GULF FINANCE HOUSE BSC

INTERIM FINANCIAL INFORMATION

30 June 2011

Commercial registration	:	44136 (registered with Central Bank of Bahrain as a Islamic wholesale investment Bank)
Registered Office	:	Bahrain Financial Harbour PO Box 10006, Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Dr. Esam Yousif A. Janahi, Mosabah Saif Al Mautairy, Said Al Malki Ahmed Al Mutawa Azzam Al Felaij Naif Al Khodari Abdullah Ali Al Hamli
Company Secretary	:	Dr. Haider Majali
Auditors	:	KPMG

GULF FINANCE HOUSE BSC

INTERIM FINANCIAL INFORMATION
for the six months ended 30 JUNE 2011

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KPMG Fakhro
Audit
5th Floor
Chamber of Commerce Building
PO Box 710, Manama
Kingdom of Bahrain

CR No. 6220
Telephone +973 17 224807
Fax +973 17 227443
Internet www.kpmg.com.bh

Independent auditors' report on review of interim financial information

To
The Board of Directors
Gulf Finance House BSC
Manama
Kingdom of Bahrain

28 August 2011

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Gulf Finance House BSC (the "Bank") and its subsidiaries (together the "Group") as at 30 June 2011, and the related condensed consolidated statements of income, changes in owners' equity, cash flows, changes in restricted investment accounts and sources and uses of charity and zakah fund for the six months period then ended (the "interim financial information"). The Board of Directors of the Bank is responsible for the preparation and presentation of this interim financial information in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 2 in the interim financial information which discusses material uncertainties relating to the Group's liquidity position and regulatory capital adequacy, which, may cast significant doubt about the appropriateness of the going concern assumption used in the preparation of the interim financial information.

KPMG

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

US$ 000's

	Note	30 June 2011 (reviewed)	31 December 2010 (audited)	30 June 2010 (reviewed)
ASSETS				
Cash and bank balances		7,047	3,770	13,248
Placements with financial and other institutions		26,016	56,868	121,411
Financing receivables		13,950	14,400	15,000
Investment in associates		227,720	224,847	199,952
Investment securities	5	219,906	248,794	340,207
Investment property		259,404	266,412	-
Assets-held -for-sale		-	-	260,000
Receivable from investment banking services		-	-	40,481
Other assets	6	108,774	203,150	392,821
Total assets		**862,817**	1,018,241	1,383,120
LIABILITIES				
Investors' funds		87,602	138,798	188,902
Placements from financial and other institutions		131,557	126,241	142,865
Financing liabilities	7	333,982	439,504	411,923
Other liabilities		80,457	195,535	220,918
Total liabilities		**633,598**	900,078	964,608
Equity of investment account holders		**1,884**	1,880	1,874
OWNERS' EQUITY				
Share capital	1	312,379	145,780	625,790
Treasury shares		(12,789)	(24,674)	(23,298)
Share premium		147,998	206,203	206,203
Statutory reserve		79,413	68,298	65,268
Accumulated losses		(301,364)	(302,068)	(480,354)
Other reserves		1,295	1,769	2,054
Investments fair value reserve		403	975	975
Total owners' equity (page 4)		**227,335**	116,283	416,638
Total liabilities, equity of investment account holders and owners' equity		**862,617**	1,018,241	1,383,120

Dr. Esam Yousif A. Janahi
Chairman

Mosabah Saif Al Mautairy
Director

The Board of Directors approved the interim financial information consisting of pages 2 to 15 on 28 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2011

US$ 000's

	Note	Six months ended		Three months ended	
		30 June 2011 (reviewed)	30 June 2010 (reviewed)	**30 June 2011** (reviewed)	30 June 2010 (reviewed)
Income from investment banking services		89	5,161	54	-
Placement, arrangement and management fees		878	5,092	357	1,061
Income from placements with financial and other institutions		602	664	296	260
Income from financing		-	302	-	-
Share of (losses) / profits from investment in Associates		(190)	(1,473)	(564)	491
Income/ (Loss) from investment securities	8	12,274	(376)	4,964	(2,286)
Net foreign exchange (loss)/gain		(8,501)	7,984	(1,878)	5,762
Other income, net	9	27,673	8,561	3,174	2,159
Total income		**32,825**	25,915	**6,403**	7,447
Staff cost		4,914	8,802	2,115	5,208
Investment advisory expenses		876	4,728	319	2,438
Finance expense	11	18,415	23,922	11,232	11,548
Impairment allowances on receivables		-	20,000	-	20,000
Other expenses		7,916	16,140	3,972	8,434
Total expenses		**32,121**	**73,592**	**17,638**	47,628
PROFIT / (LOSS) FOR THE PERIOD		**704**	(47,677)	**(11,235)**	(40,181)
Earnings per share					
Basic and diluted earnings per share (US cents)		**0.09**	(10.72)	**(1.34)**	(8.96)

The interim financial information consists of pages 2 to 15.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the six months ended 30 June 2011

US$ 000's

30 June 2011 (reviewed)	**Share capital**	**Share premium**	**Treasury shares**	**Statutory reserve**	**Other reserves**	**Invest-ments fair value reserve**	**Accumu-lated losses**	**Total equity**
Balance at 1 January 2011	145,780	206,203	(24,674)	88,298	1,769	975	(302,068)	116,283
Profit for the period	-	-	-	-	-	-	704	704
Changes in fair value of investment securities	-	-	-	-	-	(572)	-	(572)
Conversion of murabaha to share capital (note 4)	166,599	(58,205)	-	-	(253)	-	-	108,141
Share grants vesting expense, net of forfeitures (note 10)	-	-	-	-	(221)	-	-	(221)
Sale of treasury shares	-	-	11,885	-	-	-	-	11,885
Loss on sale of treasury shares	-	-	-	(8,885)	-	-	-	(8,885)
Balance at 30 June 2011	**312,379**	**147,998**	**(12,789)**	**79,413**	**1,295**	**403**	**(301,364)**	**227,335**

30 June 2010 (reviewed)	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves	Invest-ments fair value reserve	Accumu-lated losses	Total equity
Balance at 1 January 2010	604,079	202,316	(52,371)	106,700	4,300	975	(432,677)	433,322
Loss for the period	-	-	-	-	-	-	(47,677)	(47,677)
Conversion of murabaha to share capital	21,711	3,922	-	-	(633)	-	-	25,000
Share issue expenses	-	(35)	-	-	-	-	-	(35)
Share grants vesting expense, net of forfeitures (note 10)	-	-	-	-	(1,613)	-	-	(1,613)
Sale of treasury shares	-	-	29,073	-	-	-	-	29,073
Loss on sale of treasury shares	-	-	-	(21,432)	-	-	-	(21,432)
Balance at 30 June 2010	**625,790**	**206,203**	**(23,298)**	**85,268**	**2,054**	**975**	**(480,354)**	**416,638**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2011 US$ 000's

	Six months ended 30 June 2011 (reviewed)	Six months ended 30 June 2010 (reviewed)
OPERATING ACTIVITIES		
Proceeds of income from investment banking services	89	5,161
Placements with financial institutions (more than 90 days), net	(2,309)	(44,629)
Cash received from waterpark operations	-	2,596
Disbursement for projects, net	(2,975)	(3,647)
Receipts from financing receivables	450	-
Investors' funds paid , net	(2,155)	(22,918)
Management fees received	164	193
Income from placements and financing received	602	664
Payment for expenses and project costs	(13,898)	(31,561)
Cash flows from operating activities	**(20,032)**	(94,141)
INVESTING ACTIVITIES		
Purchase of investment securities	-	(6,882)
Proceeds from sale of available-for-sale investments	3,381	31,274
Dividends reiceved	3,306	2,230
Payment for acquisition of equipment	-	(190)
Cash flows from investing activities	**6,687**	26,432
FINANCING ACTIVITIES		
Financing liabilities, net	1,042	(220,724)
Finance expense paid	(13,039)	(23,716)
Proceeds from conversion to share capital	9,564	-
Payment for share issue expenses	(11,291)	-
Cash paid to charitable organisations	-	(631)
Proceeds from sale of treasury shares	-	7,641
Dividends paid	(506)	(163)
Payments to investment account holders, net	-	(1,001)
Cash flows from financing activities	**(14,230)**	(238,594)
DECREASE IN CASH AND CASH EQUIVALENTS	(27,575)	(306,303)
Cash and cash equivalents at 1 January	60,638	325,552
CASH AND CASH EQUIVALENTS at 30 June	**33,063**	19,249
Cash and cash equivalents comprise:		
Cash and bank balances	7,047	13,248
Placements with financial and other institutions (less than 90 days)	26,016	6,001
	33,063	19,249

The interim financial information consists of pages 2 to 15.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2011

30 June 2011 (reviewed)	Balance at 1 January 2011			Movements during the period						Balance at 30 June 2011		
Company	No of units (000)	Average value per share US$	Total US$ 000's	Investment/ (withdrawal) US$ 000's	Exchange Revaluation US$ 000's	Gross income US$ 000's	Dividends paid US$ 000's	Bank's fees as an agent US$ 000's	Administration expenses US$ 000's	No of units (000)	Average value per share US$	**Total US$ 000's**
Mena Real Estate Company KSCC	150	0.35	53	-	1	-	-	-	-	150	0.36	54
Kuwait National Real Estate Investment & Services Company KSCC	250	0.35	88	-	2	-	-	-	-	250	0.36	90
Gulf Holding Company	10,000	0.25	2,455	-	69	-	-	-	-	10,000	0.25	2,524
Gulf North Africa Holding Company KSCC	11,500	0.24	2,794	-	78	-	-	-	-	11,500	0.25	2,872
Gulf Real Estate Development Company	936	12.05	11,272	-	-	-	-	-	-	936	12.05	11,272
Al Basha'er Fund	93	7.59	704	-	(40)	-	-	-	-	93	7.14	664
Pan European Fund	35.85	815.39	29,233	-	2,803	-	-	-	-	35.85	893.61	32,036
Oman Development Company	522.50	3.12	1,628	-	2	-	-	-	-	522.50	3.12	1,630
			48,227		**2,915**							**51,142**

The interim financial information consists of pages 2 to 15.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2011 *(continued)*

30 June 2010 (reviewed)	Balance at 1 January 2010			Movements during the period						Balance at 30 June 2010		
Company	No of units (000)	Average value per share US$	Total US$ 000's	Investment/ (withdrawal) US$ 000's	Exchange Revaluation US$ 000's	Gross income US$ 000's	Dividends paid US$ 000's	Bank's fees as an agent US$ 000's	Administration expenses US$ 000's	No of units (000)	Average value per share US$	Total US$ 000's
Mena Real Estate Company KSCC	150	0.35	52	-	(1)	-	-	-	-	150	0.34	51
Kuwait National Real Estate Investment & Services Company KSCC	250	0.35	87	-	(1)	-	-	-	-	250	0.34	86
Gulf Holding Company	10,000	0.24	2,417	-	(36)	-	-	-	-	10,000	0.24	2,381
Gulf North Africa Holding Company KSCC	11,500	0.24	2,751	-	(41)	-	-	-	-	11,500	0.24	2,710
Gulf Real Estate Development Company	936	12.05	11,271	-	-	-	-	-	-	936	12.05	11,271
Al Basha'er Fund	93	7.22	671	-	(50)	-	-	-	-	93	6.68	621
Pan European Fund	35.85	869.32	31,165	-	(4,200)	-	-	-	-	35.85	752	26,965
Oman Development Company	522.50	3.12	1,628	-	-	-	-	-	-	522.50	3.12	1,628
			50,042	-	(4,329)	-	-	-	-			45,713

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY AND ZAKAH FUND

for the six months ended 30 June 2011 US$ 000's

	30 June 2011 (reviewed)	30 June 2010 (reviewed)
Sources of charity and zakah fund		
Non-Islamic income	-	6
Total sources	**-**	**6**
Uses of charity and zakah fund		
Contributions to charitable organisations	-	631
Total uses	**-**	**631**
Excess of sources over uses	**-**	**(625)**
Undistributed charity and zakah fund at 1 January	10,631	11,256
Undistributed charity and zakah fund at 30 June	**10,631**	10,631

Represented by:		
Charity fund	7,830	7,830
Zakah payable	2,801	2,801
	10,631	10,631

The interim financial information consists of pages 2 to 15.

1 Reporting entity

The interim financial information for the six months ended 30 June 2011 comprise the financial information of Gulf Finance House BSC (the "Bank") and its subsidiaries (together referred to as "the Group").

2 Basis of preparation

The interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS standards, the Group uses guidance from the relevant International Financial Reporting Standard. Accordingly, the interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – *'Interim Financial Reporting'.* The interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Bank for the year ended 31 December 2010.

Going concern

As at 30 June 2011, the Group had accumulated losses of US$ 301.36 million and, as of that date, its current contractual obligations exceeded its liquid assets. As a result, the ability of the Group to meet its obligations when due depends on its ability to achieve a timely disposal of assets. Further, the capital adequacy ratio of the Group stood at 12.14% as at 30 June 2011 which was below the minimum required regulatory ratio, which restricts the Group's ability to absorb further losses or undertake additional exposures. These factors indicates the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The Group has been able to refinance and extend the tenure of a substantial portion of its obligations. To improve its equity and liquidity positions, the Group is in the process of issuing additional capital through the issue of a new series of convertible murabaha instruments of up to US$ 500 million. During the period convertible murabaha note holders of US$ 119.4 million have exercised their option to convert the notes into equity shares of the Group (refer note 7). To further address the liquidity issues, the management has put in place an asset sale and liquidity plan to generate liquidity to support repayment of the Group's obligations and its operations. The Group is also evaluating other options to arrange liquidity and strengthen its position over the next twelve months.

The Board of Directors' have reviewed the Group's future plans and are satisfied with the appropriateness of the going concern assumption for preparation of the interim financial information.

i) Accounting policies

Except for changes resulting from the adoption of FAS 25 'Investment in sukuk, shares and similar instruments' and Statement of Financial Accounting No.1 'Conceptual framework for the financial reporting by Islamic financial institutions' (SFA 1), the accounting policies and methods of computation applied by the Group in the preparation of the interim financial information are the same as those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2010.

a) SFA 1: Conceptual framework for the financial reporting by Islamic financial institutions

The revised conceptual framework for Financial Reporting by Islamic Financial Institutions was issued on 22 July 2010 and is effective from 1 January 2011 on a prospective basis and supersedes the previous SFA 1 and SFA 2. The conceptual framework has been amended to primarily reflect the following:

- Widening the scope of the framework to a broader spectrum of entities rather than limiting it to only Islamic financial institutions;
- Clarify elements of financial statements and definitions of investment accounts;
- Provide overall criteria and framework for determination of on and off balance sheet accounts; and

2 Basis of preparation (continued)

i) Accounting policies (continued)

- Changes in terminology and editorial amendments to provide more consistency in understanding of key concepts.

The amended framework introduces and emphasises the generally accepted concept of substance and form compared to the concept of form over substance. The framework states that it is necessary that information, transaction and other events are accounted for and presented in accordance with its substance and economic reality as well as legal form.

The revised conceptual framework has a pervasive impact on financial reporting. However, this has not resulted in any material changes to the accounting policies and the financial statements of the Group.

b) FAS 25 'Investment in sukuk, shares and similar instruments'

FAS 25 was issued in July 2010 and replaced FAS 17 'Investments'. FAS 25 simplifies the mixed measurement model and establishes two measurement categories for investments: amortised cost and fair value. The standard requires each investment to be first segregated as either debt-type or equity type instruments, and the basis of classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. For debt type instrument, the standard requires that the instrument be measured either at amortised cost or at fair value through income statement. For equity-type instruments, the standard requires the instrument to be recognised at fair value with fair value gain or loss recognised either in the income statement or equity.Equity investments at fair value through equity are assessed for impairment if any. Impairment losses are recognised in the income statement. Reclassification between categories is not permitted. The guidance in FAS 17 on 'investment in real estate' continues to apply. The new standard requires retroactive application.

The Group has adopted the revised FAS 25 on its required application date of 1 January 2011. The retroactive adoption of this standard did not result in any impact on the consolidated income statement and owners' equity of the previous period.

On the date of application, the classification and categorisation of investments has been reassessed based on the facts and circumstances on that date. The adoption of the standard resulted in the following re-categorisation of investment securities in the statement of financial position:

1 January 2010			US$ '000's
	Revised categorisation		
Previous categorisation as per FAS 17	Fair value through income statement	Fair value through equity	Total
Fair value through income statement	33,976	-	33,976
Available-for-sale	-	315,423	315,423
	33,976	315,423	349,399

31 December 2010			US$ '000's
	Revised categorisation		
Previous categorisation as per FAS 17	Fair value through income statement	Fair value through equity	Total
Fair value through income statement	25,860	-	25,860
Available-for-sale	-	222,934	222,934
	25,860	222,934	248,794

2 *Basis of preparation (continued)*

(ii) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2010.

(iii) Estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial informationthe significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2010.

3 The interim financial information is not audited but has been reviewed by KPMG. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2010 and the reviewed interim financial information for the six months ended 30 June 2010. The comparatives for the condensed consolidated statements of income, cash flows, changes in owners' equity, changes in restricted investment accounts and sources and uses of charity and zakah fund have been extracted from the reviewed interim financial information for the six months ended 30 June 2010.

4 During the period, the paid up capital of the Bank was increased from US$ 145,780 thousand to US$ 312,379 thousand as a result of exercise of conversion option by the holders of the convertible murabaha (note 7). As per the terms of the convertible murabaha, 542 million shares of par value US$ 166,599 thousand has been issued on conversion. The effective conversion price is below the par value per share and the resulting difference and the related share issue expenses has been adjusted against the share premium account.

5 **Investment securities**

	30 June 2011 US$ 000's (reviewed)	31 December 2010 US$ 000's (audited)	30 June 2010 US$ 000's (reviewed)
Equity type instruments			
Fair value through income statement			
- Quoted securities	3,140	3,140	6,140
- Unquoted funds	2,500	2,500	5,000
- Unquoted securities	-	20,220	20,220
Fair value through equity			
- Quoted securities	475	475	475
- Unquoted securities	213,791	222,459	308,372
	219,906	248,794	340,207

Fair value through equity – unquoted securities include investments in private equity investments or investments in projects promoted by the Group. In the absence of reliable measure of fair value, these investments are carried at cost less impairment. Also refer note 2 (i)(b).

6 Other assets

	30 June 2011 US$ 000's (reviewed)	31 December 2010 US$ 000's (audited)	30 June 2010 US$ 000's (reviewed)
Project cost recoverable	-	-	1,774
Financing to projects	66,929	73,716	155,405
Receivable from sale of investments	-	-	44,463
Operating property and equipment of a water park	-	-	28,461
Other equipment	4,602	7,137	13,035
Reimbursement right (note 14)	35,000	121,111	137,000
Prepayments and other receivables	2,243	1,186	12,683
	108,774	203,150	392,821

Other assets are net of impairment allowances of US$ 135,907 thousand (31 December 2010: US$ 135,907 thousand).

7 Financing liabilities

	30 June 2011 US$ 000's (reviewed)	31 December 2010 US$ 000's (audited)	30 June 2010 US$ 000's (reviewed)
Murabaha financing	101,650	101,796	117,414
Wakala financing	52,829	66,288	133,648
Sukuk	164,155	152,123	137,726
Convertible Murabaha (2009)	13,848	23,437	23,135
Convertible Murabaha (2010)	1,500	95,860	
	333,982	439,504	411,923

Murabaha financing

Murabaha financing comprise a medium-term financing from a syndicate of banks of US$ 100 million (31 December 2010: US$ 100 million). The financing is repayable in July 2013 (extendable by 1 year provided 25% of the facility is repaid in 2012) and carries a profit rate of 2.50% over the benchmark rate (LIBOR) payable semi annually and an additional profit mark up of 1.25% payable at maturity. The Murabaha financing facilities are secured by a pledge over a portion of the Group's investment in an associate of carrying value of US$ 163 million.

Wakala financing

Wakala financing include facilities obtained from a syndicate of financial institutions. During the period, the Group renegotiated the facility and as per the revised terms the balance is repayable over a period of two years till April 2013 at an agreed profit rate of 8%. The Wakala financing facility is secured by a pledge over the Group's investment property of carrying value of US$ 204 million.

Sukuk

In 2007, the Group announced a US$ 1 billion medium term Shari'a compliant Sukuk issuance programme. The programme provides a facility for the issuance of Sukuk Certificates in series. The Sukuk Certificates are backed by certain of the Group's investment securities. The Sukuk carries a profit rate of LIBOR + 175 bps payable on a quarterly basis. The Bank is currently in the process of discussions with the sukuk holders to restructure the terms of the programme.During the period the Group resold Sukuk Certificates of face value US$ 12 million and incurred a charge on amortised cost on remeasurement loss of US$ 4.8 million which has been included under "Finance expense".

7 *Financing liabilities (continued)*

Convertible murabaha 2009

During 2009, the Group issued a compound financial instrument ("Notes") in the form of unsecured convertible murabaha facility. The Notes have a tenure of 3 years maturing in October 2012 unless converted into ordinary shares of the Bank at the option of the holder, at an exchange price of US$ 1.52 per share (adjusted for the 2010 share consolidation). The Notes provide for returns of 8% p.a. payable quarterly to the holder. During the period, Note holders amounting to US$ 10 million exchanged the 2009 Notes with the 2010 series of the convertible murabaha issued (see below).

Convertible Murabaha 2010

In 2010, the Group launched a new series of convertible murabaha to raise additional capital. The new series of convertible murabaha provide for returns of 12% p.a. payable quarterly to the holder and has a tenure of 3.5 years from the date of issue, unless converted into ordinary shares of the Bank at the option of the holder, at an exchange price of US$ 0.31 per share. The Bank has received subscription of US$ 120.90 million and during the period note holders amounting to US$ 119.4 million has exercised their option to convert resulting in the issue of 541,783,084 equity shares as per the terms of the convertible murabaha.

8 Income from investment securities

Income from investment securities mainly includes dividend income of US$ 7.4 million and fair value gains of US$ 6.61 million from Balexco BSC (c). Of the total amount of dividend income , US$ 4.9 million pertains to dividends declared for the prior periods and US$ 2.4 million pertains to dividend declared for 2010. Dividend income has been recognized only when the right to receive income has been established.

9 Other income

During the period, based on directives received from the regulator, the Group has written back employee incentive accruals of US$ 20.33 million pertaining to the year ended 31 December 2008. The Group also wrote back excess accruals for board fees and expenses of previous years amounting to US$ 7 million.

10 Share-based employee compensation scheme

During the period, 300 thousand share awards were forfeited due to non-satisfaction of service conditions by outgoing employees of the Bank. A net reversal of vesting charge amounting to US$ 221 thousand (30 June 2010: reversal of US$ 1,613 thousand) was recognised as part of staff costs during the period. As at 30 June 2011, 1.45 million share awards were outstanding to be exercised in future periods.

11 Finance expense

Finance expense of US$ 18 .41 million includes US$ 4.8 million of amortised cost adjustment on resale of certain Sukuk Certificates (refer note 7) and US$ 1.4 million representing additional charge on issue of equity instruments (in the form of convertible murabaha 2010) in settlement of certain liabilities.

12 **Segment reporting**

30 June 2011 (reviewed)	**Development infrastructure**	**Banking**	**Unallocated**	**Total**
Segment revenue	(5,437)	34,264	3,998	**32,825**
Segment expenses	11,935	15,191	4,995	**32,121**
Segment result	(17,372)	19,073	(997)	**704**
Segment assets	553,548	301,427	7,842	**862,817**
Segment liabilities	372,571	171,487	89,540	**633,598**

30 June 2010 (reviewed)	Development infrastructure	Banking	Unallocated	Total
Segment revenue	8,192	7,334	10,389	25,915
Segment expenses	40,516	26,720	6,356	73,592
Segment result	(32,324)	(19,386)	4,033	(47,677)
Segment assets	981,667	381,561	19,892	1,383,120
Segment liabilities	668,997	209,745	85,866	964,608

13 **Significant related party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Group exercises significant influence, major shareholders, directors and executive management of the Group and assets under management of the Group.

During the period, the Group recognised dividend income of US$ 7.4 million (30 June 2010: Nil) and fair value gains of US$ 6.61 million (30 June 2010: Nil) from investment in an associate carried at fair value through the income statement (refer note 8). As at 30 June 2011, the Group sold this investment to another associate company.

14 **Commitments and contingencies**

The commitments contracted in the normal course of business of the Group:

	30 June 2011 US$ 000's (reviewed)	31 December 2010 US$ 000's (audited)	30 June 2010 US$ 000's (reviewed)
Commitments to invest	6,613	6,613	6,613
Commitments to extend finance	102,611	16,500	16,500
Capital commitments		-	220

During the period, one of the Group's project company had successfully renegotiated the terms of its facility with its lenders. As a result the Group has reversed the provision recognised earlier to the extent of US$ 86.11 million included in other liabilities and also an equivalent amount of "reimbursement right" included in 'other assets'. However, the Group is continuing to act as a guarantor for the lenders until the repayment of the facility by its project company and this has been included under commitements.

14 *Commitments and contingencies (continued)*

Further, based on the Group's assessment of the likelihood that another project will not be able to meet the financing obligation when they fall due, the Group has estimated that its financial guarantee of US$ 35 million may be enforced. In accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the Group has recognised a provision of US$ 35 million (31 December 2010: US$ 121.11million) towards this liability until revised / renegotiated terms are agreed with the lenders of the project company and recognised an equivalent amount of 'reimbursement right' receivable included in 'other assets'.

In the opinion of the management, all facilities that are due are being renegotiated and based on the current status of discussions, it is not expected that the Group will have to make payments against any of these guarantees. In the event any payment is required to be made, the Group will repay the existing lenders and the amounts will be recovered from the future cash flows generated from the operation of the relevant project.

The Group potentially has a commitment under a constructive obligation to extend finance to one of its projects of upto US$ 23 million (31 December 2010: US$ 150 million).

Performance obligations
During the ordinary course of business, the Group may enter into performance obligations in respect of its infrastructure development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities are expected to materialise on the Group at 30 June 2011 due to the performance of any of its projects.

Contingencies
The Group has contingent claims arising from the decision to not proceed with a project development agreement during 2009. The Group is currently negotiating with the counter party for an amicable settlement. While liability is not admitted, if defence against the action is unsuccessful, the claim and associated costs could amount to approximately US$ 36 million. The management do not expect any significant liability to arise on final closure.

15 Due to the inherent nature of the Group's business, the six month results reported in this interim financial information may not represent a proportionate share of the overall annual results.

16 Appropriations, if any, are made only at the year end.

17 Certain prior period amounts have been regrouped to conform to the current period's presentation. Such regrouping did not affect previously reported loss or equity (also refer note 2).