GULF FINANCE HOUSE BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

31 March 2014

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale investment Bank)
Registered Office	:	Bahrain Financial Harbour Office: 2901, 29th Floor Building 1398, East Tower, Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Ahmed Al Mutawa, *Chairman* Mosabah Saif Al Mautairy, *Vice Chairman* Bashar Muhammad Almutawa Mohammed Ali Talib Sheikh Mohammed Bin Duaij Al Khalifa Khalid Alkhazraji Faisal Abdulla Fouad Yousif Ibrahim AlGhanim
Chief Executive Officer	:	Hisham Alrayes
Auditors	:	KPMG Fakhro

GULF FINANCE HOUSE BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2014

CONTENTS Page

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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 2014

Introduction
We have reviewed the accompanying 31 March 2014 condensed consolidated interim financial information of Gulf Finance House BSC ("the Bank") and its subsidiaries (together the Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2014;
- the condensed consolidated income statement for the three month period ended 31 March 2014;
- the condensed consolidated statement of changes in owners' equity for the three month period ended 31 March 2014;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2014;
- the condensed consolidated statement of changes in restricted investment accounts for the three month period ended 31 March 2014;
- the condensed consolidated statement of changes in sources and uses of charity and zakah fund for the three month period ended 31 March 2014; and
- notes to 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 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 the 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 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 31 March 2013 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.

KPMG

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2014 US$ 000's

	note	**31 March 2014 (reviewed)**	31 December 2013 (audited)	31 March 2013 (reviewed)
ASSETS				
Cash and bank balances		28,171	21,847	22,532
Placements with financial institutions		4,955	-	-
Investment securities	11	197,052	196,141	173,670
Investment property		259,404	259,404	259,404
Assets held-for-sale	12	160,254	184,076	82,166
Equity-accounted investees		17,798	73,417	235,927
Intangible assets	10	125,220	-	-
Property, plant and equipment		135,275	299	855
Other assets	13	230,826	172,669	122,234
Total assets		**1,158,955**	907,853	896,788
LIABILITIES				
Investors' funds		11,001	19,166	13,829
Placements from financial and other institutions	14	92,012	93,511	126,392
Financing liabilities	15	260,272	207,767	222,748
Liabilities related to assets held-for-sale		-	-	39,926
Other liabilities		87,137	60,408	71,335
Total liabilities		**450,422**	380,852	474,230
Equity of investment account holders		**1,651**	2,155	2,358
OWNERS' EQUITY				
Share capital		972,281	972,281	681,348
Treasury shares		(912)	(912)	(525)
Statutory reserve		68,146	68,146	68,098
Accumulated losses		(515,605)	(515,911)	(331,826)
Other reserves		1,321	1,242	918
Foreign currency translation reserve		(542)	-	(2,521)
Total equity attributable to shareholders of the Bank		**524,689**	524,846	415,492
Non controlling interests		182,193	-	4,708
Total owners' equity (page 4)		**706,882**	524,846	420,200
Total liabilities, equity of investment account holders and owners' equity		**1,158,955**	907,853	896,788

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 22 on 14 May 2014.

Ahmed Al Mutawa
Chairman

Mosabah Saif Al Mautairy
Vice Chairman

Hisham Alrayes
Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2014 US$ 000's

	note	Three months ended	
		31 March 2014 (reviewed)	31 March 2013 (reviewed)
Management and other fees		504	4,740
Income from placements with financial institutions		67	237
Share of profits of equity-accounted investees		2,635	542
Income from investment securities, net		836	-
Foreign exchange gain, net		6	345
Other income		3,171	5,242
Income from investment banking business		**7,219**	**11,106**
Revenue from industrial business	17	22,465	-
Total income		**29,684**	11,106
Staff cost		2,100	1,154
Investment advisory expenses		716	782
Finance expense		3,620	4,392
Other expenses		2,412	1,988
Total expenses of investment banking business		**8,848**	8,316
Cost of sales		17,766	-
Other operating expenses		2,018	-
Total expenses of industrial business		**19,784**	-
Total expenses		**28,632**	8,316
Profit from continuing operations before impairment allowances		**1,052**	2,790
Impairment allowances		-	(1,000)
Profit from continuing operations		**1,052**	1,790
Loss from discontinued operations		-	(304)
PROFIT FOR THE PERIOD		**1,052**	1,486
Attributable to:			
Shareholders of the Bank		306	1,486
Non-controlling interests		746	-
		1,052	1,486
Earnings per share			
Basic and diluted earnings per share (US cents)		0.010	0.083
Earnings per share – continuing operations			
Basic and diluted earnings per share (US cents)		0.010	0.083

The condensed consolidated interim financial information consists of pages 2 to 22.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months ended 31 March 2014

US$ 000's

	Attributable to shareholders of the Bank									
31 March 2014 (reviewed)	**Share capital**	**Treasury shares**	**Share premium**	**Statutory reserve**	**Accumula-ted losses**	**Other reserves**	**Foreign currency translation reserve**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2014	972,281	(912)	-	68,146	(515,911)	1,242	-	524,846	-	524,846
Profit for the period	-	-	-	-	306	-	-	306	746	1,052
Foreign currency translation differences	-	-	-	-	-	-	(542)	(542)	(852)	(1,394)
Total recognised income and expense	**-**	**-**	**-**	**-**	**306**	**-**	**(542)**	**(236)**	**(106)**	**(342)**
Share grants vesting expense, net of forfeitures (note 16)	-	-	-	-	-	79	-	79	-	79
Acquisition of subsidiaries (note 10)	-	-	-	-	-	-	-	-	182,299	182,299
Balance at 31 March 2014	**972,281**	**(912)**	**-**	**68,146**	**(515,605)**	**1,321**	**(542)**	**524,689**	**182,193**	**706,882**

The condensed consolidated interim financial information consists of pages 2 to 22.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months ended 31 March 2014 *(continued)*

US$ 000's

	Attributable to shareholders of the Bank									
31 March 2013 (reviewed)	Share capital	Treasury shares	Share premium	Statutory reserve	Accumula-ted losses	Other reserves	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2013	595,087	(2,995)	13,235	66,356	(291,280)	903	-	381,306	-	381,306
Profit for the period	-	-	-	-	1,486	-	-	1,486	-	1,486
Total recognised income and expense	-	-	-	-	1,486	-	-	1,486	-	1,486
Transfer to statutory reserve	-	-	-	1,003	(1,003)	-	-	-	-	-
Conversion of murabaha to capital	86,261	(8,528)	(13,235)	-	(40,999)	-	-	23,499	-	23,499
Sale of treasury shares	-	10,998	-	-	-	-	-	10,998	-	10,998
Gain on sale of treasury shares	-	-	-	739	-	-	-	739	-	739
Share grants vesting expense, net of forfeitures (note 16)	-	-	-	-	-	15	-	15	-	15
Foreign currency translation differences	-	-	-	-	-	-	(2,909)	(2,909)	-	(2,909)
Partial disposal of assets held-for-sale	-	-	-	-	(30)	-	388	358	4,708	5,066
Balance at 31 March 2013	681,348	(525)	-	68,098	(331,826)	918	(2,521)	415,492	4,708	420,200

The condensed consolidated interim financial information consists of pages 2 to 22.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2014 US$ 000's

	31 March 2014 (reviewed)	31 March 2013 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	1,052	1,486
Adjustments for:		
Fair value changes in investment securities	(1,751)	-
Loss on sale of investment securities	915	-
Share of profit of equity-accounted investees	(3,170)	(542)
Foreign exchange gain	(222)	345
Finance expenses	1,499	4,461
Other income	(3,243)	(5,242)
Depreciation and amortisation	2,322	530
	(2,598)	1,038
Changes in:		
Placement with financial institutions	-	14,767
Investor's funds	(7,780)	(615)
Other assets	12,812	257
Other liabilities	(14,998)	(7,057)
Net cash (used in) / generated from operating activities	**(12,564)**	8,390
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(824)	-
Purchase of investment securities	(30,420)	(153)
Advance for investments	-	(4,989)
Proceeds from sale of investment securities	34,909	-
Proceeds from sale of assets held-for-sale	9,890	-
Acquisition of subsidiaries	7,341	-
Net cash generated from / (used in) investing activities	**20,896**	(5,142)
FINANCING ACTIVITIES		
Financing liabilities, net	(504)	(4,705)
Finance expense paid	(1,499)	(4,461)
Dividend paid	(10)	(3)
Proceeds from issue of convertible murabaha	-	13,499
Proceeds from sale of treasury shares	-	11,738
Net cash (used in) / generated from financing activities	**(2,013)**	16,068
Net increase in cash and cash equivalents during the period	**6,319**	19,316
Effect of exchange differences on cash and cash equivalents	5	(119)
Cash and cash equivalents at 1 January	21,847	5,105
CASH AND CASH EQUIVALENTS AT 31 March	**28,171**	24,302
Cash and cash equivalents comprise:		
Cash and balances with banks	28,171	5,032
Cash and bank balances included in asset held for sale	-	1,770
Placements with financial institutions	-	17,500
	28,171	24,302

The condensed consolidated interim financial information consists of pages 2 to 22.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2014

31 March 2014 (reviewed)	**Balance at 1 January 2014**			**Movements during the period**						**Balance at 31 March 2014**		
Company	No of units (000)	Average value per share US$	Total US$ 000's	Investment/ (withdrawal) US$ 000's	Revalua-tion 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	-	-	-	-	-	-	150	0.35	53
Al Basha'er Fund	93	8.39	780	-	79	-	-	-	-	93	9.24	859
			833	**-**	**79**	**-**	**-**	**-**	**-**			**912**

31 March 2013 (reviewed)	Balance at 1 January 2013			Movements during the period						Balance at 31 March 2013		
Company	No of units (000)	Average value per share US$	Total US$ 000's	Investment/ (withdrawal) US$ 000's	Revalua-tion 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	0.359	54
Al Basha'er Fund	93	6.69	622	-	56	-	-	-	-	93	7.291	678
Oman Development Company	522.50	3.115	1,628	-	-	-	-	-	-	522.50	3.115	1,628
			2,303	-	57	-	-	-	-			2,360

The condensed consolidated interim financial information consists of pages 2 to 22.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY AND ZAKAH FUND
for the three months ended 31 March 2014 US$ 000's

	31 March 2014 (reviewed)	31 March 2013 (reviewed)
Sources of charity and zakah fund		
Non-Islamic income	-	-
Total sources	**-**	-
Uses of charity and zakah fund		
Contributions to charitable organisations	-	-
Total uses	**-**	-
Deficit of sources over uses	**-**	
Undistributed charity and zakah fund at 1 January	2,774	10,427
Undistributed charity and zakah fund at 31 March	**2,774**	10,427
Represented by:		
Charity fund	-	7,653
Zakah payable	2,774	2,774
	2,774	10,427

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2014

1 Reporting entity

The condensed consolidated interim financial information for the three months ended 31 March 2014 comprise the financial information of Gulf Finance House BSC (the "Bank") and its subsidiaries (together referred to as "the Group"). For new subsidiaries consolidated during the period refer note 10.

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 Standards. 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 2013.

During the period, the Group obtained control of certain industrial business (note 10) and is currently in the process of determining fair values of the acquired identifiable assets and liabilities. Accordingly, the carrying values consolidated in these condensed consolidated interim financial statements have been determined on a provisional basis, as permitted by IFRS 3 'Business Combinations'. It is possible that there may be significant adjustments to the recognized assets and liabilities in subsequent reporting periods that may require adjustments to the reported amounts and results in the 31 March 2014 condensed consolidated interim financial information.

This business combination has had a significant impact on the basis of presentation of the financial statements of the Group. Accordingly, for a more releavnt presentation of the Group's financial performance, the statement of income is now primarily being presented based on nature of activities rather than nature of expenses and income. The comparatives have been regrouped to conform to the current period's presentation.

3 Significant accounting polices

Except for changes discussed in the basis of presentation and significant accounting policies of the industrial business highlighted below, 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 2013.

Significant accounting policies of the industrial business consolidated during the period
Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projection if the recognition criteria are met. All other repair and maintenance costs are recognised in the condensed consolidated income statement as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight line method over their estimated useful lives, and is generally recognised in the condensed consolidated income statement.

3 Significant accounting polices (continued)

The estimated useful lives of property, plant and equipment are as follows:

Buildings and infrastructure on lease hold	15 – 30 years
Plant and machinery	8 – 40 years
Tools and dies	3 years
Computers	3 – 5 years
Furniture and fixtures	5 – 8 years
Motor vehicles	4 – 5 years

Intangible assets
Intangible assets represents commercial licences for cement production and trading in the Kingdom of Bahrain, Syrian Arab Republic and Libya. Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination are their fair values as at the date of acquisition. Subsequently, intangible assets are recognised at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the condensed consolidated income statement in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life of ten years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. Intangible assets with indefinite useful life consists of a licence to construct and operate a cement plant in the Kingdom of Bahrain.

Inventories
Inventories are valued at lower of cost and net realisable value. The cost of inventories is based on a weighted average basis. In the case of manufactured inventories and work-in-process, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Revenue from industrial business
Revenue from industrial business represents sale of cement and aluminium products. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer (i.e. when delivered), recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

4 Estimates

The preparation of condensed consolidated 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 condensed consolidated interim financial information, except for the matters arising from business combination during the period, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2013.

5 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 2013.

6 Seasonality

Due to the inherent nature of the Group's business (investment banking and industrial business), the three month results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.

7 The condensed consolidated interim financial information is reviewed, not audited. 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 2013 and the reviewed condensed consolidated interim financial information for the three months ended 31 March 2013. 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 2013.

8 Subsequent to the period end, in the extra ordinary general meeting of the shareholders held on 14 April 2014, the shareholders approved the following:

- reduction of the share's nominal value from US$ 0.3075 per share to US$ 0.265 per share, and the subsequent reduction of the issued and paid-up capital from US$ 972,281,164 to US$ 837,900,841 by adjusting the accumulated losses
- issue of a convertible sukuk scheme or new facilities of up to US$ 500 million, to be used to restructure the current liabilities, develop projects and for acquisitions for the benefit of the Bank subject to CBB's approval.

9 Appropriations, if any, are made when approved by the shareholders.

10 Business combination

During the period, the Group obtained control over 51.82% of voting rights of Cemena Investment Company (CIC), a company incorporated in Cayman Islands. CIC was previously an equity accounted investee where the Group held 38.89% stake. The control was obtained through assignment of voting rights by shareholders to the Group resulting in the Group obtaining control over operating and financial policies of CIC. Accordingly, the Group has consolidated Cemena Investment Company and its subsidiaries (together "CIC Group") effective 1 January 2014, being the deemed date of exercise of control.

10 Business combination (continued)

The following investee companies are being consolidated as part of CIC and the Group's effective percentage shareholdings and the nature of activities of the investee companies has been presented below:

Investee name	Country of incorporation	Parent	Effective ownership interests
Cemena Investment Company	Cayman Islands	Gulf Finance House BSC	38.89%
Subsidiaries of CIC			
Cemena Holding Company BSC (c)	Bahrain	CIC	100%
BCC Building Materials BSC (c)	Bahrain	Cemena Holding Company BSC (c)	100%
United Arab Cement Company PJSC	Syria	Cemena Holding Company BSC (c)	90%
Libya Investment Company	Libya	Cemena Holding Company BSC (c)	100%
Balexco House Limited	British Virgin Islands	Cemena Holding Company BSC (c)	88.17%
Falcon Cement Company BSC (c)	Bahrain	BCC Building Materials BSC (c)	80%
Bahrain Aluminium Extrusion Company BSC (c) ('Balexco')	Bahrain	Balexco House Limited	44.22%
Saudi Bahraini Aluminium Company WLL	Kingdom of Saudi Arabia	Bahrain Aluminium Extrusion Company BSC (c)	40%
Joint ventures			
Technal Middle East WLL	Bahrain	-	50%
Balexco Doha Trading WLL	Qatar	-	44%

Consideration transferred and non-controlling interests

As there was no consideration transferred in the business combination, the Group had used the acquisition-date fair value of its interest in the CIC Group for the acquisition accounting. The stake held by shareholders other than the Group along with the non-controlling interests in the subsidiaries of CIC is recognised in the condensed consolidated interim financial information under "Non-controlling interests" based on the proportionate share of non-controlling shareholders' in the recognised amounts of the investee's net assets.

Identifiable assets acquired and liabilities assumed

The fair value of assets, liabilities, equity interests have been reported on a provisional basis as permitted by IFRS 3 'Business Combinations'. If new information, obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date, identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. Revisions to provisional acquisition accounting are required to be done on a retrospective basis.

The reported amounts below represent the carrying values as reported by the acquired entities as at 1 January 2014 (and are reflective of acquisition date carrying values) and have been reported on a provisional basis as permitted by accounting standards. The results of investee companies have also been included in Group's condensed consolidated interim financial information from the date of acquisition on a provisional basis. No gain or loss was recognised upon remeasurement of previously held equity interest in CIC as the provisional fair value approximated the carrying value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2014

10 Business combination (continued)

Carrying values of assets acquired and liabilities assumed at the effective date were:

	US$ 000's
Non-current assets	
Property, plant and equipment	136,474
Intangible assets	125,220
Equity-accounted investees	17,263
Statutory deposit	1,036
Total non-current assets	**279,993**
Current assets	
Inventories	23,230
Trade and other receivables	33,815
Cash, bank balances and term deposits	12,296
Total current assets	**69,341**
Total assets	**349,334**
Liabilities	
Non-current liabilities	
Bank borrowings	14,709
Payable to a contractor	955
Employees' end of service benefits	686
Total non-current liabilities	**16,350**
Current liabilities	
Trade and other payables	37,125
Bank borrowings	34,271
Accrued expenses	3,237
Total current liabilities	**74,633**
Total liabilities	**90,983**
Total net identifiable assets and liabilities	**258,351**
Consideration of Group's interest in CIC	76,052
Non-controlling interests recognized	182,299
Total consideration	**258,351**

10 Business combination (continued)

Given the size, geographic dispersion and inherent complexity involved in the acquisition, the Group, as on date of issue of this condensed consolidated interim financial information, has not concluded on the determination of fair value of tangible and intangible assets acquired, liabilities assumed and residual goodwill arising from the acquisition. The estimates of fair values for tangible and intangible assets acquired and liabilities assumed is subject to significant judgement and shall be determined by management based on various market and income analyses and asset appraisals at the effective date. No goodwill has been recognised on the effective date.

11 Investment securities

	31 March 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	31 March 2013 US$ 000's (reviewed)
Equity type investments			
At fair value through income statement			
- Quoted securities	972	972	2,548
- Quoted funds	26,746	30,824	-
- Unquoted funds	3,679	3,679	3,868
	31,397	35,475	6,416
At fair value through equity			
- Unquoted securities* (at cost)	165,655	160,666	167,254
	197,052	196,141	173,670

* 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 period, impairment allowances of US$ Nil (2013: US$ 500 thousand) was recognised against unquoted equity securities carried at cost.

12 Assets held-for-sale

	31 March 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	31 March 2013 US$ 000's (reviewed)
Subsidiary held-for-sale (LCHL)			
- Assets	-	-	82,166
- Liabilities	-	-	39,926
Net assets	**-**	**-**	42,240
Associates held-for-sale			
- LCHL	-	23,824	-
- KHCB	160,252	160,252	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2014

12 Assets held-for-sale (continued)

Assets held-for-sale includes the Bank's investment of 46.965% stake in Khaleeji Commercial Bank ("KHCB"). The management was previously actively involved in merger discussions with a local bank that would have resulted in a significant disposal of the Bank's stake. During the period, the merger discussions were called off by the counterparty. However, the Group continues to actively be involved in discussions for divesting the Bank's stake in KHCB. Accordingly, the investment in KHCB continues to be classified as held-for-sale. The Group's investment in KHCB is pledged towards a Murabaha financing facility (note 15).

At 31 December 2013, assets held-for-sale also included the Group's investment in Leeds City Holdings Limited (LCHL), a holding company for a number of trading entities whose activities form the operations of Leeds United Football Club (LUFC) in the United Kingdom. During the period, the Group sold its investment in LCHL and retained a stake of 10%. The retained investment in LCHL is classified as "investment securities carried at fair value through equity". There was no significant gain/ loss on the disposal of the investment.

13 Other assets

	31 March 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	31 March 2013 US$ 000's (reviewed)
Financing to projects	101,275	101,275	66,692
Reimbursement right (note 18)	35,000	35,000	35,000
Advance for acquisition of investments	-	-	3,860
Prepayments and other receivables	34,958	36,394	16,682
Inventories	28,469	-	-
Trade receivables	31,124	-	-
	230,826	172,669	122,234

14 Placements from financial and other institutions

These comprise placements (murabaha and wakala) accepted from financial and other institutions (including corporate) as part of Group's treasury activities. This includes US$ 84 million of funds placed by a non-financial entity, which is currently subject to regulatory sanctions. The funds are currently frozen until such sanctions are formally lifted.

15 Financing liabilities

	31 March 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	31 March 2013 US$ 000's (reviewed)
Murabaha financing (i)	60,503	59,987	76,810
Wakala financing	48,660	47,739	47,667
Sukuk liability	98,886	100,041	98,271
Financing of industrial business			
- Short term loans	31,769	-	-
- Ijarah financing	11,427	-	-
- Term loans	6,517	-	-
- Murabaha financing (ii)	2,510	-	-
	260,272	207,767	222,748

Murabaha financing (i)
Murabaha financing comprise medium-term financing from a syndicate of banks. The financing was 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. In 2012, the Group obtained approval from the syndicate for restructuring of the Murabaha facility to be repaid over 6 years on semi annual basis commencing from August 2014. The revised profit rate on the facility is 6 months LIBOR plus margin (subject to a minimum of 5%).
The Murabaha financing facilities are secured by a pledge over the Group's investment in an associate of carrying value of US$ 163,691 thousand and investment property of carrying value of US$ 24.6 million.

Wakala financing
Wakala financing is a syndicate facility from a number of financial institutions. In 2012, the Group renegotiated the facility and as per the revised terms, the balance is repayable over a period of six years till April 2018 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.

Sukuk liability
The Sukuk had an original 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 were traded on the London Stock Exchange's Gilt Edged and Fixed Interest Market. Currently the Sukuk are suspended from trading.

In 2012, the Group obtained approval of the sukuk holders to restructure the facility to 2018. The revised terms include the extension of the tenure for a period of 6 years with periodic repayment starting July 2014, with final instalment in July 2018. The revised terms carry a profit rate of LIBOR plus a margin of 3%, with a minimum profit rate of 5%.

The Sukuk Certificates are backed by the Group's investment securities with carrying values of US$ 90.2 million (31 December 2013: US$ 87.56 million) and an investment property of carrying value of US$ 31.5 million (31 December 2013: US$ 31.5 million)

15 Financing liabilities (continued)

Short term loans

These loans were obtained by Balexco to finance the purchase of raw materials and are repayable by June 2014. The profit rate on these facilities range from 2.8% to 3% and are secured by a pledge over finished goods.

Ijarah financing

Ijarah financing was obtained by Falcon Cement Company BSC (c) for construction of cement plant in the Kingdom of Bahrain. The financing is secured by a mortgage over property, plant and equipment with a carrying value of US$ 59 million and carries a profit rate of higher of BIBOR plus 4.25% or 7.5% per annum with final repayment on 1 February 2017.

Term loans

These facilities were obtained by Balexco for capital expenditure relating to “Extrusion Line”, “Anodising Line” and “Press revamp”. The loans are secured by a mortgage over machinery, equipment of Extrusion Line and Anodising Line. The loans carries a profit rate of three months LIBOR plus 5.5% and is repayable in 16, 16 and 18 quarterly instalments commencing from 30 September 2011, 31 March 2011 and 31 March 2014 respectively.

Murabaha financing (ii)

The murabaha financing has been obtained by Falcon Cement Company BSC (c) for import of raw materials and repayable at a profit rate of 9% per annum for facility availed up to 30 April 2012 and at the rate of BIBOR plus 4.25% per annum (with minimum floor of 7%) for facility availed after 1 May 2012.

	31 March 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	31 March 2013 US$ 000's (reviewed)
Financing liabilities			
Current portion	75,587	36,725	10,000
Non-current portion	184,685	171,042	212,748
	260,272	207,767	222,748

16 Share-based employee compensation scheme

The Bank operates a share incentive scheme for its employees. The share awards granted under the scheme have an initial lock-in period of 3 years and shall vest rateably over varied vesting periods of up to 10 years as per the terms of the scheme. During the period, no share awards were forfeited due to non-satisfaction of service conditions by outgoing employees of the Bank. A net charge of US$ 14 thousand (31 March 2013: US$ 15 thousand) was recognised as part of staff costs, during the period, net of effect of forfeitures. As at 31 March 2014, 2.49 million share awards were outstanding to be exercised in future periods.

During 2013, the Group issued new employee share awards (9,185,391 shares at a share price of US$ 0.125 per share) with vesting conditions over a period of 2 years based on fulfilment of performance and service conditions. During the period, the Group had recognised a charge of US$ 65 thousand (2013: Nil) towards the new employee share awards. As at 31 March 2014: 4,135 thousand shares (31 December 2013: 4,592 thousand shares) were pending vesting under the new employee share awards scheme and during the period 457 thousand shares were forfeited.

17 Segment reporting

As a result of acquisition of new business (refer note 10), the Group has added industrial business as a new reportable segment, industrial business which primarily represents operations of cement and aluminium extrusion manufacturing business. The amounts included for industrial business have been determined on a provisional basis.

31 March 2014 (reviewed)	Industrial business		Development infrastructure	Banking	Unallocated / Elimination	Total
	Cement	Aluminium				
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Segment revenue	8,011	14,454	3,388	5,120	(1,289)	29,684
Segment expenses	7,605	13,639	2,474	6,085	(1,171)	28,632
Segment result	406	815	914	(965)	(118)	1,052
Segment assets	241,395	107,647	525,785	283,764	364	1,158,955
Segment liabilities	38,888	52,034	229,427	115,301	14,772	450,422
Other segment information						
Property, plant and equipment	92,077	42,920	-	-	278	135,275
Intangible assets (commercial license and customer relationship)	125,066	154	-	-	-	125,220
Inventories	3,806	24,663	-	-	-	28,469
Trade receivables	1,668	29,456	-	-	-	31,124
Financing liabilities	13,937	38,286	144,791	63,258		260,272
Other liabilities	24,951	13,748	35,500	605	12,412	87,216
Commitments	115,067	6,521	-	-	-	121,588

17 Segment reporting (continued)

31 March 2013 (reviewed)	Development infrastructure US$ 000's	Banking US$ 000's	Unallocated US$ 000's	Total US$ 000's
Segment revenue	2,144	8,704	258	11,106
Segment expenses	3,640	5,140	840	9,620
Segment result	(1,496)	3,564	(582)	1,486
31 December 2013 (audited)				
Segment assets	535,309	369,452	3,092	907,853
Segment liabilities	249,405	109,520	21,927	380,852
Other segment information				
Financing liabilities	149,434	73,314	-	222,748
Other liabilities	39,063	3,678	28,594	71,335
Commitments	77,636	-	-	77,636

18 Commitments and contingencies

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

	31 March 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	31 March 2013 US$ 000's (reviewed)
Commitments to invest	-	-	-
Commitments to extend finance	-	-	77,636
Capital commitments relating to construction of cement plant	115,067	-	-
Operating lease commitments			
- Within one year	219	-	-
- 1 – 5 years	1,344	-	-
- Over 5 years	2,305	-	-
Guarantees issued by banks on behalf of the Group	2,653	-	-

The Group has a potential commitment under a constructive obligation to extend finance to a project promoted by the Group of up to US$ 26.5 million (31 December 2013: US$ 26.5 million).

Also, the Group has issued a financial guarantee of US$ 35 million to a project promoted by the Group. Based on the assessment of the financial position of the project company, the Group has recognized a provision of US$ 35 million (31 December 2013: US$ 35 million) which is included in other liabilities and recognised an equivalent amount of 'reimbursement right' receivable included in 'other assets' (note 13). The Group is currently in discussion with the lenders and in the opinion of the management, as at the reporting date, the guarantee stands expired and it is unlikely that the amounts would need to be funded.

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 2014 due to the performance of any of its projects.

Litigations, claims and contingencies

Litigations and claims

The Group has a number of claims and litigations filed against in connection with projects promoted by the Bank in the past and with certain transactions. Further, claims against the Bank also have been filed by former employees. Based on the advice of the Bank's external legal counsel, it is premature to quantify the amount or timing of liability, if any. The external legal counsels has also confirmed that the Bank has strong grounds to successfully defend itself against these claims. Accordingly, no provision for these claims has been made in the condensed consolidated interim financial information. No further disclosures regarding contingent liabilities arising from any of such claims are being made by the Bank as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's position.

18 Commitments and contingencies (continued)

Contingencies

The Group has contingent claims arising from the decision to not proceed with a project. 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.

19 Financial instruments

Fair values

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. This represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

As at 31 March 2014 and 31 December 2013, the fair value of bank balances, placements with financial institutions, other financial assets, investors' fund, placements from financial and other institutions and other financial liabilities are not expected to be materially different from their carrying values as these are short term in nature and are re-priced frequently to market rates, where applicable. Investment securities carried at fair value through income statement are carried at their fair values determined using quotes market prices and internal valuation models for unquoted investments. Other investments are carried at cost in the absence of a reliable measure of fair value.

As at 31 March 2014, the fair value of financing liabilities was estimated at US$ 150,916 thousand (carrying value US$ 222,748 thousand) (31 December 2013: fair value US$ 153,630 thousand (carrying value US$ 207,767 thousand) based on recent transactions for repurchase of liability instruments by the Bank. These may not necessarily represent active market quotes. In a normal (and not stressed scenario), the carrying values would approximate fair value of financing liabilities as these are largely floating rate instruments which were re-priced recently as part of the debt restructuring process. The fair values of financial assets and liabilities of industrial business segment are determined on provisional basis and approximates the current carrying values.

Fair value hierarchy

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

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

19 Financial instruments (continued)

31 March 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Investment securities carried at fair value through income statement	26,746	-	4,651	31,397
	26,746	**-**	**4,651**	**31,397**

31 March 2013	Level 1	Level 2	Level 3	Total
	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Investment securities carried at fair value through income statement	1,575	-	4,841	6,416
	1,575	-	4,841	6,416

The following table analyses the movement in Level 3 financial assets during the period:

	31 March 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)
At 1 January	4,651	4,841
Gains (losses) in income statement	-	(190)
Purchases	-	-
Settlements	-	-
Transfers into (out) of Level 3	-	-
At 31 March / 31 December	**4,651**	4,651

20 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.