GULF FINANCE HOUSE BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 June 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 Al Mutawa Mohammed Ali Talib Sheikh Mohammed Bin Duaij Al Khalifa Khalid Alkhazraji
Chief Executive Officer	:	Hisham Alrayes
Auditors	:	KPMG Fakhro

GULF FINANCE HOUSE BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2014

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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

13 August 2014

Introduction
We have reviewed the accompanying 30 June 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 30 June 2014;
- the condensed consolidated income statement for the three-month and six-month periods ended 30 June 2014;
- the condensed consolidated statement of changes in owners' equity for the six-month period ended 30 June 2014;
- the condensed consolidated statement of cash flows for the six-month period ended 30 June 2014;
- the condensed consolidated statement of changes in restricted investment accounts for the six-month period ended 30 June 2014;
- the condensed consolidated statement of changes in sources and uses of charity and zakah fund for the six-month period ended 30 June 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 30 June 2014 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 30 June 2014 US$ 000's

	note	**30 June 2014** (reviewed)	31 December 2013 (audited)	30 June 2013 (reviewed)
ASSETS				
Cash and bank balances	11	53,109	21,847	33,452
Placements with financial institutions		4,995	-	692
Investment securities	12	177,566	196,141	175,300
Investment property		259,404	259,404	259,404
Development properties	13	44,172	-	-
Assets held-for-sale	14	160,252	184,076	22,246
Equity-accounted investees		17,706	73,417	236,480
Intangible assets	10	125,220	-	-
Property, plant and equipment		135,138	299	386
Other assets	15	241,211	172,669	144,267
Total assets		**1,218,773**	907,853	872,227
LIABILITIES				
Investors' funds		11,035	19,166	14,437
Placements from financial and other institutions	16	101,352	93,511	110,435
Financing liabilities	17	253,484	207,767	215,538
Other liabilities		134,708	60,408	70,978
Total liabilities		**500,579**	380,852	411,388
Equity of investment account holders		**1,655**	2,155	2,139
OWNERS' EQUITY				
Share capital	8	837,901	972,281	770,061
Treasury shares		(912)	(912)	(912)
Capital adjustment account	8	(229,656)	(229,656)	(91,296)
Statutory reserve		68,146	68,146	67,519
Accumulated losses	8	(144,408)	(286,255)	(287,713)
Other reserves		1,442	1,242	1,041
Foreign currency translation reserve		(471)	-	-
Total equity attributable to shareholders of the Bank (page 4)		**532,042**	524,846	458,700
Non-controlling interests		184,497	-	-
Total owners' equity (page 4)		**716,539**	524,846	458,700
Total liabilities, equity of investment account holders and owners' equity		**1,218,773**	907,853	872,227

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 20 on 13 August 2014.

Ahmed Al Mutawa
Chairman

Mosabah Saif Al Mautairy
Vice Chairman

Hisham Alrayes
Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2014 US$ 000's

	note	Six months ended		Three months ended	
		30 June 2014 (reviewed)	30 June 2013 (reviewed)	**30 June 2014** (reviewed)	30 June 2013 (reviewed)
Management and other fees		623	5,244	119	503
Income from placements with financial institutions		117	251	50	14
Share of profits of equity-accounted investees		2,635	1,096	-	554
Income from investment securities, net		2,025	343	1,189	343
Foreign exchange gain, net		94	341	88	(4)
Other income	19	37,347	17,214	34,176	11,972
Income from investment banking business		**42,841**	24,489	**35,622**	13,382
Revenue from industrial business	20	45,322	-	22,857	-
Total income		**88,163**	24,489	**58,479**	13,382
Staff cost		6,842	4,404	4,742	3,250
Investment advisory expenses		2,738	1,630	2,022	848
Finance expense		7,073	8,559	3,453	4,167
Other expenses		10,839	4,990	8,427	3,002
Total expenses of investment banking business		**27,492**	19,583	**18,644**	11,267
Cost of sales		37,742	-	19,976	-
Other operating expenses		2,349	-	331	-
Total expenses of industrial business		**40,091**	-	**20,307**	-
Total expenses		**67,583**	19,583	**38,951**	11,267
Profit from continuing operations before impairment allowances		**20,580**	4,906	**19,528**	2,115
Impairment allowances		(10,000)	(1,500)	(10,000)	(500)
Profit from continuing operations		**10,580**	3,406	**9,528**	1,615
Gain from discontinued operations, net		-	776	-	1,080
PROFIT FOR THE PERIOD		**10,580**	4,182	**9,528**	2,695
Attributable to:					
Shareholders of the Bank		7,467	4,182	7,161	2,695
Non-controlling interests		3,113	-	2,367	-
		10,580	4,182	**9,528**	2,695
Earnings per share					
Basic and diluted earnings per share (US cents)		0.24	0.19	0.23	0.12
Earnings per share – continuing operations					
Basic and diluted earnings per share (US cents)		0.24	0.16	0.23	0.07

The condensed consolidated interim financial information consists of pages 2 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the six months ended 30 June 2014 US$ 000's

	Attributable to shareholders of the Bank									
30 June 2014 (reviewed)	**Share Capital**	**Treasury shares**	**Capital adjustment account**	**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)	(229,656)	68,146	(286,255)	1,242	-	524,846	-	524,846
Profit for the period	-	-	-	-	7,467	-	-	7,467	3,113	10,580
Foreign currency translation differences	-	-	-	-	-	-	(471)	(471)	(915)	(1,386)
Total recognised income and expense	**-**	**-**	**-**	**-**	**7,467**	**-**	**(471)**	**6,996**	**2,198**	**9,194**
Capital reduction (note 8)	(134,380)	-	-	-	134,380	-	-	-	-	-
Share grants vesting expense, net of forfeitures (note 18)	-	-	-	-	-	200	-	200	-	200
Acquisition of subsidiaries (note 10)	-	-	-	-	-	-	-	-	182,299	182,299
Balance at 30 June 2014	**837,901**	**(912)**	**(229,656)**	**68,146**	**(144,408)**	**1,442**	**(471)**	**532,042**	**184,497**	**716,539**

30 June 2013 (reviewed)	Share capital	Treasury shares	Capital adjustment account	Share premium	Statutory reserve	Accumulated losses	Other reserves	Total
Balance at 1 January 2013	595,087	(2,995)	-	13,235	66,356	(291,280)	903	381,306
Profit for the period	-	-	-	-	-	4,182	-	4,182
Total recognised income and expense	-	-	-	-	-	4,182	-	4,182
Transfer to statutory reserve (note 8)	-	-		-	1,003	(1,003)	-	-
Conversion of murabaha to capital	174,974	(8,528)	(91,296)	(13,235)	-	-	-	61,915
Purchase of treasury shares	-	(1,192)	-	-	-	-	-	(1,192)
Sale of treasury shares	-	10,997	-	-	-	-	-	10,997
Gain on sale of treasury shares	-	-	-	-	286	-	-	286
Share grants vesting expense, net of forfeitures (note 18)	-	806	-	-	(126)	-	138	818
Gain on partial disposal of assets held-for-sale	-	-	-	-	-	388	-	388
Balance at 30 June 2013	770,061	(912)	(91,296)	-	67,519	(287,713)	1,041	458,700

The condensed consolidated interim financial information consists of pages 2 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2014 US$ 000's

	30 June 2014 (reviewed)	30 June 2013 (reviewed)
OPERATING ACTIVITIES		
Profit for the period	10,580	4,182
Adjustments for:		
Impairment in investment securities	9,000	1,500
Gain on sale of investment securities	(2,025)	(343)
Gain from discontinued operations	-	(776)
Share of profit of equity-accounted investees	(2,635)	(1,096)
Foreign exchange gain	(94)	(341)
Finance expenses	7,073	8,559
Other income	(37,342)	(16,186)
Depreciation and amortisation	62	993
	(15,381)	(3,508)
Changes in:		
Placement with financial institutions	7,841	-
Investor's funds	(8,131)	(1,923)
Other assets	3,954	(4,699)
Other liabilities	1,880	(2,984)
Net cash used in operating activities	**(9,837)**	(13,114)
INVESTING ACTIVITIES		
Payment for purchase of equipment, net	(824)	-
Proceeds from assets held-for-sale	9,890	-
Purchase of investment securities	(30,420)	(153)
Net cash flows on disposal of assets held-for-sale	-	(1,889)
Advance paid for acquisition of investments	(2,696)	(1,904)
Proceeds from sale of investment securities	35,115	2,063
Net cash flow on acquisition of subsidiaries	7,341	-
Net cash generated from / (used in) investing activities	**18,406**	(1,883)
FINANCING ACTIVITIES		
Financing liabilities, net	(7,379)	(10,345)
Finance expense paid	(1,614)	(8,006)
Proceeds from issue of convertible murabaha	-	51,915
Proceeds from sale of treasury shares	-	10,074
Dividends paid	(10)	(80)
Payment to investment account holders	-	(214)
Net cash (used in) / generated from financing activities	**(9,003)**	43,344
Net (decrease) / increase in cash and cash equivalents during the period	**(434)**	28,347
Cash and cash equivalents at 1 January	21,847	5,105
CASH AND CASH EQUIVALENTS AT 30 June	**21,413**	33,452
Cash and cash equivalents comprise:		
Cash and balances with banks (note 11)	21,413	33,452
	21,413	33,452

The condensed consolidated interim financial information consists of pages 2 to 20.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2014

30 June 2014 (reviewed)	**Balance at 1 January 2014**			**Movements during the period**						**Balance at 30 June 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	-	-	-	-	-	-	150	0.35	53
Al Basha'er Fund	93	8.39	780	-	63	-	-	-	-	93	9.06	843
			833	**-**	**63**	**-**	**-**	**-**	**-**			**896**

30 June 2013 (reviewed)	Balance at 1 January 2013			Movements during the period						Balance at 30 June 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	0.34	51
Al Basha'er Fund	93	6.69	622	-	206	-	-	(150)	-	93	7.29	678
Oman Development Company	522.50	3.115	1,628	-	-	-	-	-	-	522.50	3.115	1,628
			2,303	-	207	-	-	(150)	-			2,357

The condensed consolidated interim financial information consists of pages 2 to 20.

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY AND ZAKAH FUND
for the six months ended 30 June 2014 US$ 000's

	30 June 2014 (reviewed)	30 June 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 30 June	**2,774**	10,427
Represented by:		
Charity fund	-	7,653
Zakah payable	2,774	2,774
	2,774	10,427

The condensed consolidated interim financial information consists of pages 2 to 20.

1 Reporting entity

The condensed consolidated interim financial information for the six months ended 30 June 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 30 June 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 relevant 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 acquired 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 of the industrial business assets 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 licenses 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 license 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 aluminum 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 six 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 six months ended 30 June 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 six months ended 30 June 2013.

8 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; and
- 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.

Subsequent to 30 June 2014, the Group launched a convertible notes program. The convertible notes program provide for returns of 12% p.a. to the holder and has a tenure of 60 months from the date of issue, unless converted into ordinary shares of the Bank at the option of the holder, at an exchange price of US$ 0.31 per share. The program also provides additional share based incentives on early conversion. Subsequent to the period end, the Group received subscriptions of US$ 54 million for the convertible notes with conversions resulting in issue of 459,565,865 shares. The effective conversion cost was below the par value per share, hence resulted difference was adjusted against a "capital adjustment account" in the equity.

In the previous periods, difference between effective conversion cost and par value per share on convertible instruments were recognised in the retained earnings. During the period, the cumulative amounts recognised in retained earnings has been regrouped for all period presented and included under the "capital adjustment account".

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

10 Business combination

During the period, the Group obtained management 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 management control was obtained through assignment of voting rights by certain investors 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.

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:

<table>
<tr><th>Investee name</th><th>Country of incorporation</th><th>Parent / Owning Company</th><th>Effective ownership interests</th></tr>
<tr><td>Cemena Investment Company (CIC)</td><td>Cayman Islands</td><td>Gulf Finance House BSC</td><td>38.89%</td></tr>
<tr><td colspan="4">Subsidiaries of CIC</td></tr>
<tr><td>Cemena Holding Company BSC (c)</td><td>Bahrain</td><td>CIC</td><td>100%</td></tr>
<tr><td>BCC Building Materials BSC (c)</td><td>Bahrain</td><td rowspan="4">Cemena Holding Company BSC (c)</td><td>100%</td></tr>
<tr><td>United Arab Cement Company PJSC</td><td>Syria</td><td>90%</td></tr>
<tr><td>Libya Investment Company</td><td>Libya</td><td>100%</td></tr>
<tr><td>Balexco House Limited</td><td>British Virgin Islands</td><td>88.17%</td></tr>
<tr><td>Falcon Cement Company BSC (c)</td><td>Bahrain</td><td>BCC Building Materials BSC (c)</td><td>80%</td></tr>
<tr><td>Bahrain Aluminium Extrusion Company BSC (c) ('Balexco')</td><td>Bahrain</td><td>Balexco House Limited</td><td>44.22%</td></tr>
<tr><td>Saudi Bahraini Aluminium Company WLL</td><td>Kingdom of Saudi Arabia</td><td>Balexco</td><td>40%</td></tr>
<tr><td>Joint ventures</td><td></td><td></td><td></td></tr>
<tr><td>Technal Middle East WLL</td><td>Bahrain</td><td>Balexco</td><td>50%</td></tr>
<tr><td>Balexco Doha Trading WLL</td><td>Qatar</td><td>Balexco</td><td>44%</td></tr>
</table>

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 investors 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.

10 Business combination (continued)

The reported amounts below represent the adjusted carrying values as reported by the acquired entities as at 1 January 2014 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.

Except for adjustment in carrying value of intangible assets by US$ 20 million, the other amounts are reflective of acquisition date carrying values as follows:

	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 these 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 Cash and bank balances

Cash and bank balances include US$ 31.7 million (31 December 2013: US$ Nil) which is not available for day-to-day operations of the Group.

12 Investment securities

	30 June 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	30 June 2013 US$ 000's (reviewed)
Equity type investments			
At fair value through income statement			
- Quoted securities	972	972	-
- Quoted funds	16,490	30,824	1,537
- Unquoted funds	3,679	3,679	3,723
	21,141	35,475	5,260
At fair value through equity			
- Unquoted securities* (at cost)	156,425	160,666	170,040
	177,566	196,141	175,300

* 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$ 9,000 thousand (2013: US$ 500 thousand) was recognised against unquoted equity securities carried at cost.

13 Development properties

Development properties represent land received as part of a settlement agreement with a master developer in Dubai. (refer note 19). The land has been recognised at its fair value determined based on an independent external valuation.

14 Assets held-for-sale

	30 June 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	30 June 2013 US$ 000's (reviewed)
Associates held-for-sale			
- LCHL	-	23,824	22,246
- KHCB	160,252	160,252	-

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 17).

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.

15 Other assets

	30 June 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	30 June 2013 US$ 000's (reviewed)
Financing to projects	101,275	101,275	78,574
Reimbursement right (note 20)	35,000	35,000	35,000
Advance for acquisition of investments	2,696	-	-
Prepayments and other receivables	40,193	36,394	11,745
Inventories	26,999	-	18,948
Trade receivables	35,048	-	-
	241,211	172,669	144,267

16 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.

17 Financing liabilities

	30 June 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	30 June 2013 US$ 000's (reviewed)
Murabaha financing (i)	56,718	59,987	68,944
Wakala financing	44,893	47,739	46,986
Sukuk liability	99,741	100,041	99,608
Financing of industrial business			
- Short term loans	31,879	-	-
- Ijarah financing	11,278	-	-
- Term loans	6,766	-	-
- Murabaha financing (ii)	1,883	-	-
- Letter of credit	322		
	253,484	207,767	215,538

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)

Financing of Industrial Business

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.

17 Financing liabilities (continued)

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 loan is 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.

	30 June 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	30 June 2013 US$ 000's (reviewed)
Financing liabilities			
Current portion	77,292	36,725	5,639
Non-current portion	176,192	171,042	209,899
	253,483	207,767	215,538

18 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. A net charge of US$ 41 thousand (30 June 2013: US$ 30 thousand) was recognised as part of staff costs, during the period, net of effect of forfeitures. As at 30 June 2014, 2.29 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$ 159 thousand (2013: Nil) towards the new employee share awards. As at 30 June 2014, 2.3 million shares (31 December 2013: 4.6 million shares) were pending vesting under the new employee share awards scheme and during the period 498 thousand shares were forfeited.

19 Other income

During the period, the Group has recognized a net amount of US$ 33 million of recovery from a previously discontinued project with one of the major developers in Dubai. The settlement was in the form of land and is net of associated liabilities and has been recognized as a recovery of a previously impaired project and included under "other income".

20 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 aluminum extrusion manufacturing business. The amounts included for industrial business have been determined on a provisional basis.

30 June 2014 (reviewed)	**Industrial business**					
	Cement	**Aluminium**	**Development infrastructure**	**Banking**	**Unallocated / Elimination**	**Total**
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Segment revenue	12,486	32,836	36,642	5,856	343	88,163
Segment expenses	9,751	30,339	18,409	14,571	4,513	77,583
Segment result	2,735	2,497	18,233	(8,715)	(4,170)	10,580
Segment assets	242,684	106,504	557,362	311,673	550	1,218,773
Segment liabilities	44,292	49,249	253,903	91,433	61,702	500,579
Other segment information						
Property, plant and equipment	91,827	42,936	-	-	375	135,138
Intangible assets (commercial license and customer relationship)	125,066	154	-	-	-	125,220
Inventories	4,731	22,268	-	-	-	26,999
Trade receivables	3,558	31,490	-	-	-	35,048
Financing liabilities	17,476	34,655	145,113	56,240	-	253,484
Other liabilities	31,199	10,210	35,500	1,509	56,290	134,708
Impairment allowances	-	-	10,000	-	-	10,000
Commitments	115,067	6,521	-	-	-	121,588

20 Segment reporting (continued)

30 June 2013 (reviewed)	Development infrastructure	Banking	Unallocated	Total
Segment revenue	9,973	14,977	315	25,265
Segment expenses	6,312	11,877	2,894	21,083
Segment result	3,661	3,099	(2,578)	4,182
Segment assets	523,620	345,998	2,609	872,227
Segment liabilities	262,536	118,205	30,647	411,388
Other segment information				
Financing liabilities	146,637	68,901	-	215,538
Other liabilities	39,113	3,668	28,197	70,978
Commitments	2,500	-	-	2,500

21 Commitments and contingencies

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

	30 June 2014 US$ 000's (reviewed)	31 December 2013 US$ 000's (audited)	30 June 2013 US$ 000's (reviewed)
Commitments to extend finance	-	-	2,500
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 15). 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 30 June 2014 due to the performance of any of its projects.

21 Commitments and contingencies (continued)

Litigations, claims and contingencies

The Group is defending a number of claims and litigations in connection with projects promoted by the Bank in the past and with certain transactions. 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 have advised 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.

The Bank has filed several cases and counterclaims against counterparties for recoveries which are pending in various courts in the GCC. The Bank is also pursuing several legal cases in courts in the Kingdom of Bahrain against the former chairman of the Bank . The Bank has won some of them while the outcome of the remaining litigations are contingent on obtaining a favourable outcome or settlement which are wholly not within the control of the Group. Accordingly, no contingent assets are recognised in these condensed consolidated interim financial information.

No further disclosures regarding contingent liabilities or recoveries arising from any of such cases are being made by the Bank as the directors of the Bank believe that such disclosures may be prejudicial and detrimental to the Bank's position.

22 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 30 June 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 30 June 2014, the fair value of financing liabilities was estimated at US$ 202,787 thousand (carrying value US$ 253,484 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.

22 *Financial instruments (continued)*

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).

30 June 2014	**Level 1** US$ 000's	**Level 2** US$ 000's	**Level 3** US$ 000's	**Total** US$ 000's
Investment securities carried at fair value through income statement	16,490	-	4,651	**21,141**
	16,490	**-**	**4,651**	**21,141**

30 June 2013	Level 1 US$ 000's	Level 2 US$ 000's	Level 3 US$ 000's	Total US$ 000's
Investment securities carried at fair value through income statement	1,537	-	3,723	5,260
	1,537	-	3,723	5,260

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

	30 June 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 30 June / 31 December	**4,651**	4,651

23 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.