmaar Holding B.S.C. CGU as Ithmaar Holding B.S.C did not had any independent cash flow generating activity at its own level. Management has considered both PB multiple and value in use calculation for the impairment assessment.

Level 2 PB multiple valuation method used instead of Level 1 listed share price as it did not consider that an active market existed for the shares of Ithmaar as the trading activity in the past years have been very minimal.

The valuation methodology for the separately identified parts at Ithmaar Holding B.S.C. level based on the operational activities is the following:

- Formerly Shamil Bank: value in use based on discounted cash flows; (2016: value in use based on discounted cash flows);
- Faysal Bank Limited: value in use based on discounted cash flows; (2016: value in use based on discounted cash flows);;
- BBK: Based on Market Approach using Relative Valuation (price to book multiple) for determine the (FVLCTS) as per IFRS 5 requirements (2016: average of residual income and price to book value multiple) for assessing the goodwill impairment included in the carrying amount of the associate as at 31 December 2017.

Ithmaar Holding B.S.C. residual assets: investments measured at their carrying value adjusted for fair value changes.

The management has also consider PB multiple approach for further assessing the impairment for both Ex-Shamil and Faysal bank Limited. Based on lower end PB multiple and this additional stress test has also not resulted in any impairment.

Islamic Investment Company of the Gulf (Bahamas) Limited

On the basis that the Group used a discounted cash flow model, for the next 5 years, and assuming a discount rate of 12.91%, to arrive at a value in use of Islamic Investment Company of the Gulf (Bahamas) Limited.

4. Financial instruments

A. Strategy in using financial instruments

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

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

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

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

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

B. Capital management

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

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

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

(iii) To comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate.

DMI itself does not engage in banking business and is therefore not required to comply with any minimum capital adequacy requirements. The regulatory capital requirement are applicable to Ithmaar Bank BSC(C) which is 100% owned subsidiary of Ithmaar Holding. Ithmaar Bank has complied with capital adequacy requirements as per the guidelines and directives of the Central Bank of Bahrain. Faysal Bank Limited has also complied with its regulatory capital requirement. As at the reporting date other subsidiaries within DMI group do not have any specific regulatory capital requirement.

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

4. Financial instruments (continued)

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

	2017	2016
Total debt	1,147,991	1,150,113
Less: Cash and bank balances	(1,008,457)	(923,378)
Net debt	139,534	226,735
Total equity	**289,000**	**294,713**
Debt-to-equity ratio	48%	77%

C. Financial risk management

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

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

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

D. Credit risk

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

Credit risk measurement

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

The significant concentration of the Group's credit risk is in Ithmaar Holding B.S.C., Ithmaar manages its credit risk arising from its banking exposures by implementing robust policies and procedures with respect to identification, measurement, mitigation, monitoring and controlling the risks.

Ithmaar has proper processes in place, not only to apprise but also regularly monitor credit risk. Regular reviews are carried out for each account and risks identified are mitigated in a number of ways, which includes obtaining collateral, assignment of receivables and counter-guarantees. The corporate accounts are rated on a credit risk rating model, this enhances the process of credit review and ensures timely identification of any deterioration of the corporate's status and corrective actions can be implemented. The credit risk rating model incorporates both quantitative and qualitative risk parameters for the grading and classification of corporate customers.

A centralized credit risk management system is in place where all corporate credit proposals are independently reviewed by the RMD before the same are approved by appropriate approval authorities.

The Group seeks to limit its credit risk with respect to cash and cash equivalent by dealing with reputable banks which are independently rated. The Group seeks to limit its credit risk with respect to loans by setting credit limits for customers and monitoring outstanding exposures before standard

4. Financial instruments (continued)

payment and delivery terms and conditions are offered.

The Group also seeks diversification of bank deposits, credit limits and letters of credit Investment guidelines for available-for-sale and held-to-maturity investments.

Risk limit control and mitigation policies

All credits exposures are at least reviewed and rated annually and appropriate provisions are maintained for any classified account as per the provisioning policy in line with relevant CBB guidelines. However, each investment exposure is evaluated individually for impairment assessment on its merits, strategy, and estimated recoverability.

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

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

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

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

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

(i) Mortgages over residential and commercial properties. The fair value is determined by independent external valuer on period basis. (Level 3)

(ii) Charges over business assets such as premises, inventory and Accounts and other financial assets. Fair value external valuation for premises (Level 3). Inventory and Accounts and other financial assets fair value is determined based on net realisable value.

(iii) Charges and pledges over financial instruments such as debt securities and equities. Based on market price for the listed securities and use of Level 2 and Level 3 valuation method.

In order to minimise the credit loss the Group will seek immediate recovery or additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

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

(b) Derivatives

The risk that a party to a derivative contract will fail to perform its obligation. There is a settlement risk associated with the derivative transactions. Settlement risk is monitored on daily basis. Risk management department of the Group sets the policies and limits for counterparty risk based on a pre-defined criteria linked with the internal risk rating of the customer.

(c) Credit-related commitments

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, where these are not unconditionally cancellable.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments

4. Financial instruments (continued)

generally have a greater degree of credit risk than shorter-term commitments.

Impairment and provisioning policies

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

The Group’s policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at statement of financial position date on a case-by-case basis and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

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

Restructuring/renegotiation

The restructuring of an asset classified in loans and receivables is considered to be a troubled debt restructuring when the Group, for economic or legal reasons related to the borrower's financial difficulties, agrees to a modification of terms of the original transaction that it would not otherwise consider, resulting in the borrower's contractual obligation to the Group, measured at present value, being reduced compared with the original terms.

At the time of restructuring, a discount is applied to the loan to reduce its carrying amount to the present value of the new expected future cash flows discounted at the original effective interest rate. The decrease in the asset value is recognised in the consolidated statement of income.

When the restructuring consists of a partial or full settlement with other substantially different assets, the original debt and the assets received in settlement are recognised at their fair value on the settlement date. The difference in value is recognised in the consolidated statement of income.

Debt instruments classified as trading and investment securities mainly comprised of TB bills and bonds issues by Pakistan for which group believes credit risk is minimal.

4. Financial instruments (continued)

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

	Maximum exposure	
	2017	**2016**
Cash and bank balances	1,008,457	923,378
Investments with Islamic institutions	196	130,336
Trading securities	314,851	27,010
Investments in financings:		
Corporate financing	852,679	1,036,324
Bank and other financial institutions	153,715	116,517
Agricultural financing	72,072	69,590
Government/public financing	382,336	492,647
Consumer financing	157,995	165,172
Other financing	194,160	153,819
Investment securities	1,592,880	1,811,316
Accounts and other financial assets (Note 12)	338,196	288,265
Total financial assets	**5,067,537**	**5,214,374**
Credit risk exposure relating to off-balance sheet items are as follows:		
Financial acceptances, performance bonds, guarantees and irrevocable letters of credit (Note 37)	1,265,309	1,193,839
Financing commitments, undrawn facilities and other credit related liabilities (Note 37)	1,429,714	1,149,330
Total off-balance sheet	**2,695,023**	**2,343,169**
At 31 December	**7,781,089**	**7,576,072**
Fair value of collateral	**4,383,491**	**4,009,158**

	2017	**2016**
Neither past due nor impaired	4,451,965	4,800,848
Past due but not impaired	174,603	13,530
Impaired	440,969	399,996

Neither past due not impaired

- Cash and bank balances are held with reputable financial institutions which are regulated by central banks in their local jurisdiction.
- Trading securities and investment securities mainly comprise of treasury bills, bonds and sukuk which are guaranteed by the government of Pakistan and the credit risk is considered minimal.
- Accounts and other financial assets are diversified and does not represent credit risk based on past history on these balances.
- Investment in financing is diversified and in most cases backed by collaterals with values are assessed by the Group management on a periodic basis and generally covers substantial portion of the exposure. This balance also represents customers with minimal history of default.

4. Financial instruments (continued)

Investments in financings and receivables past due but not impaired

2017	Corporate financing	Banks and other Financial institutions	Agriculture financing	Consumer financing	Government/ Public financing	Other financing	Accounts receivable	Total
Past due up to 30 days	21,698	4,027	429	349	-	-	75,928	102,431
Past due from 31 to 90 days	487	-	-	1,138	-	-	2,693	4,318
Past due greater than 90 days	-	-	-	192	-	-	67,662	67,854
Total	22,185	4,027	429	1,679	-	-	146,283	174,603
2016								
Past due up to 30 days	5,410	-	-	31	-	1,041	-	6,482
Past due from 31 to 90 days	358	-	-	757	-	54	2,007	3,176
Past due greater than 90 days	-	-	-	-	-	-	3,872	3,872
Total	5,768	-	-	788	-	1,095	5,879	13,530

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

Impaired investments in financings

Further analysis of impaired assets is provided in note 9.

4. Financial instruments (continued)

E. Market risk

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

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

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

(a) Foreign exchange risk

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

Currency risk

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

	USD/EUR	USD/BHD	USD/PKR
At 31 December 2017			
Total currency exposure	(247,157)	(218,491)	(997,243)
Reasonable shift	2.42%	0.52%	12.78%
Total effect on income	(5,981)	(1,136)	(127,448)
At 31 December 2016			
Total currency exposure	(287,704)	(55,363)	(1,344,624)
Reasonable shift	0.34%	1.34%	12.78%
Total effect on income	(971)	(744)	(171,843)

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

4. Financial instruments (continued)

(b) Profit rate risk

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

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

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

Profit rate risk

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

At 31 December 2017

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and bank balances	371,152	179,376	-	-	-	457,929	1,008,457
Investments with Islamic institutions	-	-	-	179	-	17	196
Trading securities	136,502	161,300	3,567	13,482	-	-	314,851
Investments in financings	369,332	272,305	488,425	544,511	132,026	6,358	1,812,957
Investment securities	588,923	572,641	43,261	79,033	96	308,926	1,592,880
Other assets	-	3	-	-	-	338,193	338,196
Total financial assets	1,465,909	1,185,625	535,253	637,205	132,122	1,111,423	5,067,537
Liabilities							
Due to customers, banks and other financial institutions	2,093,732	434,544	1,193,836	91,136	13,599	1,765,772	5,592,619
Other liabilities	-	286	-	-	-	406,647	406,933
Total financial liabilities	2,093,732	434,830	1,193,836	91,136	13,599	2,172,419	5,999,552
Total repricing gap	(627,823)	750,795	(658,583)	546,069	118,523	(1,060,996)	(932,015)

4. Financial instruments (continued)

At 31 December 2016

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Non rate sensitive	Total
Assets							
Cash and bank balances	412,336	52,271	-	-	-	458,771	923,378
Investments with Islamic institutions	124,003	-	6,137	179	-	17	130,336
Trading securities	4,880	4,176	9,911	7,768	275	-	27,010
Investments in financings	328,399	292,743	591,113	624,448	197,366	-	2,034,069
Investment securities	2,721	381,481	875,944	218,250	100,865	232,055	1,811,316
Other assets	242	479	3,773	-	-	283,771	288,265
Total financial assets	872,581	731,150	1,486,878	850,645	298,506	974,614	5,214,374
Liabilities							
Due to customers, banks and other financial institutions	1,807,551	442,474	780,878	506,399	617,314	1,595,478	5,750,094
Other liabilities	198	811	515	-	-	319,501	321,025
Total financial liabilities	1,807,749	443,285	781,393	506,399	617,314	1,914,979	6,071,119
Total repricing gap	(935,168)	287,865	705,485	344,246	(318,808)	(940,365)	(856,745)

At 31 December 2017	USD	EUR	PKR	BHD	AED
Total net profit rate exposure in the consolidated statement of financial position	342,850	357,226	983,082	410,691	310,324
Reasonable shift (+/-)	0.9%	0.25%	0.74%	1.40%	0.35%
Total effect on loss (+/-)	3,086	893	7,275	5,750	1,086

At 31 December 2016

	USD	EUR	PKR	BHD	AED
Total net profit rate exposure in the consolidated statement of financial position	170,548	287,039	1,449,524	337,587	297,466
Reasonable shift (+/-)	0.62%	0.02%	0.53%	0.20%	0.30%
Total effect on loss (+/-)	1,057	43	7,682	675	892

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

4. Financial instruments (continued)

Price risk

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

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

Other components of equity

	2017	2016
Pakistan stock exchange (+/-10%)	3,233	2,937
Cairo stock exchange (+/-10%)	454	501

Impact on post tax profit

	2017	2016
Bahrain Bourse (+/-10%)	122	145
Saudi Stock exchange (+/-10%)	432	1,034

F. Liquidity risk

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

Liquidity risk management process

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

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

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

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

(iv) Managing the concentration and profile of debt maturities.

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

The Group also monitors unmatched medium term assets.

4. Financial instruments (continued)

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

At 31 December 2017

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Customer current accounts	1,771,500	-	-	-	-	1,771,500
Customer investment accounts	2,030,360	272,774	364,177	2,636	-	2,669,947
Due to banks and financial institutions	783,579	131,392	197,477	21,972	13,571	1,147,991
Investments from off-balance sheet funds	-	-	3,181	-	-	3,181
Derivative Financial instruments	-	-	-	39,912	-	39,912
Deferred Income	-	-	315	1	-	316
Accounts payable	270,892	4,111	101,620	28,732	1,578	406,933
Total liabilities liquidity risk	4,856,331	408,277	666,770	93,253	15,149	6,039,780

At 31 December 2016

	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Liabilities						
Customer current accounts	1,581,112	-	-	-	-	1,581,112
Customer investment accounts	2,211,719	305,272	461,077	12,037	479	2,990,584
Due to banks and financial institutions	796,693	108,313	207,829	31,544	5,734	1,150,113
Investments from off-balance sheet funds	-	-	28,285	-	-	28,285
Derivative Financial instruments	-	8	-	-	-	8
Deferred Income	-	-	196	5	-	201
Accounts payable	216,172	32,176	22,559	46,401	3,717	321,025
Total liabilities liquidity risk	4,805,696	445,769	719,946	89,987	9,930	6,071,328

4. Financial instruments (continued)

The table below presents the expected cash outflow by the Group under off-balance sheet liabilities.

At 31 December 2017

	No later than one year	One-five years	Over five years	Total
Acceptances and endorsements	62,824	-	-	62,824
Guarantees and irrevocable letters of credit	602,494	218,067	146	820,707
Performance bid bonds	53,660	940	-	54,600
Other contingent liabilities	2,182	309,222	15,774	327,178
Undrawn facilities and other commitments to finance	1,115,215	-	17,168	1,132,383
Open foreign currency positions	422,253	24,520	15,811	462,584
Repurchased and resale transactions	297,331	-	-	297,331
Total off-balance sheet liabilities	2,555,963	552,765	48,899	3,157,627

At 31 December 2016

	No later than one year	One-five years	Over five years	Total
Acceptances and endorsements	72,669	-	-	72,669
Guarantees and irrevocable letters of credit	495,561	213,955	146	709,662
Performance bid bonds	32,803	8,798	-	41,601
Other contingent liabilities	16,336	337,714	15,857	369,907
Undrawn facilities and other commitments to finance	780,011	-	17,168	797,179
Open foreign currency positions	696,497	-	-	696,497
Repurchased and resale transactions	352,151	-	-	352,151
Total off-balance sheet liabilities	2,446,040	560,467	33,171	3,039,678

Assets held for managing liquidity risk

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

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

4. Financial instruments (continued)

Derivative assets and liabilities

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

At 31 December 2017

	Up to three month	Three-twelve months	One-five years	Five to ten years	Total
Derivatives held for hedging:					
Foreign exchange derivatives					
- Outflow	-	-	(14,083)	(8,394)	(22,478)
- Inflow	-	-	13,749	8,134	21,883
Total outflow	-	-	(14,083)	(8,394)	(22,478)
Total inflow	-	-	13,749	8,134	21,883

At 31 December 2016

	Up to three month	Three-twelve months	One-five years	Five to ten years	Total
Derivatives held for hedging:					
Foreign exchange derivatives					
- Outflow	(6,384)	-	-	-	(6,384)
- Inflow	6,392	-	-	-	6,392
Total outflow	(6,384)	-	-	-	(6,384)
Total inflow	6,392	-	-	-	6,392

Funding approach

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

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

5. Cash and cash equivalents

	2017	2016 (Restated)
Cash on hand	126,999	121,197
Cash at central banks - current account	200,362	205,423
Cash at other banks	509,983	434,900
Cash and cash equivalents	837,344	761,520
Cash at central banks - statutory reserve	171,113	161,858
Cash and bank balances	**1,008,457**	923,378

All cash at other banks have original maturities of less than 3 months. The cash at central bank-statutory reserve is not available for use.

6. Trading securities

	2017	2016
Trading securities - at fair value		
- Government securities	304,895	16,606
- Corporate securities	9,956	10,404
Trading securities	**314,851**	**27,010**

The movement in trading securities is summarised as follows:

	2017	2016
At 1 January	27,010	78,072
Additions	6,029,059	3,219,129
Disposals	(5,725,123)	(3,270,192)
Loss on trading (Note 24)	(1,213)	(428)
Revaluation of trading securities (Note 24)	(357)	106
Exchange differences	(14,525)	323
At 31 December	**314,851**	**27,010**

7. Investments in financings

	2017	2016
Islamic investments in financings	2,052,596	2,245,241
Financings subject to finance leases	73,834	99,968
Provision for bad and doubtful debts (Note 9)	(313,473)	(311,140)
Investments in financings	**1,812,957**	**2,034,069**

Islamic investments in financings largely comprise conventional loans and advances made by a subsidiary of the Group.

7. Investments in financings (continued)

Financings subject to finance leases

2017	Investment in finance leases receivable	Unearned future finance income on finance leases	Gross investment in finance leases
Not later than one year	16,092	889	16,981
Later than one year and not later than five years	56,623	192	56,815
Later than five years	38	-	38
	72,753	**1,081**	**73,834**

2016	Investment in finance leases receivable	Unearned future finance income on finance leases	Gross investment in finance leases
Not later than one year	17,016	578	17,594
Later than one year and not later than five years	71,652	10,722	82,374
Later than five years	-	-	-
	88,668	**11,300**	**99,968**

8. Collateral received and re-pledged

There were no assets held as collateral against advances to financial institutions in the Group at 31 December 2017 (2016: Nil).

Repossessed collateral

Assets obtained by the Group during 2017 in the form of repossessed collateral amounted to USD 18.5 million (2016: USD 18.5 million).

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

9. Allowance account from credit losses

Allowance for impairment

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

	Investments in financings						
2017	Corporate financing	Bank financing	Agricultural financing	Consumer financing	Other financing	Other receivables	Total
Balance at 1 January	269,407	12,163	7,028	21,080	1,462	44,428	355,568
Provisions for impairment	22,041	(2,783)	1,469	12,747	3,913	19,674	57,061
Reversal of impairment provision	(11,259)	-	(881)	(2,801)	(4,400)	-	(19,341)
Loans written off as uncollectable	(1,127)	-	-	(159)	-	(384)	(1,670)
Amounts recovered	211	-	-	-	-	(2,726)	(2,515)
Foreign exchange	(13,877)	(55)	(551)	(916)	761	2,756	(11,882)
Balance at 31 December	265,396	9,325	7,065	29,951	1,736	63,748	377,221
Collective impairment	17,510	-	-	5,151	-	12,365	35,026
Individually impaired loans	247,886	9,325	7,065	24,800	1,736	51,383	342,195
2016							
Balance at 1 January	289,158	12,158	6,848	20,787	1,700	55,970	386,621
Provisions for impairment	14,201	-	130	237	6	844	15,418
Reversal of impairment provision	-	-	-	-	-	(915)	(915)
Loans written off as uncollectable	(35,789)	-	-	-	-	(10,649)	(46,438)
Foreign exchange	1,837	5	50	56	(244)	(822)	882
Balance at 31 December	269,407	12,163	7,028	21,080	1,462	44,428	355,568
Collective impairment	15,045	-	-	4,449	-	6,370	25,864
Individually impaired loans	254,362	12,163	7,028	16,631	1,462	38,058	329,704

10. Investment securities

	2017	2016 (Restated)
Investment securities available-for-sale	1,393,742	1,531,717
Investment securities carried at fair value through profit or loss (Debt)	76,878	79,501
Investment securities held to maturity (Debt)	122,260	200,098
	1,592,880	**1,811,316**
Gains from investment securities		
Sale of available-for-sale assets	84,005	96,300
Derecognition of available-for-sale assets	-	24
Provision for impairment of available-for-sale assets	(10,417)	(6,346)
(Losses)/gains on available-for-sale designated to income	(425)	1,346
Provision for impairment held-to-maturity	(41)	526
Term finance certificates	116	214
	73,238	**92,064**

The investment securities available for sale portfolio consist mainly of debt instruments. These are tested for impairment annually and no impairment indicators were identified based on factors such as profit coupon payments, the ability of the issuers and the fact that bonds are issued based on the government's support.

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

	2017	2016 (Restated)
At 1 January	1,593,717	1,584,683
Additions	3,710,005	2,334,707
Disposals	(3,758,700)	(2,391,406)
Net gains from changes in fair value	(5,634)	3,146
Net gains/(losses) fair value designated to income	(425)	1,346
Exchange differences	(72,804)	5,587
Reversal of impairment provision	547	455
Provision for impairment	(10,964)	(6,801)
At 31 December	**1,393,742**	**1,531,717**

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

	2017	2016 (Restated)
At 1 January	200,098	229,261
Additions	23,284	-
Matured	(93,397)	(30,800)
Provision for impairment	(41)	526
Exchange differences	(7,684)	1,111
At 31 December	**122,260**	**200,098**

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

Included in 2016 additions in Investment securities carried at fair value through profit or loss is the subscription of perpetual convertible capital securities of an asset held for sale (2016 : an associate).

11. Fair value of financial instruments

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

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

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

Assets and liabilities measured at fair value

At 31 December 2017	Level 1	Level 2	Level 3	Total
Trading securities				
Equity securities	-	9,956	-	9,956
Debt securities	-	304,895	-	304,895
Investment securities - carried at fair value through profit or loss				
Debt securities	-	76,878	-	76,878
Investment securities - available-for-sale				
Equity securities	50,014	-	175,391	225,405
Debt securities	-	1,168,337	-	1,168,337
Total assets measured at fair value	50,014	1,560,066	175,391	1,785,471
Derivatives held for trading	-	595	-	595
Total liabilities measured at fair value	-	595	-	595

Reconciliation of Level 3 items

	Investment securities			
	Equity securities	Debt securities	Total assets	Total liabilities
At 1 January 2017	84,446	-	84,446	-
Total (losses)/gains	(8,403)	-	(8,403)	-
Gains - other comprehensive income	1,137	-	1,137	-
Purchases	127,441	-	127,441	-
Sales	(29,230)	-	(29,230)	-
At 31 December 2017	175,391	-	175,391	-
Total profit for the year included in profit or loss for assets/liabilities held				
At 31 December 2017	(8,403)			(8,403)

11. Fair value of financial instruments (continued)

Assets and liabilities measured at fair value

At 31 December 2016	Level 1	Level 2	Level 3	Total (restated)
Trading securities				
Equity securities	1	10,403	-	10,404
Debt securities	-	16,606	-	16,606
Investment securities - carried at fair value through profit or loss				
Debt securities	-	79,501	-	79,501
Investment securities - available-for-sale				
Equity securities	59,766	65	84,255	144,086
Debt securities	-	1,387,631	-	1,387,631
Hedging derivatives	30	126	-	156
Total assets measured at fair value	59,797	1,494,332	84,255	1,638,384
Derivatives held for trading	8	-	-	8
Total liabilities measured at fair value	8	-	-	8

Reconciliation of Level 3 items

	Investment securities			
	Equity securities	Debt securities	Total assets	Total liabilities
At 1 January 2016	82,824	-	82,824	-
Total (losses)/gains	(6,509)	-	(6,509)	-
Gains - other comprehensive income	11,478	-	11,478	-
Purchases	-	-	-	-
Sales	(3,538)	-	(3,538)	-
At December 2016	84,255	-	84,255	-
Total profit for the year included in profit or loss for assets/liabilities held				
At 31 December 2016	1,777	-	1,777	-

There were no transfers between Levels 1, 2 and 3 during the year.

(a) Financial instruments in Level 1

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

11. Fair value of financial instruments (continued)

(b) Financial instruments in Level 2

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Pakistan Investment Bonds / Market Treasury Bills: Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the secondary market rates provided by the Mutul Fund Association of Pakistan.
- Sukuk: Fair values of Sukuk are derived using the market rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from different approved dealers / brokers.
- Term Finance Certificates: Fair values of TFCs and Sukuk certificates are derived using the secondary market rates provided by the Mutul Fund Association of Pakistan.
- Forward foreign exchange contracts: The valuation has been determined by interpolating the mid rates announced by the State Bank of Pakistan.
- Convertible bond: valuation is based on market yield for comparable bonds discounted to arrive at the fair value.

Sensitivity of Level 3 measurements to changes in assumptions

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

	Impact in equity	
At 31 December 2017	Favourable changes	Unfavourable changes
Investment securities - available-for-sale	23,720	(23,720)
At 31 December 2016		
Trading securities	-	-
Investment securities - available-for-sale	14,625	(14,625)

12. Accounts and other financial assets

	2017	2016
Accounts receivable	203,693	219,355
Provision for bad and doubtful debts (Note 9)	(63,748)	(44,428)
Repossessed assets	18,529	18,529
Prepayments	22,529	19,529
Other receivables	239,309	132,711
Derivative financial instruments (Note 11)	-	156
	379,254	**326,323**

Foreign exchange derivatives held for trading:

2017	Contractual amount	Fair value
Equity futures	-	-
Currency forwards	-	-
2016		
Equity futures	-	-
Currency forwards	12,097	156

13. Investment property

	2017	2016
At 1 January	509,049	526,180
Additions	4,966	352
Disposals	(13,526)	(8,261)
Fair value during the year	26,622	(4,627)
Net exchange differences	(1,051)	(4,595)
At 31 December	**526,060**	**509,049**

Rental income from investment property amounting to USD 4 million (2016: USD 4.2 million) has been included in the consolidated statement of income under other income (Note 28).

Investment properties are located in the Middle East, Canada, Asia and Europe. The valuation of the investment properties is based on the sales comparable approach with the key inputs being the price per square foot or on market comparable approach using rents, sale and discounted cash flows. On this basis and considering that there are no observable inputs, these investment properties are classified as level 3.

Sensitivity of Level 3 measurements to changes in assumptions

An assumed ± 10% movement in the fair value of Level 3 measurement has the following impact due to sensitivity of price per square foot or meter used in the valuation methodology:

	Impact in income	
At 31 December 2017	Favourable changes	Unfavourable changes
Investment property	52,606	52,606
At 31 December 2016		
Investment property	50,905	50,905

13. Investment property (continued)

Investment property under operating leases

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

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

	2017	2016
Not later than one year	1,975	1,836
Later than one year and not later than five years	3,874	5,100
	5,849	**6,936**

14. Fair values of land and buildings

An independent valuation of the Group's land and buildings recognised as investment property in the consolidated statement of financial position was performed by valuers to determine the fair value of the land and buildings as at 31 December 2017 and 2016. The revaluation surplus net of applicable deferred income taxes was debited or credited to the consolidated statement of income for assets recorded as investment property. The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

(a) Land and buildings in Level 1

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

(b) Land and buildings in Level 2

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices).

(c) Land and buildings in Level 3

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

Recurring fair value measurements

At 31 December 2017	Significant unobservable input (Level 3)	Total
Land	267,347	267,347
Office buildings	48,822	48,822
Other	28,891	28,891
	345,060	**345,060**

At 31 December 2016		
Land	246,764	246,764
Office buildings	48,560	48,560
Other	22,725	22,725
	318,049	**318,049**

There are no Level 1 or Level 2 investment property nor transfers between Levels 1 and 2 during 2017 or 2016.

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

14. Fair values of land and buildings (continued)

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

2017	Tour de Cointrin	Emile De Mot	Al Khumrah Land	Hidd Land
At 1 January	43,325	1,884	53,711	3,278
Revaluation gains or losses recognised in profit or loss	343	956	16,178	(715)
Exchange gains or losses recognised in other comprehensive income	1,804	-	-	-
Disposals	-	(2,840)	-	-
At 31 December	**45,472**	**-**	**69,889**	**2,563**

2017	Domaine Saint Alexandre	Richmond Road	Barbar Land	Polish Assets	Health Island
At 1 January	13,232	3,351	62,115	37,921	76,507
Revaluation gains or losses recognised in profit or loss	8,125	(1)	-	1,804	-
Exchange gains or losses recognised in other comprehensive income	-	-	-	8,185	-
Disposals	-	-	-	(12,993)	-
At 31 December	**21,357**	**3,350**	**62,115**	**34,917**	**76,507**

14. Fair values of land and buildings (continued)

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

2016	Tour de Cointrin	Emile De Mot	Al Khumrah Land	Hidd Land
At 1 January	44,609	1,995	53,711	5,706
Exchange gains or losses recognised in profit or loss	(86)	-	-	-
Revaluation gains or losses recognised in profit or loss	-	(111)	-	(2,428)
Exchange gains or losses recognised in other comprehensive income	(1,198)	-	-	-
Transfer to trading securities	-	-	-	-
At 31 December	**43,325**	**1,884**	**53,711**	**3,278**

2016	Domaine Saint Alexandre	Richmond Road	Barbar Land	Polish Assets	Health Island
At 1 January	14,275	2,999	62,115	41,298	76,155
Revaluation gains or losses recognised in profit or loss	(1,043)	352	-	-	-
Exchange gains or losses recognised in other comprehensive income	-	-	-	(3,377)	-
Additions	-	-	-	-	352
At 31 December	**13,232**	**3,351**	**62,115**	**37,921**	**76,507**

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

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

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

14. Fair values of land and buildings (continued)

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

Description	Fair Value	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
At 31 December 2017					
Tour de Cointrin Switzerland	45,472	Market comparable rents and sales and discounted cash flow	Rents per square meter, price per square meter, Capitalisation / discount rate	CHF 260-650 (CHF 450), CHF 7,500-9,000 (CHF 7,840), 5.25-5.75% (5.55%)	The higher the rent or price the higher the fair value. The lower the discount rate the higher the fair value.
Al Khumrah Land Kingdom of Saudi Arabia	69,889	Residual Approach & Comparables	Price per square meter	Residential Plots SAR 750-775 (SAR 750). Commercial Plots SAR 2,500-5,000 (SAR 2,900) or SAR 2,000-3,000 (SAR 2,300) or SAR 1,050-1,250 (SAR 1,200)	The higher the price per square meter the higher the fair value.
Hidd Land Kingdom of Bahrain	2,563	Sales Comparison Approach	Price per square foot	BHD 20.5	The higher the price per square foot the higher the fair value.
Domaine Saint Alexandre Canada	21,357	Direct Comparison Approach	Price Per Acre	CAD 47,000 - 50,000 [CAD 48,750]	The higher the price per acre the higher the fair value.

14. Fair values of land and buildings (continued)

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

Description	Fair Value	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Richmond Road Canada	3,350	Sales Comparison Approach	Price per square foot	CAD 20.00-25.00 (CAD 22.50)	The higher the price per square foot the higher the fair value.
Barbar Land Bahrain	62,115	Sales Comparable & Market Value Approach	Price per square foot	BD 15.02	The higher the price per square foot the higher the fair value.
Polish Assets Poland	34,917	Residual Method	Price per square meter	PLN 1,507-6,861 per square meter (PLN 3,674 per square meter)	The higher the price per square meter the higher the fair value.
Health Island Bahrain	76,507	Sales Comparable Approach	Price per square foot	BD 34.76	The higher the price per square foot the higher the fair value.

14. Fair values of land and buildings (continued)

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

Description At 31 December 2016	Fair Value	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Tour de Cointrin Switzerland	43,325	Market comparable rents and sales and discounted cash flow	Rents per square meter, price per square meter, Capitalisation / discount rate	CHF 260-650 (CHF 450), CHF 7,500-9,000 (CHF 7,800), 5.0-5.5% (5.25%)	The higher the rent or price the higher the fair value. The lower the discount rate the higher the fair value.
Emile De Mot Belgium	1,884	Income Capitalisation & Sales Comparison Approach	Rents per square meter Capitalisation	Office EUR 95-196 (EUR 110), Retail EUR 150-250 (EUR 150), Archive & Storage EUR 50-70 (EUR 55), Parking EUR 1,001-2,294 (EUR 1,400) 5.77%-10.93% (7.15%)	The higher yield and net income generated for a property results in the higher fair value.
Al Khumrah Land Kingdom of Saudi Arabia	53,711	Residual Approach	Price per square meter	Net Land Value SAR 547	The higher the price per square meter the higher the fair value.
Hidd Land Kingdom of Bahrain	3,278	Sales Comparison Approach	Price per square foot	BHD 23	The higher the price per square foot the higher the fair value.

14. Fair values of land and buildings (continued)

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

Description	Fair Value	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair value
Domaine Saint Alexandre Canada	12,264	(i) Sales Comparable Approach & (ii) Income (Direct) Capitalisation Approach	(i) Price per square foot & (ii) present value of Net Operating Income (after all costs and expenses)	Net Marketable Area CAD .70-2.70 (CAD 2.70), Sales Comparable Rate CAD 9.13-24.46 (CAD 14.62) , or CAD 9.13-9.80 (CAD 9.55), or CAD 15.48-24.46 (CAD 18.84)	(i) The higher the price per square foot the higher the fair value. (ii) The higher the estimated cost the lower the fair value.
			Capitalisation	15%	
	968	Cost Approach (Replacement Cost)	Cost of land including vacant building per square foot	Land CAD 18.00, Office building CAD 235.89	Replacement cost which represents the highest and best use of land and building will have impact on fair value.
Richmond Road Canada	3,351	Sales Comparison Approach	Price per square foot	CAD 20.00-25.00 (CAD 22.50)	The higher the price per square foot the higher the fair value.
Barbar Land Bahrain	62,115	Sales Comparable & Market Value Approach	Price per square foot	BD 15.02	The higher the price per square foot the higher the fair value.
Polish Assets Poland	37,921	Residual Method	Price per square meter	PLN 2,300-8,678 per square meter (PLN 6,506 per square meter)	The higher the price per square meter the higher the fair value.
Health Island Bahrain	76,507	Sales Comparable Approach	Price per square foot	BD 31.51	The higher the price per square foot the higher the fair value.

15. Investments in associates

	2017	2016
At 1 January	700,802	685,048
Share of results before tax	22,977	47,092
Share of tax	18	113
Dividends paid	(22,484)	(18,202)
Share of fair value	8,009	1,165
Disposals	(3,374)	-
Reclassified to non current assets held for sale	(477,182)	-
Amortisation of intangibles	(6,459)	(6,749)
Exchange differences	(2,100)	(7,665)
At 31 December	**220,207**	**700,802**

Set out below are the associates of the Group as at 31 December 2017, which, in the opinion of the Group, are material. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by a subsidiary of the Group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associates

Entity	Place of business/country of incorporation	% of ownership subsidiary	% of ownership Group	Measurement method
2017				
Solidarity Group Holding B.S.C. (c)	Bahrain	36	17	Equity
Nassej B.S.C. (c)	Bahrain	31	14	Equity
2016				
Nassej B.S.C. (c)	Bahrain	31	14	Equity
Solidarity Group Holding B.S.C. (c)	Bahrain	36	17	Equity
BBK B.S.C.	Bahrain	25	12	Equity

The Group has initiated an active program to locate a buyer for certain assets. Accordingly, these assets were consequently presented as an asset classified as held for sale in the consolidate statement of financial position.

At the reporting date, the assets classified as held for sale amounted to USD 477.1 million.

15. Investments in associates (continued)

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

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

Summarised financial information for associates

Set out below are the summarised financial information for Naseej B.S.C. (c) and Solidarity Group Holding B.S.C. (c) which are accounted for using the equity method.

Summarised balance sheet

At 31 December	Naseej B.S.C. (c)		Solidarity Group Holding B.S.C. (c)		BBK B.S.C.		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Cash and cash equivalents	122,525	21,353	22,811	60,288	-	834,753	145,336	916,641
Other assets	303,191	400,219	374,449	319,864	-	8,996,784	677,640	9,716,867
Total assets	**425,716**	**421,572**	**397,260**	**380,152**	**-**	**9,831,537**	**822,976**	**10,633,261**
Financial liabilities	76,158	38,316	-	-	-	1,726,065	76,158	1,764,381
Other liabilities	1,078	34,122	187,532	170,817	-	6,846,272	188,610	7,051,211
Total liabilities	**77,236**	**72,438**	**187,532**	**170,817**	**-**	**8,572,337**	**264,768**	**8,815,592**
Net assets	**348,480**	**349,133**	**209,728**	**209,335**	**-**	**1,259,200**	**558,208**	**1,817,669**

15.Investments in associates (continued)

Summarised statement of comprehensive income

At 31 December	Nassej B.S.C. (c)		Solidarity Group Holding B.S.C. (c)		BBK B.S.C.		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Income	21,004	25,105	32,312	25,923	-	354,370	53,316	405,398
Expense	(7,438)	(8,930)	(23,024)	(16,813)	-	(201,125)	(30,462)	(226,868)
Income tax expense	-	-	(34)	(32)	-	(2,643)	(34)	(2,675)
Post-tax profit	**13,567**	**16,175**	**9,254**	**9,078**	-	**150,602**	**22,821**	**175,855**
Dividends received from associate	**4,244**	**-**	**6,789**	**-**	-	**18,203**	**411,033**	**18,203**

As BBK B.S.C. has been reclassified to asset held-for-sale, the related statement of comprehensive income numbers are not stated.

Reconciliation of summarised financial information

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

	Nassej B.S.C. (c)		Solidarity Group Holding B.S.C. (c)		BBK B.S.C.		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Opening net assets	**349,133**	**333,682**	**209,335**	**185,797**	-	**927,035**	**558,468**	**1,446,514**
Profit for the period	13,567	16,175	9,254	9,078	-	150,602	22,821	175,855
Other comprehensive income/(loss)	574	(465)	(975)	(1,143)	-	28,806	(401)	27,198
Dividends	-	-	-	-	-	(71,722)	-	(71,722)
Convertible capital securities issued	-	-	-	-	-	228,619	-	228,619
Convertible capital securities accrued profit	-	-	-	-	-	(9,427)	-	(9,427)
Return of capital	-	-	-	-	-	-	-	-
Foreign exchange differences	(19,038)	(7,047)	(7,886)	15,603	-	5,287	(26,924)	13,843
Closing net assets	**344,236**	**342,345**	**209,728**	**209,335**	-	**1,259,200**	**553,964**	**1,810,880**
Adjusted for convertible capital securities	-	-	-	-	-	(228,619)	-	(228,619)
Adjusted net assets	**344,236**	**342,345**	**209,728**	**209,335**	-	**1,030,581**	**553,964**	**1,030,581**
% Interest in associates	31%	31%	36%	36%	-	25%	-	25%
Attributable to the Group	**106,713**	**106,127**	**75,502**	**75,361**	-	**258,099**	**171,729**	**171,294**
Interest in associates	**106,713**	**106,127**	**75,502**	**75,361**	-	**258,099**	**171,729**	**171,294**
Goodwill	-	-	-	-	-	110,952	-	110,952
Intangible assets	-	-	-	-	-	76,462	-	76,462
Carrying value at 31 December	**106,713**	**106,127**	**75,502**	**75,361**	-	**445,513**	**171,729**	**171,294**

15. Investments in associates (continued)

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

Name and Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	% holding Subsidiary	Group
2017						
Unlisted:						
Solidarity Group Holding B.S.C. (c) (Bahrain)	397,260	187,532	32,312	9,254	36	17
CIAM-Shamil Asset Management Company Limited (Hong Kong)	630	6	-	-	50	23
Sanpak Engineering (Pakistan)	9,508	6,649	2,775	1,276	31	14
*Misr Company for Packing Materials "Egywrap" (Egypt)	13,667	6,036	866	539	23	11
Faysal Asset Management Limited (Pakistan)	1,929	306	1,254	(596)	30	14
*Ithraa Capital (Saudi Arabia)	19,418	1,231	2,870	235	23	11
Naseej B.S.C. (c) (Bahrain)	425,716	77,236	21,004	13,567	31	14
*Chase Manara B.S.C. (c) (Bahrain)	5,427	58	-	-	40	19
*Islamic Trading Company E.C. (Bahrain)	1,240	214	34	(175)	24	11
*Emerging Markets Partnership Bahrain B.S.C. (c) (Bahrain)	2,054	833	-	-	40	19

*For some of the associates, published information is not available for 31 December 2017 and therefore the income and profit and loss have been arrived at by using the last available audited financial statements. For presentation purposes, the assets and liabilities for these associates, however, represent the amounts as per the last audited financial statements.

15. Investments in associates (continued)

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

Name and Country of incorporation	Assets	Liabilities	Income	Profit/(loss)	% holding Subsidiary	% holding Group
2016						
Unlisted:						
Solidarity Group Holding B.S.C. (c) (Bahrain)	380,152	170,817	25,923	9,078	36	17
CITIC International Asset Management Limited (Hong Kong)	459,462	85,788	5,982	(3,322)	20	9
CIAM-Shamil Asset Management Company Limited (Hong Kong)	630	6	-	-	50	23
Sanpak Engineering (Pakistan)	9,267	7,530	1,827	191	31	14
Misr Company for Packing Materials "Egywrap" (Egypt)	13,446	5,939	1,533	954	23	11
Faysal Asset Management Limited (Pakistan)	2,598	280	1,130	(94)	30	14
Ithraa Capital (Saudi Arabia)	17,946	1,176	312	(2,287)	23	11
Naseej B.S.C. (c) (Bahrain)	421,572	72,435	25,105	16,175	28	13
Chase Manara B.S.C. (c) (Bahrain)	4,472	236	-	(138)	40	19
Islamic Trading Company E.C. (Bahrain)	2,707	137	68	-	24	11
Emerging Markets Partnership Bahrain B.S.C. (c) (Bahrain)	2,054	833	-	-	40	19

15. Investments in associates (continued)

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

Name and Country of incorporation	Assets	Liabilities	Income	Profit/ (loss)	Published price quotation	Carrying value per share	% holding Subsidiary	% holding Group
2016								
Listed:								
BBK B.S.C. (Bahrain)	9,831,537	8,572,337	354,371	150,602	BHD .40	BHD .61	25	12

BHD Bahrain Dinar

Included in investment in associates at 31 December 2017 is USD Nil million (2016: USD 110.9 million) of goodwill. The movement is as follows:

	2017	**2016**
At 1 January	110,939	110,939
Reclassified to assets held for sale	(110,939)	-
At 31 December	**-**	**110,939**

16. Property, Plant and Equipment

	Land and buildings	Leasehold property, furniture, equipment and motor vehicles	Total
Cost			
At 1 January 2017	108,266	116,253	224,519
Additions	24,701	13,488	38,189
Disposals	-	(3,607)	(3,607)
Foreign exchange differences	(2,271)	(4,352)	(6,623)
At 31 December 2017	**130,696**	**121,782**	**252,478**
Depreciation			
At 1 January 2017	17,082	93,274	110,356
Charge for the year	505	7,352	7,857
Disposals	-	(3,645)	(3,645)
Foreign exchange differences	(746)	(3,066)	(3,812)
At 31 December 2017	**16,841**	**93,915**	**110,756**
Cost			
At 1 January 2016	112,038	112,198	224,236
Additions	-	10,587	10,587
Disposals	(4,012)	(6,842)	(10,854)
Foreign exchange differences	240	310	550
At 31 December 2016	**108,266**	**116,253**	**224,519**
Depreciation			
At 1 January 2016	16,564	93,660	110,224
Charge for the year	449	5,927	6,376
Disposals	-	(6,528)	(6,528)
Foreign exchange differences	69	215	284
At 31 December 2016	**17,082**	**93,274**	**110,356**
Net book value			
At 31 December 2017	**113,855**	**27,867**	**141,722**
At 31 December 2016	**91,184**	**22,979**	**114,163**

Land and buildings at 31 December 2017 included cost of land aggregated USD 104 million (2016: USD 80.1 million).

Leasehold property at 31 December 2017 aggregated USD 38.6 million (2016: USD 34.4 million), less accumulated depreciation of USD 25.4 million (2016: USD 25.7 million).

17. Intangible assets

	Goodwill	Customer relations	Core deposits	Other	Total
2017					
Year ended 31 December					
Opening net book amount	217,323	52,374	72,806	5,607	348,110
Additions	-	-	-	2,075	2,075
Disposals	-	-	-	-	-
Foreign exchange	-	(408)	-	-	(408)
Amortisation/impairment	-	(6,626)	(22,579)	(2,770)	(31,975)
Closing net book amount	**217,323**	**45,340**	**50,227**	**4,912**	**317,802**
At 31 December					
Cost	293,523	113,568	172,720	34,962	726,373
Accumulated amortisation and impairment	(76,200)	(68,227)	(122,494)	(30,050)	(408,571)
Net book amount	**217,323**	**45,341**	**50,226**	**4,912**	**317,802**
2016 (restated)					
Year ended 31 December					
Opening net book amount	253,009	58,728	82,597	6,505	400,839
Additions	-	-	-	2,105	2,105
Disposals	-	-	-	(641)	(641)
Foreign exchange	-	506	-	219	725
Amortisation/impairment	(35,686)	(6,860)	(9,791)	(2,581)	(54,918)
Closing net book amount	**217,323**	**52,374**	**72,806**	**5,607**	**348,110**
At 31 December					
Cost	293,523	113,975	172,720	32,878	613,096
Accumulated amortisation and impairment	(76,200)	(61,601)	(99,914)	(27,271)	(264,986)
Net book amount	**217,323**	**52,374**	**72,806**	**5,607**	**348,110**

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

	2017	**2016**
Ithmaar Holding B.S.C	217,323	217,323
	217,323	**217,323**

17. Intangible assets (continued)

The Board of Directors of Islamic Investment Company of the Gulf (Bahamas) Limited (IICG) decided to close its business activities in Saudi Arabia within the next 5 years, following the directives of the regulatory authorities in the Kingdom of Saudi Arabia. Subsequently, the Group reassessed the valuation of the Company, and impaired the goodwill Nil (2016: USD 32.2 million). Impairment has been recognised on the intangible balances of USD 14.5 million (2016: Nil).

18. Assets classified as held-for-sale

Description	2017	2016
BBK B.S.C.	411,466	-
Citic International Assets Management Ltd. (CIAM)	65,716	-
	477,182	-

The group classified BBK B.S.C. and CIAM as asset held-for-sale on 1 July 2017 and 31 December 2017 respectively. The classification was based on Group meeting the following conditions,

- The assets were available for in its immediate sell in its present condition
- The IB Capital B.S.C.(C) board had formerly resolved the intention to immediately sell the above investments.
- An active mandate was provided to the third party to sell the above investments at a price that was reasonable to its current fair value.

Based on reassessment performed by the management, in the above conditions were valid for BBK B.S.C. as at 31 December 2017. A fair value loss of USD 12mn was recognised in the consolidated income statement for BBK B.S.C. on 1 July 2017. Based on FVLCTS performed by an independent third party, management concluded that the carrying value of the above investment was lower as at 31 December 2017 and hence no further fair value adjustment was included in consolidated financial statements.

On 31 March 2018, the Group has reclassified investment in BBK. B.S.C. as an associate as the conditions for classification as asset held for sale were no longer met as the sale was no longer highly probable.

Assets classified as held-for sale amounting to USD 411 million is pledged as collateral against borrowings with the terms and conditions in the ordinary course of business.

19. Accounts payable

	2017	2016
Accounts payable and other provisions	96,559	77,616
Advance received from customers	75,956	75,771
Demand drafts	66,162	57,329
Accruals	48,066	41,377
Security deposits on consumer leases	27,418	36,749
Dividends payable	33,998	13,604
Derivative financial instruments	39,912	8
Employee payables	18,546	18,370
Deferred income	316	201
	406,933	**321,025**

There were no liabilities against assets subject to finance leases at 31 December 2017 (2016: Nil).

Derivative financial instruments

Foreign exchange derivatives held for trading:

2017	Contractual amount	Fair value
Equity futures	21,391	(595)

2016	Contractual amount	Fair value
Equity futures	2,706	8

20. Tax liability

	2017	2016
Current tax (receivable)/payable		
At 1 January	(17,693)	(15,667)
Charge for the period	17,089	15,214
Payments made	(26,665)	(17,147)
Adjustment due to withholding tax payment	102	(80)
Refund	23	-
Exchange differences	1,448	(13)
At 31 December	**(25,696)**	**(17,693)**
Deferred tax (asset)/liability		
At 1 January	(23,712)	(30,352)
Charge for the period	9,336	10,293
Changes due to fair value reserve	(3,679)	(3,487)
Refund	(6)	(6)
Exchange differences	1,274	(160)
At 31 December	**(16,787)**	**(23,712)**

21. Due to customers, banks and other financial institutions

	2017	2016
Customer current accounts		
Individuals	692,342	663,081
Financial institutions	2,558	2,405
Corporate institutions	1,076,600	915,626
Customer investment accounts		
Individuals	846,293	979,790
Financial institutions	835,834	857,177
Corporate institutions	987,820	1,153,617
Investments from off balance sheet funds	3,181	28,285
Due to banks and financial institutions	1,147,991	1,150,113
	5,592,619	**5,750,094**

Customer current accounts include balances relating to a counterparty amounting to USD 215.6 million (2016: USD 187.8 million) which was subject to sanctions under US, EU and UN measures.

The remaining due to customers represents conventional deposits accepted by a subsidiary of the Group.

Due to banks and financial institutions include balances totalling USD 432.1 million from two counterparties (2016: USD 417.2 million) which were subject to sanctions under US, EU and UN measures and having contractual maturity ranging to up to one month as at 31 December 2017.

As at 31 December 2017, there were collateralised borrowing in aggregate USD117.7 mn (31 December 2016: USD 134.5 mn).

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

22. Provisions

Included under liabilities are the following provisions:

	2017	2016 (Restated)
Funds under management guarantee*	62,491	62,491
Other provision	5,826	5,826
	68,317	**68,317**

* It includes provision related indemnity agreement. As per the indemnity agreement dated 12 April 2011, IICG a related party, acting as Modareb for funds managed by it was induced to purchase certain assets from another related parties for a value which exceeded the fair value by USD 55 million as at that date. DMI has given an unconditional and irrevocable guarantee to IICG funds under management (IICG FUM) for this fair value difference of USD 55 million. This obligation under the indemnity agreement will remain inforce till assets are liquidated and the IICG FUM can request indemnity for USD 55 million during the term of the agreement.

23. Collateralised borrowings

Financial assets pledged to secure liabilities:

At 31 December 2017, there were collateralised borrowings in aggregate of USD 117.7 million (2016: USD 134.5 million).

Cash dividends amounting to USD 21.8 million (2016: USD 14.6 million) on certain shares pledged as collateral was directly received by the lender during the year and adjusted against the outstanding facility amount as per the agreed terms.

24. Net trading income

	2017	2016
Income from foreign exchange trading	12,324	12,520
Income from government securities	14,865	3,830
(Losses) on trading securities (Note 6)	(1,213)	(428)
(Losses)/gains from revaluation	(2,980)	11,373
	22,996	**27,295**

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

25. Income from investments in financings

Income from investment in financing mainly arises from banking subsidiaries in Bahrain and Pakistan.

26. Fee and commission income

	2017	2016
Arrangement fees	3,404	7,132
Guarantee fees	1,452	1,608
Documentary credit fees	1	3,274
Structuring fees and commissions	3,324	577
Other fees from banking services	39,489	33,502
	47,670	**46,093**

27. Income from investments

	2017	2016
Investment securities held to maturity	16,182	23,983
Investment securities available-for-sale	2,229	2,976
	18,411	**26,959**

Income from investment represents a mixture of dividend and profit rate income.

28. Gains from other income

	2017	2016
Fair value (losses) on investment properties	26,622	(4,627)
Rental income from investment properties	3,958	4,157
Loss on disposal of investment properties	(12,993)	-
Gains on disposal of subsidiaries	-	1,631
Other	5,580	3,766
	23,167	**4,927**

29. Staff costs

	2017	2016
Salaries	81,020	76,633
Social security and other statutory costs	2,947	3,011
Pension and end of service	5,990	6,387
Other benefits	11,374	12,881
	101,331	**98,912**

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

30. General and administrative expenses

	2017	2016
Office expenses	49,906	46,299
Professional fees	15,038	17,878
Other	31,202	28,781
	96,146	**92,958**

31. Proposed dividend

No dividend has been proposed for 2017 (2016: Nil).

32. Taxes

	2017	2016
Current taxes	17,089	15,214
Deferred taxes	9,336	10,293
	26,425	25,507

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

32. Taxes (continued)

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

	2017	2016
Net accounting (loss)	(20,048)	10,317
Attributable to zero tax jurisdictions	(75,851)	(58,843)
Attributable to taxable jurisdictions	55,803	69,160
Weighted average tax rate	44%	35%
Weighted average effective tax	(24,555)	(23,864)
Government levied exceptional tax	(1,870)	(1,643)
Effective tax expense	(26,425)	(25,507)

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

Deferred tax assets and liabilities arises at banking subsidiary in Pakistan. Deferred tax assets mainly arises due to different treatment within tax law for provision for impairment in investment in financing and diminution in the value of investment. Similarly differed tax liabilities arises mainly on account of revaluation of fixed assets and different depreciation rates within the tax law.

33. Non-controlling interests

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

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

	2017		2016 (Restated)	
	Non-controlling %		Non-controlling %	
Ithmaar Holding B.S.C. and wholly owned subsidiaries	50.4	205,593	54	247,309
Faysal Bank Limited	33	113,980	33	109,780
Dilmunia Development Fund I LP	60	103,000	60	103,000
Gulf Investors Asset Management	27	5,548	27	6,162
Health Island B.S.C. (C)	50	49,386	50	63,176
Cityview Real Estate Development B.S.C. (C)	49	(4,490)	49	(2,694)
Sakana Holistic Housing Solutions B.S.C. (C)	50	4,165	50	5,079
		477,182		531,812

The non-controlling interest appropriation in the consolidated statement of income of USD 31.8 million represents the non-controlling shareholders' share of the loss of these subsidiaries for 2017 (2016: USD 21.2 million profit).

33. Non-controlling interests (continued)

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

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

	Ithmaar Holding B.S.C. Period ended 31 December	
Summarised Balance Sheet	**2017**	**2016**
Assets	6,804,411	6,556,762
Liabilities	6,290,332	5,961,276
Net assets	514,080	595,486

Summarised Income Statement	**2017**	**2016**
Income	203,668	229,473
(Loss)/gain before income tax	(40,187)	44,383
Income tax expense	(26,424)	(25,503)
Post-tax (loss)/gain	(66,612)	18,880
Other comprehensive income	20,781	1,868
Total comprehensive (loss)/income	(45,831)	20,748
Total comprehensive income/(loss) allocated to non-controlling interests	18,662	12
Dividend paid to non-controlling interests	-	-

Summarised Cash Flows	**2017**	**2016**
Cash flows from operating activities	26,171	52,176
Cash generated from operations	251,487	143,659
Net (increase) in investments	(183,566)	(22,704)
Taxes paid	(22,731)	(14,791)
Foreign currency translation adjustments	13,329	(27,259)
Net increase/(decrease) in cash and cash equivalents	**84,690**	**131,081**
Cash and cash equivalents at beginning of year	878,640	747,559
Cash and cash equivalents at end year	963,330	878,640

The information above is the amount before intercompany eliminations.

34. Funds under management

Islamic Investment Company of the Gulf (Bahamas) Limited ("IICG"), a subsidiary of the Group, as the Fund Manager, manages Funds Under Management (FUM) totalling USD 2.1 billion (2016: USD 2.2 billion) of which USD 1.7 billion (2016: USD 1.8 billion) has been marketed in Saudi Arabia by the Private Offices of His Royal Highness Late Prince Mohamed Al Faisal Al Saud.

In February 2016, IICG communicated to its investors in Saudi Arabia that it intended to wind up IICG's Funds Under Management ("FUM") in Saudi Arabia as the regulator, Capital Markets Authority ("CMA"), declined to grant any exemptions with respect to the registration and transfer of such FUM to a CMA registered subsidiary of IICG. The FUM has commenced distribution of the disposal proceeds of the underlying assets to the investors as and when such proceeds are realised. The final liquidation proceeds will only be known upon completion of the liquidation process which may take several years.

As a part of winding up of the operations, IICG's management recognises that claims may be initiated against IICG by investors who are unlikely to recover the full value of their investments. As of the date of these financial statements, eighty two investors (2016: thirty nine) have filed legal claims in Saudi Arabian courts against IICG claiming refund of the full value of their investments totalling to USD 23.3 million (2016: USD 6.9 million). Of the eighty two legal cases, the court has rendered judgment in fifteen legal claims (2016: one) amounting to USD 2.5 million (2016: USD 0.13 million). IICG has challenged such judgments in the Appeal Court. The Appeal Court has rendered its judgement in two cases amounting to USD 0.2 million (2016: Nil). IICG has challenged the judgement of the Appeal Court in the Royal Court. The Royal Court has referred one appeal amounting to USD 0.13 million to Supreme Court for further consideration.

Management believes that the risk of loss arising from these or similar claims attaching to the IICG's FUM activities is less than probable because of the uncertainty surrounding the interpretations of the underlying agreements used for FUM activities. The value of future claims of similar nature cannot be reasonably estimated. Therefore, IICG does not carry any provision for any such claims.

35. Retirement benefit plans

The Group has a set retirement benefit plan. The assets of the funded plans are held in separate trustee administered funds. These plans are valued by independent actuaries every year using the projected unit credit method. For the other subsidiaries within the Group, defined contribution plan applies.

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

	2017	2016
Balance sheet obligations for pension benefits	(448)	3,629
Income statement charge for pension benefits	(2,369)	1,188
Remeasurements for pension benefits	(4,045)	(3,872)

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

	2017	2016
Present value of funded obligations	41,655	43,179
Fair value of plan assets	(42,104)	(39,550)
Deficit of funded plans	**(448)**	**3,629**
Liability in the balance sheet	**(448)**	**3,629**

35. Retirement benefit plans (continued)

At year end the present value of the defined benefit obligation comprised approximately USD 19.5 million (2016: USD 28.9 million) relating to active employees, USD 4.6 million (2016: USD Nil million) relating to deferred members and USD 17.5million (2016: USD 14.2 million) relating to members in retirement.

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

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2017	43,179	(39,551)	3,628
Current service cost	926	(229)	697
Financial costs/(income)	250	-	250
Past service cost	(3,316)	-	(3,316)
	41,039	**(39,780)**	**1,259**
Remeasurements:			
Return on plan assets, excluding amounts included in financial (income)/costs	-	(1,251)	(1,251)
Loss/(gain) from change in demographic assumptions	-	-	-
Loss/(gain) from change in financial assumptions	-	-	-
Experience (gains)/losses	64	-	64
	41,103	**(41,031)**	**72**
Exchange differences	1,895	(1,773)	122
Contributions:			
Employers	-	(643)	(643)
Plan participants	153	(153)	-
Payments from plans:			
Benefit payments	(1,418)	1,418	-
Insurance premiums for risk benefits	(78)	78	-
At 31 December 2017 (Excedent)	**41,655**	**(42,104)**	**(449)**

35. Retirement benefit plans (continued)

	Present value of obligation	Fair value of plan assets	Total
At 1 January 2016	60,403	(53,164)	7,239
Current service cost	1,140	(364)	776
Financial costs/(income)	412	-	412
	61,955	**(53,528)**	**8,427**
Remeasurements:			
Return on plan assets, excluding amounts included in financial (income)/costs	-	(1,163)	(1,163)
Loss/(gain) from change in demographic assumptions	35	-	35
Loss/(gain) from change in financial assumptions	485	-	485
Experience (gains)/losses	(3,345)	-	(3,345)
	(2,825)	**(1,163)**	**(3,988)**
Exchange differences	(1,279)	1,172	(107)
Contributions:			
Employers	-	(704)	(704)
Plan participants	161	(161)	-
Payments from plans:			
Benefit payments	(14,701)	14,701	-
Insurance premiums for risk benefits	(132)	132	-
At 31 December 2016	**43,179**	**(39,551)**	**3,628**

35. Retirement benefit plans (continued)

The significant actuarial assumptions were as follows:

	2017	2016
Discount rate	0.6%	0.6%
Salary growth rate	2.0%	2.0%

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

	2017	2016
Retiring at the end of the reporting period:		
Male	22.4	22.3
Female	24.4	24.3
Retiring 25 years after the end of the reporting period:		
Male	24.6	24.6
Female	26.6	26.6

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

	Impact on defined benefit obligations		
2017	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Increase by 2.9%	Decrease by 2.6%
		Increase by one year in assumption	Decrease by one year in assumption
Life expectancy		Increase by 1.1%	Decrease by 1.1%
2016			
Discount rate	0.5%	Increase by 4.9%	Decrease by 4.3%
		Increase by one year in assumption	Decrease by one year in assumption
Life expectancy		Increase by 1.7%	Decrease by 1.7%

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

35. Retirement benefit plans (continued)

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

	2017	**2016**
At 1 January	3,629	7,239
Defined benefit cost included in P&L	(2,369)	1,188
Total remeasurement included in OCI	(1,199)	(3,872)
Employer contributions	(643)	(704)
Exchange differences	134	(222)
At 31 December	**(448)**	**3,629**

Plan assets are comprised as follows:

	2017				**2016**			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Assets held by insurance company	-	25,396	25,396	60	-	22,782	22,782	58
Property in Switzerland	-	12,778	12,778	30	-	12,625	12,625	32
Cash and cash equivalents	3,928	-	3,928	10	4,142	-	4,142	10
Total	**3,928**	**38,174**	**42,102**	**100**	**4,142**	**35,407**	**39,549**	**100**

Pension assets include Swiss real estate partially occupied by the Group with a fair value of USD 12.8 million (2016: USD 12.6 million).

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

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

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

35. Retirement benefit plans (continued)

The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2017 are managed by an insurance company, although the Group also invests in property and cash.

Expected contributions to post-employment benefit plans for the year ending 31 December 2018 are USD 0.3 million (2017: USD 0.5 million).

The weighted average duration of the defined benefit obligation is 5.5 years (2016: 9.1 years).

The expected maturity analysis of undiscounted pension benefits at 31 December 2017 was:

	Less than a year (USD)	Between one to two years (USD)	Between three to five years (USD)	Over five years (USD)	Total (USD)
Undiscounted pension benefits	271	11,540	1,382	2,332	15,525

36. Related party transactions and balances

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

a) Loans to key management personnel

	2016	**2016**
Loans		
Loans outstanding at 1 January	1,107	852
Loans issued during the year	1,378	561
Loan repayments during the year	(891)	(307)
Foreign exchange	(44)	1
Loans outstanding at 31 December	1,550	1,107

No provisions were recognised in respect of loans given to related parties (2016: USD Nil).

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

b) Loans to employees

All employees of the Group are entitled to receive employee loans on favourable terms not equivalent to those of transactions made on an arm's length basis. Included in accounts receivable are amounts due from employees at 31 December 2017 of USD 23.6 million (2016: USD 23.1 million).

36. Related party transactions and balances (continued)

c) Current and investment accounts

	Associated companies	
Period ended	**2017**	**2016**
Amounts receivable from:		
Naseej B.S.C. (c)	10,456	10,456
Amounts payable to:		
Naseej B.S.C. (c)	51,667	33,813

d) Key management compensation

	2017	**2016**
Salaries and other short term benefits	13,262	13,981
Post-employment benefits	221	394
Other long term benefits	341	333
	13,824	14,708

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

37. Contingent liabilities and commitments

Contingent liabilities	**2017**	**2016**
Acceptances and endorsements	62,824	72,669
Performance bid bonds	54,600	41,601
Customer claims	327,178	369,907
Guarantees and irrevocable letters of credit	820,707	709,662
	1,265,309	**1,193,839**

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

One of the subsidiary which operates in Saudi Arabia is registered in the Commonwealth of the Bahamas and regulated by the Bahamian authorities. The Private offices of Late HRH Price Mohammad Al Faisal Al Saud (Ex-Chairman and major shareholder of DMIT) is the representative to market its investment products in Saudi Arabia. A potential risk of tax liability in Saudi Arabia is remote and no inquiries or notifications have been received from the authorities in Saudi Arabia. Therefore, no provision for tax has been recorded in this consolidated financial statements.

37. Contingent liabilities and commitments (continued)

Naseej B.S.C. (c) carried at 31 December 2017 contingent liabilities of USD 32.4 million (2016: USD 32.4 million), of which the Group's share was USD 4.2 million (2016: USD 4.2 million). These related to guarantees and letters of credit issued as part of their normal banking operations.

Sanpak Engineering carried at 31 December 2017 contingent liabilities of USD 0.7 million (2016: USD 0.7 million), of which the Group's share was USD 0.1 million (2016: USD 0.1 million). These related to guarantees and letters of credit issued as part of their normal banking operations.

Commitments	**2017**	**2016**
Undrawn facilities, financing lines	1,113,423	778,514
Other commitments to finance	18,960	18,665
Repurchase and resale transactions	297,331	352,151
	1,429,714	**1,149,330**

Operating lease commitments

Commitments for operating leases included cars and office equipment.

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

	2017	**2016**
Not later than one year	4	12
Later than one year and not later than five years	16	-
	20	**12**
Significant net open foreign currency position	**462,584**	**696,497**

38. Current and non-current assets and liabilities

At 31 December 2017	Current	Non-current	Total
Cash and bank balances	1,008,457	-	1,008,457
Due from Islamic institutions	179	17	196
Trading securities	309,182	5,669	314,851
Investments in financings	1,265,803	547,154	1,812,957
Investment securities	1,340,765	252,115	1,592,880
Accounts and other financial assets	106,247	273,007	379,254
Current tax receivable	26,746	-	26,746
Investment property	100,656	425,404	526,060
Investments in associates	-	220,207	220,207
Property, plant and equipment	659	141,063	141,722
Intangible assets	493	317,309	317,802
Assets held for sale	477,182	-	477,182
Deferred tax assets	-	21,142	21,142
Total assets	**4,636,369**	**2,203,087**	**6,839,456**
Customer current accounts	1,771,500	-	1,771,500
Customer investment accounts	2,667,313	2,634	2,669,947
Due to banks and other financial institutions	1,112,420	35,571	1,147,991
Investments from off balance sheet funds	3,181	-	3,181
Provisions	7,491	60,826	68,317
Accounts payable	336,710	70,223	406,933
Current tax payable	1,050	-	1,050
Deferred tax liabilities	-	4,355	4,355
Total liabilities	**5,899,665**	**173,609**	**6,073,274**
Net assets/liabilities	**(1,263,296)**	**2,029,478**	**766,182**

At 31 December 2016			
Total assets	**3,726,340**	**3,244,631**	**6,970,971**
Total liabilities	**5,985,760**	**158,686**	**6,144,446**
Net assets/liabilities	**(2,259,420)**	**3,085,945**	**826,525**

39. Concentration of assets and liabilities

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

Geographical regions	Asia/ Pacific	Middle East	Europe	North America	Others	Total
At 31 December 2017						
Cash and bank balances	441,867	449,700	96,537	20,353	-	1,008,457
Due from Islamic institutions	-	196	-	-	-	196
Trading securities	304,895	9,956	-	-	-	314,851
Investments in financings	1,753,059	5,102	26,304	-	28,492	1,812,957
Investment securities	1,341,451	229,381	5,943	9,719	6,386	1,592,880
Accounts and other financial assets	53,518	114,308	208,177	3,246	5	379,254
Current tax receivable	26,736	10	-	-	-	26,746
Investment property	14,221	408,688	78,445	24,706	-	526,060
Investments in associates	1,143	219,064	-	-	-	220,207
Property, plant and equipment	54,418	87,304	-	-	-	141,722
Intangible assets	13,549	304,253	-	-	-	317,802
Assets held for sale	66,440	410,742	-	-	-	477,182
Deferred tax assets	21,142	-	-	-	-	21,142
Total assets	**4,092,439**	**2,238,704**	**415,406**	**58,024**	**35,433**	**6,839,456**
Customer current accounts	1,130,972	375,396	241,139	23,847	146	1,771,500
Customer investment accounts	1,904,714	765,233	-	-	-	2,669,947
Due to banks	497,482	647,422	-	-	3,087	1,147,991
Investments from off balance sheet funds	-	1	-	3,180	-	3,181
Provisions	-	5,826	62,491	-	-	68,317
Accounts payable	171,592	228,670	6,649	22	-	406,933
Current tax payable	-	3	1,047	-	-	1,050
Deferred tax liabilities	-	230	4,125	-	-	4,355
Total liabilities	**3,704,760**	**2,022,781**	**315,451**	**27,049**	**3,233**	**6,073,274**
Net on-balance sheet position	**387,679**	**215,923**	**99,955**	**30,975**	**32,200**	**766,182**
Contingent liabilities and commitments	**2,158,087**	**521,380**	**15,383**	**-**	**173**	**2,695,043**
At 31 December 2016						
Total assets	**4,188,914**	**2,340,503**	**244,456**	**85,892**	**111,206**	**6,970,971**
Total liabilities	**3,907,020**	**1,915,974**	**266,474**	**37,884**	**17,094**	**6,144,446**
Net on-balance sheet position	**281,894**	**424,529**	**(22,018)**	**48,008**	**94,112**	**826,525**
Contingent liabilities and commitments	**1,757,217**	**553,879**	**29,727**	**-**	**2,358**	**2,343,181**

39. Concentration of assets and liabilities (continued)

Industry sectors	Banks and financial institutions	Trading and manufacturing	Property and construction	Private individuals	Services	Textile	Other	Total
At 31 December 2017								
Cash and bank balances	807,800	-	-	-	33,000	-	3	1,008,457
Due from Islamic institutions	196	-	-	-	-	-	-	196
Trading securities	9,956	-	-	-	304,895	-	-	314,851
Investments in financings	116,170	577,306	19,405	381,733	349,081	250,272	118,990	1,812,957
Investment securities	153,728	67,247	30,036	-	1,243,736	962	97,171	1,592,880
Accounts and other financial assets	276,206	-	8,017	27,006	30,190	-	37,835	379,254
Current tax receivable	26,736	-	-	-	10	-	-	26,746
Investment property	10,595	-	515,465	-	-	-	-	526,060
Investments in associates	216,525	3,682	-	-	-	-	-	220,207
Property, plant and equipment	54,418	-	87,304	-	-	-	-	141,722
Intangible assets	317.802	-	-	-	-	-	-	317,802
Assets held for sale	477,182	-	-	-	-	-	-	477,182
Deferred tax assets	-	-	-	-	21,142	-	-	21,142
Total assets	**2,467,314**	**648,235**	**693,227**	**408,739**	**2,116,708**	**251,234**	**253,999**	**6,839,456**
Customer current accounts	14,505	415,860	212,244	492,728	112,936	16,637	506,590	1,771,500
Customer investment accounts	1,101,832	348,828	52,273	603,758	134,252	13,445	415,559	2,669,947
Due to banks	197,582	40,372	-	-	910,037	-	-	1,147,991
Investments from off balance sheet funds	3,181	-	-	-	-	-	-	3,181
Provisions	5,826	-	62,491	-	-	-	-	68,317
Accounts payable	6,458	628	87,064	64,865	43,431	-	204,487	406,933
Current tax payable	-	-	-	-	1,050	-	-	1,050
Deferred tax liabilities	-	-	4,355	-	-	-	-	4,355
Total liabilities	**1,329,384**	**805,688**	**418,427**	**1,161,351**	**1,201,706**	**30,082**	**1,126,636**	**6,073,274**
Net on-balance sheet position	**1,137,930**	**(157,453)**	**274,800**	**(752,612)**	**915,002**	**221,152**	**(872,637)**	**766,182**
Contingent liabilities and commitments	**593,679**	**1,063,236**	**66,003**	**16,220**	**170,355**	**65,345**	**720,185**	**2,695,024**
At 31 December 2016								
Total assets	**2,399,972**	**579,351**	**681,759**	**252,653**	**2,355,482**	**259,372**	**442,382**	**6,970,971**
Total liabilities	**1,732,800**	**916,742**	**248,854**	**1,234,820**	**338,736**	**29,139**	**1,643,355**	**6,144,446**
Net on-balance sheet position	**667,172**	**(337,391)**	**432,905**	**(982,167)**	**2,016,746**	**230,233**	**(1,200,973)**	**826,525**
Contingent liabilities and commitments	**669,914**	**495,680**	**93,536**	**127,863**	**49,018**	**123,264**	**783,906**	**2,343,181**

40. Maturities of assets and liabilities

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

At 31 December 2017	Up to one month	One-three months	Three-twelve months	One-five years	Over five years	Total
Cash and bank balances	948,467	59,990	-	-	-	1,008,457
Due from Islamic institutions	-	-	179	17	-	196
Trading securities	131,268	161,840	16,074	-	5,669	314,851
Investments in financings	325,939	572,066	367,798	499,988	47,166	1,812,957
Investment securities	1	-	1,278,764	231,692	82,423	1,592,880
Accounts and other financial assets	71,440	34,858	22,478	228,860	21,618	379,254
Current tax receivable	26,736	-	10	-	-	26,746
Investment property	100,656	-	-	322,509	102,895	526,060
Investments in associates	-	-	-	-	220,207	220,207
Property, plant and equipment	16	18	625	12,917	128,146	141,722
Intangible assets	-	1	492	5,944	311,365	317,802
Assets held for sale	-	-	-	-	477,182	477,182
Deferred tax assets	-	-	-	21,142	-	21,142
Total assets	**1,604,523**	**828,773**	**1,686,420**	**1,323,069**	**1,396,671**	**6,839,456**
Customer current accounts	1,771,500	-	-	-	-	1,771,500
Customer investment accounts	2,030,361	272,774	364,178	2,634	-	2,669,947
Due to banks	783,578	131,365	197,477	21,972	13,599	1,147,991
Investments from off balance sheet funds	-	-	3,181	-	-	3,181
Provisions	-	-	7,491	-	60,826	68,317
Accounts payable	230,664	4,111	101,935	68,645	1,578	406,933
Current tax payable	-	-	1,050	-	-	1,050
Deferred tax liabilities	-	-	-	-	4,355	4,355
Total liabilities	**4,816,103**	**408,250**	**675,312**	**93,251**	**80,358**	**6,073,274**
Net liquidity gap	**(3,211,580)**	**420,523**	**1,011,108**	**1,229,818**	**1,316,313**	**766,182**
At 31 December 2016						
Total assets	**1,456,592**	**917,091**	**1,290,657**	**1,724,475**	**1,582,156**	**6,970,971**
Total liabilities	**4,792,555**	**442,907**	**750,298**	**90,423**	**68,263**	**6,144,446**
Net liquidity gap	**(3,335,963)**	**474,184**	**540,359**	**1,634,052**	**1,513,893**	**826,525**

The customer current and investment account and due to banks, although contractually short term in nature, tend to be renewed on maturity and expected to remain with the Group for a longer term.

41. Currency exposure

At 31 December 2017	United States Dollar	Pakistan Rupee	Bahrain Dinar	Euro	Swiss Franc	Saudi Riyal	Egyptian Pound	Other	Total
Cash and bank balances	122,440	372,116	354,890	117,766	1,418	14,599	490	24,738	1,008,457
Due from Islamic institutions	196	-	-	-	-	-	-	-	196
Trading securities	-	304,895	-	-	-	9,955	1	-	314,851
Investments in financings	81,881	1,696,757	5,826	9,806	-	1	-	18,686	1,812,957
Investment securities	166,157	1,331,959	69,812	13,933	739	-	2,128	8,152	1,592,880
Accounts and other financial assets	318,575	53,450	-	3,099	1,285	1,881	413	551	379,254
Current tax receivable	-	26,736	-	-	-	-	10	-	26,746
Investment property	280,136	10,595	62,289	-	43,528	69,889	-	59,623	526,060
Investments in associates	216,603	1,143	-	-	-	-	2,461	-	220,207
Property, plant and equipment	20,217	54,418	67,042	1	-	31	13	-	141,722
Intangible assets	304,252	13,550	-	-	-	-	-	-	317,802
Assets held for sale	-	18,003	410,216	-	-	-	-	66,966	477,182
Deferred tax assets	-	21,142	-	-	-	-	-	-	21,142
Total assets	**1,510,457**	**3,886,761**	**970,075**	**144,605**	**46,970**	**96,356**	**5,516**	**178,716**	**6,839,456**
Customer current accounts	128,313	1,018,779	354,340	252,270	-	1,458	-	16,340	1,771,500
Customer investment accounts	885,255	1,758,144	-	7,788	-	-	-	18,760	2,669,947
Due to banks	173,408	476,478	62,176	106,973	-	37	-	328,919	1,147,991
Investments from off balance sheet funds	3,181	-	-	-	-	-	-	-	3,181
Provisions	13,317	-	-	55,000	-	-	-	-	68,317
Accounts payable	54,037	171,060	162,691	10,797	6,619	838	886	5	406,933
Current tax payable	-	-	-	40	1,007	-	3	-	1,050
Deferred tax liabilities	-	-	-	-	4,355	-	-	-	4,355
Total liabilities	**1,257,511**	**3,424,461**	**579,207**	**432,868**	**11,981**	**2,333**	**889**	**364,024**	**6,073,274**
Net on-balance sheet position	**252,946**	**462,300**	**390,868**	**(288,263)**	**34,989**	**94,023**	**4,627**	**(185,308)**	**766,182**
Contingent liabilities and commitments	**353,593**	**1,832,619**	**422,259**	**63,381**	**13,255**	**5,472**	**-**	**4,444**	**2,695,024**
At 31 December 2016									
Total assets	**1,874,534**	**4,142,178**	**359,838**	**226,206**	**49,043**	**93,643**	**13,336**	**212,193**	**6,970,971**
Total liabilities	**1,200,566**	**3,692,727**	**487,414**	**372,518**	**12,672**	**2,290**	**977**	**375,282**	**6,144,446**
Net on-balance sheet position	**673,968**	**449,451**	**(127,576)**	**(146,312)**	**36,371**	**91,353**	**12,359**	**(163,089)**	**826,525**
Contingent liabilities and commitments	**298,569**	**1,544,133**	**439,455**	**33,840**	**13,628**	**5,917**	**-**	**7,639**	**2,343,181**

42. Trust capital

The fiduciary reserve was created to cover potential risk which might arise in the Group's capacity as fund manager.

43. Date of authorisation for issue

These consolidated financial statements have been approved for issue by the Board of Supervisors on 27 July 2018 and are subject to approval at the Annual General Meeting, which will be held on 28 August 2018.

44. Principal subsidiaries in the consolidated financial statements

	Nature of Business	% owned		Country of Incorporation
		Subsidiary	DMI	
Islamic Investment Company of the Gulf (Bahamas) Limited	Investment Banking	100	100	Bahamas
Ithmaar Holding B.S.C.*	Retail Banking	49	49	Kingdom of Bahrain
Faysal Bank Limited	Retail Banking	67	31	Pakistan
Ithmaar Development Company Limited	Real Estate Investment	100	46	Cayman Islands
Sakana Holistic Housing Solutions B.S.C. (C)	Mortgage Finance	63	29	Kingdom of Bahrain
DMI Administrative Services S.A.	Management Services	100	46	Switzerland
Ithmaar Bank B.S.C.(C)	Banking	100	46	Kingdom of Bahrain
IB Capital B.S.C.(C)	Asset Management	100	46	Kingdom of Bahrain

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

The Group considers it has de facto control of Ithmaar Holding B.S.C. even though it has less than 50% of the voting rights. The Group is the majority shareholder with a 49.56% equity interest. As the Group maintains control over Ithmaar's Board of Directors and considering the dispersed nature of the remaining shareholders, DMI continues to consolidate Ithmaar Holding B.S.C. as a subsidiary based upon the Group's assessment under IFRS 10. There is no history of other shareholders forming a group to exercise their votes collectively.

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

45. Capital Management

One of the subsidiary of the DMI Group is subject to supervision of the Central Bank of Bahrain and is required to comply with Capital adequacy ratio requirements. The capital adequacy ratio has been calculated in accordance with CBB guidelines and CBB directives incorporating credit risk, operational risk and market risk. The minimum regulatory requirements is 12.5% under Basel III. As at 31 December 2017 and 2016 the subsidiary has complied with this requirements. Similar requirements are also applicable to a banking subsidiary in Pakistan as per the local requirements which was also complied as at 31 December 2017 and 2016.

46. Restatement of consolidated financial statements

1. On 31 March 2010, DMI acquired an additional 400 million shares of Ithmaar Bank B.S.C. by participation in a rights issue at a price of USD 0.25 per share for a total consideration of USD 100 million. As a result of this transaction at that point, DMI owned 52.6% of the outstanding shares of Ithmaar Bank B.S.C. converting it from an associate to a subsidiary, which resulted in the full consolidation of Ithmaar's income statement and balance sheet at 31 December 2010. The step acquisition from the associated company to the subsidiary company resulted in a net gain of USD 334.9 million, which was included in the consolidated statement of income. This amount comprised a mark up to fair value of the associated company shareholding of 44.9%. In assessing the above gain, DMI relied upon an independent valuation commissioned from an international firm of chartered accountants who established a value using various valuation methodologies comprising the average of a peer group market analysis of banks listed on the Bahrain Bourse and a discounted cash flow adjusted for an estimated control premium but the valuation method did not include a reference to the market price of Ithmaar Bank B.S.C.'s shares at the relevant time. Both the independent valuer and DMI believed that the share price quoted on the Bahrain Bourse at that point in time did not reflect the fair value of the business and they also did not consider that the historical turnover of the shares constituted an active market. As a result, the share price was disregarded in the valuation. In accordance with IFRS, the most recent transaction prices should have been considered as an input in the valuation model, unless it can be demonstrated that these transactions related to distressed sales. Therefore, the fair value methodology is now adjusted to reflect the most recent transaction prices instead, in line with IFRS requirements. This exclusion of level price resulted in a valuation of US 483.6 million rather than USD 587.1 million, and led to a decrease in the consolidated retained earnings in the amount of USD 103.5 million for the year ended 31 December 2010 and a corresponding decrease in goodwill and non-controlling interests in the amounts of USD 111.6 million and USD 8.1 million respectively. Management has rectified this day 1 accounting difference in 2017 financial statements by restating the financial statements as per IAS 8 guidance.

2. The entity invested in Perpetual Tier 1 Convertible Capital Securities ("Capital Securities") on 2 May 2016 amounting to USD 67 million. The Capital Securities are perpetual securities with no fixed or final redemption date. The instrument has convertible feature with the option for the issuer to convert the bond instrument into an equity share and the conversion dates are 2019 to 2021. As per IFRS, a perpetual debt instrument cannot be classified as held to maturity as there is no maturity date. The client had erroneously classified this investment as held to maturity investments in 2016. Management has corrected this by reclassifying this as investment in fair value through profit and loss account. This resulted in an increase in investment income due to fair value changes by USD 11 million for the year ended 31 December 2016 and a decrease of USD 2.6 million for the year ended 31 December 2017.

3. In 2014, DMI had recognised a general provision of USD 12 million which was not in accordance with the requirement of IFRS. This provision has been reversed and adjusted appropriately against retained earnings as at 31 December 2015.

4. One of the Group subsidiary operates a closed ended real estate fund "Dilmunia Development Fund I L.P." [Dilmunia or the Fund], an exempted limited partnership formed under the laws of Cayman Islands. The fund is managed by the Group's subsidiary and all the Board representatives are from the Group's subsidiary. The Group also has direct investment of 40.6% (2016: 38.9%) in the Fund through its subsidiary as Limited Partner. The Group management has reassessed the IFRS 10 criteria such as 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. Based on such reassessment, it was concluded that the Fund is controlled by the Group and should have been consolidated from its inception in 2007. Management has considered the IAS 8 guidance and rectified the non-consolidation of fund by restating the prior period reported numbers.

5. In addition, in 2016, cash and cash equivalent included restricted cash balances of USD 161,858 which has now been excluded and correctly presented in this consolidated financial statements (Note 5).

In 2017, in accordance with the requirements of IAS 8, 'Accounting policies, changes in accounting estimates and errors' ("IAS 8"), management has restated comparative figures to adjust the prior year's consolidated financial statements.

46. Restatement of consolidated financial statements (continued)

The following shows the adjustments made to each financial statements line item to the corresponding periods:

Consolidated statement of financial position – 31 December 2016

	As at	Adjustments	As at
	31 December 2016 (as previously reported)		31 December 2016 (Restated)
Assets			
Intangible assets	459,710	(111,600)	348,110
Cash and bank balance	896,378	27,000	923,378
Investment property	318,049	191,000	509,049
Accounts and other financial assets	325,323	1,000	326,323
Investment securities	1,862,049	(50,733)	1,811,316
Total assets	**6,914,304**	**56,667**	**6,970,971**

Liabilities			
Provisions	80,491	(12,174)	68,317
Accounts payable	1,048,766	(727,741)	321,025
Due to customers, banks and other financial institutions	4,974,353	775,741	5,750,094
Total liabilities	**6,108,620**	**35,826**	**6,144,446**
Equity			
Reserves	(15,515)	(80,088)	(95,603)
Non-controlling interests	430,883	100,929	531,812
Total equity	**805,684**	**20,841**	**826,525**

46. Restatement of consolidated financial statements (continued)

Consolidated statement of financial position – 1 January 2016

	As at	**Adjustments**	**As at**
	1 January 2016 (as previously reported)		**1 January 2016 (Restated)**
Assets			
Cash and bank balance	772,940	19,000	791,940
Investment property	335,180	179,000	514,180
Accounts and other financial assets	231,830	2,000	233,830
Intangible assets	512,439	(111,600)	400,839
Investment securities	1,875,944	(62,000)	1,813,944
Total assets	**6,821,566**	**26,400**	**6,847,966**
Liabilities			
Provisions	80,491	(12,174)	68,317
Accounts payable	817,641	(517,018)	300,623
Due to customers, banks and other financial institutions	5,075,602	546,018	5,621,620
Total liabilities	**5,978,991**	**16,826**	**5,995,817**
Equity			
Reserves	26,048	(85,326)	(59,278)
Non-controlling interests	426,211	94,900	521,111
Total equity	**842,575**	**9,574**	**852,149**

Restatement due to points 1, 3, 4 and 5 included in this note did not have any impact on the prior year consolidated statement of income. Restatement due to point 2 only impacted the 2016 reported profit or loss number as the investment was bought in 2016. The impact is summarised below.

Consolidated statement of income for the year ended 31 December 2016

	For the year ended	**Adjustments**	**For the year ended**
	31 December 2016 (as previously reported)		**31 December 2016 (Restated)**
Income			
Net trading income	16,028	11,267	27,295