

**GULF FINANCE HOUSE BSC**  
**CONDENSED CONSOLIDATED INTERIM**  
**FINANCIAL INFORMATION**  
**31 MARCH 2012**

|                         |   |  |
|-------------------------|---|--|
| Commercial registration | : | 44136 (registered with Central Bank of Bahrain as a Islamic wholesale investment Bank)   |
| Registered Office       | : | Bahrain Financial Harbour<br>PO Box 10006, Manama, Kingdom of Bahrain<br>Telephone +973 17538538   |
| Directors               | : | Dr. Esam Yousif A. Janahi, <i>Chairman</i><br>Mosabah Saif Al Mautairy<br>Said Al Malki (resigned on 29 March 2012)<br>Ahmed Al Mutawa<br>Azzam Al Felajj<br>Naif Al Khodari |
| Company Secretary       | : | Dr. Haider Majali  |
| Auditors                | : | KPMG Fakhro, Bahrain   |

GULF FINANCE HOUSE BSC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 MARCH 2012**

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## **Independent auditors' report on review of condensed consolidated interim financial information**

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

14 May 2012

### **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 31 March 2012 and the 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 three month period then ended (the "condensed consolidated interim financial information"). The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated 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 condensed consolidated 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 condensed consolidated 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 Auditing Standards for Islamic Financial Institutions 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 condensed consolidated 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 condensed consolidated interim financial information which discusses material uncertainty relating to the Group's liquidity position which, may cast significant doubt about the appropriateness of the going concern assumption used in the preparation of the condensed consolidated interim financial information.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 March 2012**

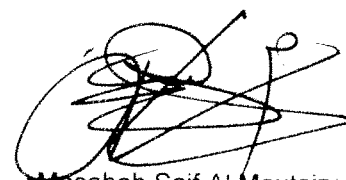
US\$ 000's

|   | Note | 31 March<br>2012<br>(reviewed) | 31<br>December<br>2011<br>(audited) | 31 March<br>2011<br>(reviewed) |
|---|------|--------------------------------|-------------------------------------|--------------------------------|
| <b>ASSETS</b>   |      |                                |                                     |                                |
| Cash and bank balances  |      | 6,423                          | 3,820                               | 1,883                          |
| Placements with financial institutions  |      | -                              | 3,001                               | 39,040                         |
| Financing receivables   |      | -                              | -                                   | 13,950                         |
| Investment in associates  |      | 230,420                        | 230,442                             | 225,235                        |
| Investment securities   | 5    | 193,308                        | 220,265                             | 247,293                        |
| Investment property   |      | 259,404                        | 259,404                             | 259,404                        |
| Other assets  | 6    | 109,492                        | 108,913                             | 198,013                        |
| <b>Total assets</b>   |      | <b>799,047</b>                 | <b>825,845</b>                      | <b>984,818</b>                 |
| <b>LIABILITIES</b>  |      |                                |                                     |                                |
| Investors' funds  |      | 27,526                         | 58,887                              | 124,250                        |
| Placements from financial and other institutions                                  |      | 132,856                        | 116,713                             | 131,759                        |
| Financing liabilities   | 7    | 293,860                        | 331,077                             | 338,409                        |
| Other liabilities   |      | 84,854                         | 83,882                              | 170,317                        |
| <b>Total liabilities</b>  |      | <b>539,096</b>                 | <b>590,559</b>                      | <b>764,735</b>                 |
| <b>Equity of investment account holders</b>                                       |      | <b>2,345</b>                   | <b>1,898</b>                        | <b>1,885</b>                   |
| <b>OWNERS' EQUITY</b>   |      |                                |                                     |                                |
| Share capital   | 4    | 353,449                        | 321,031                             | 288,491                        |
| Treasury shares   |      | (525)                          | (12,852)                            | (24,674)                       |
| Share premium   |      | 135,981                        | 145,708                             | 154,097                        |
| Statutory reserve   |      | 67,990                         | 79,408                              | 88,298                         |
| Accumulated losses  |      | (300,685)                      | (301,687)                           | (290,129)                      |
| Investments fair value reserve  |      | -                              | 403                                 | 403                            |
| Other reserves  |      | 1,396                          | 1,377                               | 1,712                          |
| <b>Total owners' equity (page 4)</b>  |      | <b>257,606</b>                 | <b>233,388</b>                      | <b>218,198</b>                 |
| <b>Total liabilities, equity of investment account holders and owners' equity</b> |      | <b>799,047</b>                 | <b>825,845</b>                      | <b>984,818</b>                 |

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 14 on 14 May 2012.



Dr. Esam Yousif A. Janahi  
 Chairman



Mosabah Saif Al Mautairy  
 Director

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**for the three months ended 31 March 2012**

US\$ 000's

|  | Note | 31 March<br>2012<br>(reviewed) | 31 March<br>2011<br>(reviewed) |
|--|------|--------------------------------|--------------------------------|
| Management and other fees                          |      | 1,035                          | 556                            |
| Income from placements with financial institutions |      | 41                             | 306                            |
| Share of (loss) / profit of associates             |      | (25)                           | 374                            |
| Income from investment securities                  |      | (31)                           | 7,310                          |
| Foreign exchange loss, net                         |      | (2,552)                        | (6,623)                        |
| Other income                                       | 8    | 14,454                         | 25,132                         |
| <b>Total income</b>                                |      | <b>12,922</b>                  | <b>27,055</b>                  |
| Staff cost   |      | 1,934                          | 2,799                          |
| Investment advisory expenses                       |      | 1,278                          | 790                            |
| Finance expense                                    |      | 5,115                          | 7,183                          |
| Other expenses                                     |      | 3,593                          | 4,344                          |
| <b>Total expenses</b>                              |      | <b>11,920</b>                  | <b>15,116</b>                  |
| <b>PROFIT FOR THE PERIOD</b>                       |      | <b>1,002</b>                   | <b>11,939</b>                  |
| <b>Earnings per share</b>                          |      |                                |                                |
| Basic earnings per share (US cents)                |      | <b>0.094</b>                   | 1.680                          |
| Diluted earnings per share (US cents)              |      | <b>0.085</b>                   | 1.500                          |

The condensed consolidated interim financial information consists of pages 2 to 14.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**  
for the three months ended 31 March 2012

US\$ 000's

|   | Share capital  | Treasury shares | Share premium  | Statutory reserve | Accumulated losses | Investments fair value reserve | Other reserves | Total owners' equity |
|---|----------------|-----------------|----------------|-------------------|--------------------|--------------------------------|----------------|----------------------|
| <b>31 March 2012 (reviewed)</b>                           |                |                 |                |                   |                    |                                |                |                      |
| Balance at 1 January 2012                                 | 321,031        | (12,852)        | 145,708        | 79,408            | (301,687)          | 403                            | 1,377          | 233,388              |
| Profit for the period                                     | -              | -               | -              | -                 | 1,002              | -                              | -              | 1,002                |
| Transfer to income statement on disposal                  | -              | -               | -              | -                 | -                  | (403)                          | -              | (403)                |
| <b>Total recognised income and expense</b>                | -              | -               | -              | -                 | <b>1,002</b>       | <b>(403)</b>                   | -              | <b>599</b>           |
| Conversion of Murabaha to capital (note 4)                | 32,418         | -               | (9,727)        | -                 | -                  | -                              | -              | 22,691               |
| Sale of treasury shares                                   | -              | 12,327          | -              | -                 | -                  | -                              | -              | 12,327               |
| Loss on sale of treasury shares                           | -              | -               | -              | (11,418)          | -                  | -                              | -              | (11,418)             |
| Share grants vesting expense, net of forfeitures (note 9) | -              | -               | -              | -                 | -                  | -                              | 19             | 19                   |
| <b>Balance at 31 March 2012</b>                           | <b>353,449</b> | <b>(525)</b>    | <b>135,981</b> | <b>67,990</b>     | <b>(300,685)</b>   | -                              | <b>1,396</b>   | <b>257,606</b>       |

|   | Share capital  | Treasury shares | Share premium  | Statutory reserve | Accumulated losses | Investments fair value reserve | Other reserves | Total owners' equity |
|---|----------------|-----------------|----------------|-------------------|--------------------|--------------------------------|----------------|----------------------|
| <b>31 March 2011 (reviewed)</b>                           |                |                 |                |                   |                    |                                |                |                      |
| Balance at 1 January 2011                                 | 145,780        | (24,674)        | 206,203        | 88,298            | (302,068)          | 975                            | 1,769          | 116,283              |
| Profit for the period                                     | -              | -               | -              | -                 | 11,939             | -                              | -              | 11,939               |
| Change in fair value of investment securities             | -              | -               | -              | -                 | -                  | (572)                          | -              | (572)                |
| Total recognise income and expense                        | -              | -               | -              | -                 | 11,939             | (572)                          | -              | 11,367               |
| Conversion of Murabaha to capital (note 4)                | 142,711        | -               | (52,106)       | -                 | -                  | -                              | -              | 90,605               |
| Share grants vesting expense, net of forfeitures (note 9) | -              | -               | -              | -                 | -                  | -                              | (57)           | (57)                 |
| <b>Balance at 31 March 2011</b>                           | <b>288,491</b> | <b>(24,674)</b> | <b>154,097</b> | <b>88,298</b>     | <b>(290,129)</b>   | <b>403</b>                     | <b>1,712</b>   | <b>218,198</b>       |

The condensed consolidated interim financial information consists of pages 2 to 13.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the three months ended 31 March 2012**

US\$ 000's

|   | <b>Three months ended</b>              |                                |
|---|--|--------------------------------|
|   | <b>31 March<br/>2012</b><br>(reviewed) | 31 March<br>2011<br>(reviewed) |
| <b>OPERATING ACTIVITIES</b>                                 |  |                                |
| Placements with / from financial institutions, net          | 12,721                                 | (719)                          |
| Disbursement of financing of projects, net                  | -                                      | (1,542)                        |
| Receipts from financing receivables                         | -                                      | 450                            |
| Investors' funds, net                                       | (4,746)                                | (1,843)                        |
| Management fees received                                    | 650                                    | 197                            |
| Income received from placements with financial institution  | 42                                     | 306                            |
| Payment for expenses and project costs                      | (2,833)                                | (16,754)                       |
| <b>Cash generated from / (used in) operating activities</b> | <b>5,834</b>                           | (19,905)                       |
| <b>INVESTING ACTIVITIES</b>                                 |  |                                |
| Proceeds from sale of investment securities                 | 742                                    | 847                            |
| <b>Cash generated from investing activities</b>             | <b>742</b>                             | 847                            |
| <b>FINANCING ACTIVITIES</b>                                 |  |                                |
| Financing liabilities, net                                  | (3,505)                                | 1,769                          |
| Finance expense paid  | (4,374)                                | (7,178)                        |
| Proceeds from issue of convertible murabaha                 | -                                      | 5,153                          |
| Proceeds from sale of treasury shares                       | 909                                    | -                              |
| Dividends paid  | (4)                                    | (401)                          |
| <b>Cash used in from financing activities</b>               | <b>(6,974)</b>                         | (657)                          |
| <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>                | <b>(398)</b>                           | (19,715)                       |
| Cash and cash equivalents at 1 January                      | 6,821                                  | 60,638                         |
| <b>CASH AND CASH EQUIVALENTS at 31 March</b>                | <b>6,423</b>                           | 40,923                         |
| <b>Cash and cash equivalents comprise:</b>                  |  |                                |
| Cash and bank balances                                      | 6,423                                  | 1,883                          |
| Placements with financial and other institutions (note 5)   | -                                      | 39,040                         |
|   | <b>6,423</b>                           | 40,923                         |

The condensed consolidated interim financial information consists of pages 2 to 14.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS  
for the three months ended 31 March 2012**

| 31 March 2012 (reviewed)      | Balance at 1 January 2012 |                              |                  | Movements during the period        |                        |                         |                           |                                    |                                    | Balance at 31 March 2012 |                              |                  |
|-------------------------------|---------------------------|------------------------------|------------------|------------------------------------|------------------------|-------------------------|---------------------------|------------------------------------|------------------------------------|--------------------------|------------------------------|------------------|
|                               | No of units (000)         | Average value per share US\$ | Total US\$ 000's | Investment/(withdrawal) US\$ 000's | 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 |
| Company                       |                           |                              |                  |                                    |                        |                         |                           |                                    |                                    |                          |                              |                  |
| Mena Real Estate Company KSCC | 150                       | 0.35                         | 53               | -                                  | -                      | -                       | -                         | -                                  | -                                  | 150                      | 0.35                         | 53               |
| Al Basha'er Fund              | 93                        | 6.63                         | 617              | -                                  | 135                    | -                       | -                         | (75)                               | -                                  | 93                       | 7.28                         | 677              |
| Pan European Fund             | 35.85                     | 797.67                       | 28,597           | -                                  | -                      | -                       | -                         | -                                  | -                                  | 35.85                    | 797.67                       | 28,597           |
| Oman Development Company      | 522.50                    | 3.12                         | 1,628            | -                                  | -                      | -                       | -                         | -                                  | -                                  | 522.50                   | 3.12                         | 1,628            |
|                               |                           |                              | <b>30,895</b>    |                                    | <b>135</b>             |                         |                           |                                    |                                    |                          |                              | <b>30,955</b>    |

The condensed consolidated interim financial information consists of pages 2 to 14.



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS**  
for the three months ended 31 March 2012 (continued)

| 31 March 2011 (reviewed)                                       | Balance at 1 January 2012 |                              | Movements during the period |                                    |                        |                         |                           | Balance at 31 March 2011           |                                    |                   |                              |                  |
|--|---------------------------|------------------------------|-----------------------------|------------------------------------|------------------------|-------------------------|---------------------------|------------------------------------|------------------------------------|-------------------|------------------------------|------------------|
|  | No of units (000)         | Average value per share US\$ | Total US\$ 000's            | Investment/(withdrawal) US\$ 000's | 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                       | -                                  | 48                     | -                       | -                         | -                                  | -                                  | 10,000            | 0.25                         | 2,503            |
| Gulf North Africa Holding Company KSCC                         | 11,500                    | 0.24                         | 2,794                       | -                                  | 54                     | -                       | -                         | -                                  | -                                  | 11,500            | 0.25                         | 2,848            |
| Gulf Real Estate Development Company                           | 936                       | 12.05                        | 11,272                      | -                                  | -                      | -                       | -                         | -                                  | -                                  | 936               | 12.05                        | 11,272           |
| Al Basha'er Fund   | 93                        | 7.59                         | 704                         | -                                  | (25)                   | -                       | -                         | -                                  | -                                  | 93                | 7.30                         | 679              |
| Pan European Fund  | 35.85                     | 815.39                       | 29,233                      | -                                  | 2,043                  | -                       | -                         | -                                  | -                                  | 35.85             | 872.42                       | 31,276           |
| Oman Development Company                                       | 522.50                    | 3.12                         | 1,628                       | -                                  | -                      | -                       | -                         | -                                  | -                                  | 522.50            | 3.12                         | 1,628            |
|  |                           |                              | 48,227                      | -                                  | 2,123                  | -                       | -                         | -                                  | -                                  |                   |                              | 50,350           |

The condensed consolidated interim financial information consists of pages 2 to 14.

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

for the three months ended 31 March 2012

US\$ 000's

|   | Three months ended             |                                |
|---|--------------------------------|--------------------------------|
|   | 31 March<br>2012<br>(reviewed) | 31 March<br>2011<br>(reviewed) |
| <b>Sources of charity and zakah fund</b>                |                                |                                |
| Non-Islamic income                                      | -                              | -                              |
| <b>Total sources</b>                                    | -                              | -                              |
| <b>Uses of charity and zakah fund</b>                   |                                |                                |
| Contributions to charitable organisations               | -                              | -                              |
| <b>Total uses</b>                                       | -                              | -                              |
| <b>Excess of sources over uses</b>                      |                                |                                |
| Undistributed charity and zakah fund at 1 January       | 10,503                         | 10,631                         |
| <b>Undistributed charity and zakah fund at 31 March</b> | <b>10,503</b>                  | <b>10,631</b>                  |
| Represented by:   |                                |                                |
| Charity fund  | 7,702                          | 7,830                          |
| Zakah payable   | 2,801                          | 2,801                          |
|   | <b>10,503</b>                  | <b>10,631</b>                  |

The condensed consolidated interim financial information consists of pages 2 to 14.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
for the three months ended 31 March 2012**

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**1 Reporting entity**

The condensed consolidated interim financial information for the three months ended 31 March 2012 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 condensed consolidated 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, the Group uses guidance from the relevant International Financial Reporting Standard. Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'. The condensed consolidated 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 Group for the year ended 31 December 2011.

*Going concern*

As at 31 March 2012, the Group had accumulated losses of US\$ 300.69 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. 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 is currently in the process of discussions with its lenders to restructure 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. During the period convertible murabaha note holders of US\$ 23.02 million have subscribed and exercised their option to convert the notes into equity shares of the Group (refer note 7). As at 31 March 2012, the Group's capital adequacy ratio was 14.12%.

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 condensed consolidated interim financial information.

*Accounting policies*

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2011.

*Estimates*

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were similar to those applied to the audited consolidated financial statements for the year ended 31 December 2011.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
for the three months ended 31 March 2012**

2 *Basis of preparation (continue)*

*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 2011.

3 The condensed consolidated 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 2011 and the reviewed condensed consolidated interim financial information for the three months ended 31 March 2011. 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 condensed consolidated interim financial information for the three months ended 31 March 2011.

4 During the period, the paid up capital of the Bank was increased from US\$ 321,031 thousand to US\$ 353,449 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, 105 million shares of par value US\$ 32,418 thousand has been issued on conversion. As the effective conversion price is below the par value per share, the resulting difference and the related share issue expenses has been adjusted against the share premium account. Subsequent to the period end, the Group had issued convertible murabaha amounting to US\$ 35 million which together with the convertible murabaha outstanding at 31 March 2012 was converted into equity of the Bank by issue of 237 million million shares.

5 **Investment securities**

|  | <b>31 March<br/>2012</b><br>US\$ 000's<br>(reviewed) | 31 December<br>2011<br>US\$ 000's<br>(audited) | 31 March<br>2011<br>US\$ 000's<br>(reviewed) |
|--|--|--|--|
| <b>Equity type instruments</b>             |  |  |  |
| <i>Fair value through income statement</i> |  |  |  |
| - Quoted securities                        | 973  | 990  | 3,140  |
| - Unquoted funds                           | 4,162  | 4,202  | 2,500  |
| - Unquoted securities                      | -  | -  | 20,220                                       |
| <i>Fair value through equity</i>           |  |  |  |
| - Quoted securities                        | -  | 475  | 475  |
| - Unquoted securities *                    | 188,173  | 214,598  | 220,958                                      |
|  | <b>193,308</b>                                       | <b>220,265</b>                                 | <b>247,293</b>                               |

\* Unquoted equity securities classified as fair value through equity mainly include investments in private equity investments managed by external investment managers and investments in projects promoted by the Group. In the absence of reliable measure of fair value, these investments are carried at cost less impairment. During the quarter, the Group has settled a liability (investors' fund) of US\$ 25.78 million with an associate by transfer of an investment of equal amount.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 2012**

**6 Other assets**

|                                   | <b>31 March<br/>2012</b><br>US\$ 000's<br>(reviewed) | 31 December<br>2011<br>US\$ 000's<br>(audited) | 31 March<br>2011<br>US\$ 000's<br>(reviewed) |
|-----------------------------------|--|--|--|
| Financing to projects             | 66,970   | 66,970   | 64,496                                       |
| Equipment                         | 2,956  | 2,454  | 5,773  |
| Reimbursement right (note 11)     | 35,000   | 35,000   | 121,111                                      |
| Prepayments and other receivables | 4,566  | 4,489  | 6,633  |
|                                   | <b>109,492</b>                                       | 108,913  | 198,013                                      |

Other assets are net of impairment allowances of US\$ 135,907 thousand (31 December 2011: US\$ 135,907 thousand).

**7 Financing liabilities**

|                             | <b>31 March<br/>2012</b><br>US\$ 000's<br>(reviewed) | 31 December<br>2011<br>US\$ 000's<br>(audited) | 31 March<br>2011<br>US\$ 000's<br>(reviewed) |
|-----------------------------|--|--|--|
| Murabaha financing          | 102,516  | 102,832  | 100,585                                      |
| Wakala financing            | 47,328   | 51,535   | 60,616                                       |
| Sukuk liability             | 115,888  | 162,190  | 152,116                                      |
| Convertible Murabaha (2009) | 14,945   | 14,520   | 24,093                                       |
| Convertible Murabaha (2010) | 13,183   | -  | 999  |
|                             | <b>293,860</b>                                       | 331,077  | 338,409                                      |

*(a) 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 August 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 the Group's investment in an associate of carrying value of US\$ 161.89 million. The Group is currently negotiating to restructure the facility.

*(b) Wakala financing*

Wakala financing is a syndicate facility from a number of financial institutions. During the year, the Group renegotiated the facility. 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\$ 203 million. The Group has deferred the instalment due in April and currently commenced negotiation for restructuring the facility.

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7 *Financing liabilities (continue)*

(c) *Sukuk liability*

The Sukuk have a tenure of 5 years maturing in June 2012 and returns based on an agreed spread of 175 bps over the benchmark rate (LIBOR). The Sukuk are backed by a pool of assets of the Group and has a liquidity facility provided by the Bank to support timely payments of distributions. The Sukuk are traded on the London Stock Exchange's Gilt Edged and Fixed Interest Market.

During the period, the Group was in technical breach of certain financial covenants of the Sukuk programm and the Group is currently in advanced discussions with the sukuk note holders for revising the covenant terms. The revised terms include the extension of the tenure for a period of 6 years with periodic repayment starting July 2014, with final installment in July 2018. The restructured terms propose a profit rate of LIBOR plus a margin with a minimum profit rate of 5% and the differential between the profit rate and minimum rate being payable on the maturity date. The periodic profit payments would be made semi annually.

Further, during the period, the Group has repurchased Sukuk of US\$ 46.3 million by issue of convertible murabaha resulting in a profit of US\$ 11.1 million which is included under "Other income" (refer note 8).

(d) *Convertible murabaha 2009*

During 2009, the Group issued a compound financial instrument ("Notes") in the form of unsecured convertible murabaha facility. The Notes had 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.

(e) *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. During the period, the Bank received subscription of US\$ 36.19 million and note holders amounting to US\$ 23.01 million have exercised their option to convert the notes to share capital resulting in issue of 105,423,548 number of equity shares as per the terms of the convertible murabaha. Subsequent to the period end, the outstanding amount at 31 March 2012 was converted into equity of the Bank (note 4).

8 **Other income**

Other income includes US\$ 11.1 million from settlement of sukuk liability (note 7 (c)), gain on sale of equipment of US\$ 1.5 million and reversal of excess provision of US\$ 1.3 million.

9 **Share-based employee compensation scheme**

During the period, 200 thousand share awards were forfeited due to non-satisfaction of service conditions by outgoing employees of the Bank. A vesting charge amounting to US\$ 19 thousand (31 March 2011: net reversal of US\$ 57 thousand) was recognised as part of staff costs during the period, net of effect of forfeitures. As at 31 March 2012, 3.29 million share awards were outstanding to be exercised in future periods.

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**10 Segment reporting**

| <b>31 March 2012</b><br>(reviewed) | <b>Development infrastructure</b> | <b>Banking</b> | <b>Unallocated</b> | <b>Total</b> |
|------------------------------------|-----------------------------------|----------------|--------------------|--------------|
| Segment revenue                    | (781)                             | 10,523         | 3,181              | 12,922       |
| Segment expenses                   | 3,758                             | 6,866          | 1,296              | 11,920       |
| Segment result                     | (4,539)                           | 3,657          | 1,884              | 1,002        |
| Segment assets                     | 527,451                           | 266,057        | 5,539              | 799,047      |
| Segment liabilities                | 361,710                           | 132,641        | 44,745             | 539,096      |

| <b>31 March 2011</b><br>(reviewed)   | <b>Development infrastructure</b> | <b>Banking</b> | <b>Unallocated</b> | <b>Total</b> |
|--------------------------------------|-----------------------------------|----------------|--------------------|--------------|
| Segment revenue                      | 81                                | 28,967         | (2,626)            | 26,422       |
| Segment expenses                     | 4,708                             | 7,031          | 2,744              | 14,483       |
| Segment result                       | (4,627)                           | 21,936         | (5,370)            | 11,939       |
| <b>31 December 2011</b><br>(audited) |                                   |                |                    |              |
| Segment assets                       | 553,797                           | 267,039        | 5,009              | 825,845      |
| Segment liabilities                  | 381,650                           | 160,523        | 48,386             | 590,559      |

**11 Commitments and contingencies**

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

|                               | <b>31 March 2012</b><br>US\$ 000's<br>(reviewed) | <b>31 December 2011</b><br>US\$ 000's<br>(audited) | <b>31 March 2011</b><br>US\$ 000's<br>(reviewed) |
|-------------------------------|--|--|--|
| Commitments to invest         | 613  | 613  | 6,613  |
| Commitments to extend finance | 82,636   | 82,636   | 16,500   |

The Group potentially has a commitment under a constructive obligation to extend finance to one of its projects of up to US\$ 4 million (31 December 2011: US\$ 23 million).

Based on the Group's assessment of the likelihood that a 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. Accordingly, the Group has recognised a provision of US\$ 35 million (31 December 2011: US\$ 35 million) towards these liabilities until revised / renegotiated terms are agreed with the lenders of the project company and included in other liabilities and recognised an equivalent amount of 'reimbursement right' receivable included in 'other assets'.

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11 *Commitments and contingencies (continue)*

In the opinion of the management, the 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.

*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 31 March 2012 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. 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.

- 12 Due to the inherent nature of the Group's business, the three month results reported in this interim financial information may not represent a proportionate share of the overall annual results.
- 13 Appropriations, if any, are made only at the year end.
- 14 Certain prior period amounts have been regrouped to conform to the current period's presentation. Such regrouping did not affect previously reported profit or owners' equity.