

GULF FINANCE HOUSE BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

31 March 2013

Commercial registration	:	44136 (registered with Central Bank of Bahrain as a Islamic wholesale investment Bank)
Registered Office	:	Bahrain Financial Harbour Office: 2901, 29 th Floor Building 1398, East Tower, Block: 346, Road: 4626 Manama, Kingdom of Bahrain Telephone +973 17538538
Directors	:	Dr. Esam Yousif A. Janahi, <i>Chairman</i> Mosabah Saif Al Mautairy Ahmed Al Mutawa Azzam Al Felaj Bashar Muhammad Almutawa (w.e.f. 4 April 2013) Mohammed Ali Talib (w.e.f. 4 April 2013) Sheikh Mohammed Bin Duaij Al Khalifa (w.e.f. 4 April 2013) Khalid Alkhazraji (w.e.f. 4 April 2013)
Auditors	:	KPMG Fakhro, Bahrain

GULF FINANCE HOUSE BSC

**CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2013**

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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

9 May 2013

Introduction

We have reviewed the accompanying 31 March 2013 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 2013;
- the condensed consolidated income statement for the three month period ended 31 March 2013;
- the condensed consolidated statement of changes in owners' equity for the three month period ended 31 March 2013;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2013;
- the condensed consolidated statement of changes in restricted investment accounts;
- the condensed consolidated statement of changes in sources and uses of charity and zakah fund for the three month period ended 31 March 2013; 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.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2013

US\$ 000's

	Note	31 March 2013 (reviewed)	31 December 2012 (audited)	31 March 2012 (reviewed)
ASSETS				
Cash and bank balances		22,532	3,216	6,423
Placements with financial institutions		-	14,767	-
Equity-accounted investees		235,927	235,383	230,420
Investment securities	10	173,670	174,017	193,308
Investment property		259,404	259,404	259,404
Assets held-for-sale	11	82,166	88,139	-
Other assets	12	123,089	115,531	109,492
Total assets		896,788	890,457	799,047
LIABILITIES				
Investors' funds		13,829	31,428	27,526
Placements from financial and other institutions	13	126,392	126,017	132,856
Financing liabilities	14	222,748	232,827	293,860
Liabilities held-for-sale	11	39,926	42,655	-
Other liabilities		71,335	73,871	84,854
Total liabilities		474,230	506,798	539,096
Equity of investment account holders		2,358	2,353	2,345
OWNERS' EQUITY				
Share capital	4	681,348	595,087	353,449
Treasury shares		(525)	(2,995)	(525)
Share premium		-	13,235	135,981
Statutory reserve		68,098	66,356	67,990
Accumulated losses		(331,826)	(291,280)	(300,685)
Other reserves		918	903	1,396
Foreign currency translation reserve		(2,521)	-	-
Total equity attributable to shareholders of the Bank (page 4)		415,492	381,306	257,606
Non controlling interests		4,708	-	-
Total owners' equity		420,200	381,306	257,606
Total liabilities, equity of investment account holders and owners' equity		896,788	890,457	799,047

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 16 on 9 May 2013.



Dr. Esam Yousif A. Janahi
Chairman



Ahmed Al Mutawa
Vice Chairman

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2013

US\$ 000's

	Note	Three months ended	
		31 March 2013 (reviewed)	31 March 2012 (reviewed)
Management and other fees		4,740	1,035
Income from placements with financial institutions		237	41
Share of profit / (loss) of equity-accounted investees		542	(25)
Loss from investment securities, net		-	(31)
Foreign exchange gain / (loss), net		345	(2,552)
Other income	15	5,242	14,454
Total income		11,106	12,922
Staff cost		1,154	1,934
Investment advisory expenses		782	1,278
Finance expense		4,392	5,115
Other expenses		1,988	3,593
Total expenses		8,316	11,920
Profit from continuing operations before impairment allowances		2,790	1,002
Impairment allowances		(1,000)	-
Profit from continuing operations		1,790	1,002
Loss from discontinued operations		(304)	-
PROFIT FOR THE PERIOD		1,486	1,002
Attributable to:			
Shareholders of the Bank		1,486	1,002
Non-controlling interests		-	-
PROFIT FOR THE PERIOD		1,486	1,002
Earnings per share – continuing operations			
Basic earnings per share (US cents)		0.083	0.087
Diluted earnings per share (US cents)		0.083	0.086

The condensed consolidated interim financial information consists of pages 2 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2013

US\$ 000's

	Attributable to shareholders of the Bank							Non-controlling interests	Total equity	
	Share capital	Treasury shares	Share premium	Statutory reserve	Accumulated losses	Other reserves	Foreign currency translation reserve			Total
31 March 2013 (reviewed)										
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 (note 8)	-	-	-	1,003	(1,003)	-	-	-	-	-
Conversion of murabaha to capital (note 9)	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 (note 11)	-	-	-	-	(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 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the three months ended 31 March 2013

US\$ 000's

Attributable to shareholders of the Bank								
	Share capital	Treasury shares	Share premium	Statutory reserve	Accumulated losses	Investments fair value reserve	Other reserves	Total equity
31 March 2012 (reviewed)								
Balance at 1 January 2012	321,031	(12,852)	145,708	79,408	(301,687)	403	1,377	233,388
Profit for the period	-	-	-	-	1,002	-	-	1,002
Transfer to income statement on disposal	-	-	-	-	-	(403)	-	(403)
Total recognised income and expense	-	-	-	-	1,002	(403)	-	599
Conversion of murabaha to capital	32,418	-	(9,727)	-	-	-	-	22,691
Sale of treasury shares	-	12,327	-	-	-	-	-	12,327
Loss on sale of treasury shares	-	-	-	(11,418)	-	-	-	(11,418)
Share grants vesting expense, net of forfeitures (note 16)	-	-	-	-	-	-	19	19
Balance at 31 March 2012	353,449	(525)	135,981	67,990	(300,685)	-	1,396	257,606

The condensed consolidated interim financial information consists of pages 2 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2013

US\$ 000's

	Three months ended	
	31 March 2013 (reviewed)	31 March 2012 (reviewed)
OPERATING ACTIVITIES		
Placements with / from financial institutions, net	14,767	12,721
Investors' funds, net	(615)	(4,746)
Management fees received	-	650
Income received from placements with financial institution	237	42
Payment for expenses and project costs	(5,998)	(2,833)
Net cash generated from operating activities	8,391	5,834
INVESTING ACTIVITIES		
Acquisition of investment securities	(153)	-
Payments for assets held-for-sale	(1,129)	-
Advance paid for acquisition of investments	(3,860)	-
Proceeds from sale of investment securities	-	742
Net cash (used in) / generated from investing activities	(5,142)	742
FINANCING ACTIVITIES		
Financing liabilities, net	(4,705)	(3,505)
Finance expense paid	(4,461)	(4,374)
Proceeds from issue of convertible murabaha	13,499	-
Proceeds from sale of treasury shares	11,737	909
Dividends paid	(3)	(4)
Net cash generated from / (used in) financing activities	16,067	(6,974)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	19,316	(398)
Effect of exchange differences on cash and cash equivalents	(119)	-
Cash and cash equivalents at 1 January	5,105	6,821
CASH AND CASH EQUIVALENTS at 31 March	24,302	6,423
Cash and cash equivalents comprise:		
Cash and bank balances	22,532	6,423
Cash and bank balances included in assets held-for-sale	1,770	-
	24,302	6,423

The condensed consolidated interim financial information consists of pages 2 to 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2013

31 March 2013 (reviewed)	Balance at 1 January 2013			Movements during the period						Balance at 31 March 2013		
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/ (withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Bank's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Company												
Mena Real Estate Company KSCC	150	0.35	53	-	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 16.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2013 (continued)

31 March 2012 (reviewed)	Balance at 1 January 2012			Movements during the period						Balance at 31 March 2012		
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/ (withdrawal) US\$ 000's	Revaluation US\$ 000's	Gross income US\$ 000's	Dividends paid US\$ 000's	Bank's fees as an agent US\$ 000's	Administration expenses US\$ 000's	No of units (000)	Average value per share US\$	Total US\$ 000's
Company												
Mena Real Estate Company KSCC	150	0.35	53	-	-	-	-	-	-	150	0.35	53
Al Basha'er Fund	93	6.63	617	-	135	-	-	(75)	-	93	7.28	677
Pan European Fund	35.85	797.67	28,597	-	-	-	-	-	-	35.85	797.67	28,597
Oman Development Company	522.50	3.12	1,630	-	-	-	-	-	-	522.50	3.12	1,630
			30,897	-	135	-	-	(75)	-			30,957

The condensed consolidated interim financial information consists of pages 2 to 16.

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

for the three months ended 31 March 2013

US\$ 000's

	31 March 2013 (reviewed)	31 March 2012 (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	10,427	10,503
Undistributed charity and zakah fund at 31 March	10,427	10,503
Represented by:		
Charity fund	7,653	7,702
Zakah payable	2,774	2,801
	10,427	10,503

The condensed consolidated interim financial information consists of pages 2 to 16.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2013**

1 Reporting entity

The condensed consolidated interim financial information for the three months ended 31 March 2013 comprise the financial information of Gulf Finance House BSC (the "Bank") and its subsidiaries (together referred to as "the Group").

2 Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting 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 2012.

Going concern

As at 31 March 2013, the Group had accumulated losses of US\$ 332 million. In 2012, the Group successfully restructured its financial liabilities by extending the tenure of its obligations. To improve its liquidity position, the Group has raised additional capital through the issue of convertible murabaha instruments (refer note 9). The Board of Directors' have reviewed the Group's future plans and are satisfied with the appropriateness of the going concern assumption used in the preparation of the condensed consolidated interim financial information.

3 Significant accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2012 except for the adoption of applicable new accounting standards with effect from 1 January 2013 as referred to below.

New standards and amendments

The Bank has adopted Financial Accounting Standard 26 ("FAS 26") "Investment in real estate" issued by AAOIFI during 2012, which became effective from 1 January 2013. The adoption of the new standard did not have any material impact on the Group.

Also, IAS 34 was revised and became effective from 1 January 2013. The revised IAS 34 requires certain additional disclosures relating to fair value measurement in the condensed consolidated interim financial information, which has been disclosed in note 19.

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, 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 2012.

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 2012.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2013**

6 Seasonality

Due to the inherent nature of the Group's 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 2012 and the reviewed condensed consolidated interim financial information for the three months ended 31 March 2012. The comparatives for the condensed consolidated statements of income, cash flows, changes in 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 2012.
- 8 In April 2013, the shareholders approved appropriation for 2012 of US\$ 1 million to statutory reserve in accordance with the requirements of the Bahrain Commercial Companies Law which was effected during the quarter.
- 9 During the period, the Group has entered into bilateral convertible murabaha agreements with certain investors to raise additional capital. The convertible murabaha provide for returns of 12% p.a. to the holder and has a tenure of 42 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 agreement also provides additional share based incentives on early conversion.

During the period, the Bank received subscription of US\$ 33,663 thousand and all the subscribers have exercised their option to convert their subscription to equity of the Bank resulting in issue of 280,525 thousand number of shares of par value US\$ 86,261 thousand as per the terms of the convertible murabaha. Of the total shares issued, 112,499 thousand were issued for cash consideration and the balance 168,025 number of equity shares have been issued for settlement of liabilities. This has resulting in increase in the paid up capital of the Bank from US\$ 595,087 thousand to US\$ 681,348 thousand. As the effective conversion price is below the par value per share, the resulting difference and the related share issue expenses has been adjusted against the share premium account to the extent of the available balance and the balance is adjusted against retained earnings / (accumulated losses).

10 Investment securities

	31 March 2013 US\$ 000's (reviewed)	31 December 2012 US\$ 000's (audited)	31 March 2012 US\$ 000's (reviewed)
Equity type investments			
<i>At fair value through income statement</i>			
- Quoted securities	2,548	2,548	973
- Unquoted funds	3,868	3,868	4,162
<i>At fair value through equity</i>			
- Unquoted securities* (at cost)	167,254	167,601	188,173
	173,670	174,017	193,308

* 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2013**

10 *Investment securities (continued)*

During the period, impairment allowances of US\$ 500 thousand (2012: Nil) was recognised against unquoted equity securities carried at cost.

11 **Assets held-for-sale**

Assets held-for-sale represents 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 acquired in 2012 through LUFC Holdings Company, a company incorporated in the Cayman Island and a wholly owned subsidiary of GFH Capital Limited. The Group has an active plan to sell its controlling stake in LUFC Holdings Limited to co-investors, and accordingly, the asset and liabilities acquired were classified as held-for-sale and presented in the condensed consolidated statement of financial position.

During the period, the Group sold 13.33% stake in the LUFC Holdings Company resulting in dilution of the Group's stake from 100% to 86.67% and the resulting loss is recognised in equity.

12 **Other assets**

	31 March 2013 US\$ 000's (reviewed)	31 December 2012 US\$ 000's (audited)	31 March 2012 US\$ 000's (reviewed)
Financing to projects	66,692	67,192	66,970
Equipment	855	1,379	2,956
Reimbursement right (note 18)	35,000	35,000	35,000
Advance for acquisition of investments	3,860	-	-
Prepayments and other receivables	16,682	11,960	4,566
	123,089	115,531	109,492

Other assets are net of impairment allowances of US\$ 136,407 thousand (31 December 2012: US\$ 135,907 thousand).

13 **Placements from financial and other institutions**

These comprise placements (murabaha and wakala) accepted from financial and other institutions (including corporates) 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.

14 **Financing liabilities**

	31 March 2013 US\$ 000's (reviewed)	31 December 2012 US\$ 000's (audited)	31 March 2012 US\$ 000's (reviewed)
Murabaha financing	76,810	80,170	102,516
Wakala financing	47,667	46,744	47,328
Sukuk liability	98,271	105,913	115,888
Convertible murabaha (2009)	-	-	14,945
Convertible murabaha (2010)	-	-	13,183
	222,748	232,827	293,860

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2013**

14 *Financing liabilities (continue)*

During the period, the Group has repurchased financing of US\$ 9.63 million at a discount resulting in gain of US\$ 4.93 million which is included in "other income" (note 15).

Murabaha financing

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. During 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 proposed profit rate on the facility is 6 months LIBOR plus margin (subject to a minimum of 5%).

The Group is in the process of finalising the documentation of the restructured terms. The Murabaha financing facilities are secured by a pledge over the Group's investment in an associate of carrying value of US\$ 163,941 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. During 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 installment 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\$ 86.13 million (31 December 2012: US\$ 86.13 million) and an investment property of carrying value of US\$ 31.5 million (31 December 2012: US\$ 31.5 million)

15 **Other income**

Other income includes US\$ 4.93 million from buy back of financing liabilities (note 14).

16 **Share-based employee compensation 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\$ 15 thousand (31 March 2012: US\$ 19 thousand) was recognised as part of staff costs, during the period, net of effect of forfeitures. As at 31 March 2013, 2.49 million share awards were outstanding to be exercised in future periods.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2013**

17 Segment reporting

31 March 2013

(reviewed)

	Development infrastructure	Banking	Unallocated	Total
Segment revenue	2,144	8,704	258	11,106
Segment expenses	3,640	5,140	840	9,620
Segment result	(1,496)	3,564	(586)	1,486
Segment assets	520,400	371,377	5,011	896,788
Segment liabilities	272,371	170,814	31,045	474,230

Banking segment includes assets, liabilities and results of discontinued operations (refer note 11)

31 March 2012

(reviewed)

	Development infrastructure	Banking	Unallocated	Total
Segment revenue	(781)	10,523	3,180	12,922
Segment expenses	3,758	6,866	1,296	11,920
Segment result	(4,539)	3,657	1,884	1,002
31 December 2012 (audited)				
Segment assets	520,687	364,178	5,592	890,457
Segment liabilities	290,923	182,857	33,018	506,798

18 Commitments and contingencies

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

	31 March 2013 US\$ 000's (reviewed)	31 December 2012 US\$ 000's (audited)	31 March 2012 US\$ 000's (reviewed)
Commitments to invest	-	153	613
Commitments to extend finance	77,636	77,636	82,636

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 2012: 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 Group's assessment, there is a likelihood that the project will not be able to meet the financing obligation when they fall due and the guarantee will be called upon. Accordingly, the Group has recognized a provision of US\$ 35 million (31 December 2012: US\$ 35 million) and included in other liabilities and recognised an equivalent amount of 'reimbursement right' receivable included in 'other assets' (note 12). Subsequent to the quarter, the lenders have called upon the financial guarantee. The Group is currently renegotiating the revised terms with the lenders.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2013**

18 *Commitments and contingencies (continued)*

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 2013 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.

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 2013 and 31 December 2012, 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.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2013**

19 *Financial instruments (continued)*

As at 31 March 2013, the fair value of financing liabilities was estimated at US\$ 150,916 thousand (carrying value US\$ 222,748 thousand) (31 December 2012: fair value US\$ 176,512 thousand (carrying value US\$ 232,827 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.

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).

31 March 2013

Investment securities
carried at fair value through income
statement

	Level 1	Level 2	Level 3	Total
	1,575	-	4,841	6,416
	1,575	-	4,841	6,416

31 December 2012

Investment securities
carried at fair value through income
statement

	Level 1	Level 2	Level 3	Total
	1,575	-	4,841	6,416
	1,575	-	4,841	6,416

During the three month period ended 31 March 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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

21 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.