

GULF FINANCE HOUSE BSC
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

30 June 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, <i>Vice chairman</i> Ahmed Al Mutawa Azzam Al Felajj 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)
Acting Chief Executive Officer	:	Hisham Alrayes
Auditors	:	KPMG Fakhro, Bahrain

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

6 August 2013

Introduction

We have reviewed the accompanying 30 June 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 30 June 2013;
- the condensed consolidated income statement for the three month and six month periods ended 30 June 2013;
- the condensed consolidated statement of changes in owners' equity for the six month period ended 30 June 2013;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2013;
- the condensed consolidated statement of changes in restricted investment accounts for the six month period ended 30 June 2013;
- the condensed consolidated statement of changes in sources and uses of charity and zakah fund for the six month period ended 30 June 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 30 June 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 30 June 2013

US\$ 000's

	Note	30 June 2013 (reviewed)	31 December 2012 (audited)	30 June 2012 (reviewed)
ASSETS				
Cash and bank balances		33,452	3,216	5,832
Placements with financial institutions		692	14,767	-
Equity-accounted investees		236,480	235,383	231,258
Investment securities	10	175,300	174,017	186,633
Investment property		259,404	259,404	259,404
Assets held-for-sale	11	22,246	88,139	-
Other assets	12	144,653	115,531	136,680
Total assets		872,227	890,457	819,807
LIABILITIES				
Investors' funds		14,437	31,428	27,088
Placements from financial and other institutions	13	110,435	126,017	128,678
Financing liabilities	14	215,538	232,827	251,561
Liabilities held-for-sale	11	-	42,655	-
Other liabilities		70,978	73,871	82,197
Total liabilities		411,388	506,798	489,524
Equity of investment account holders		2,139	2,353	2,318
OWNERS' EQUITY				
Share capital	9	770,061	595,087	473,462
Treasury shares		(912)	(2,995)	(2,716)
Share premium		-	13,235	86,155
Statutory reserve		67,519	66,356	65,592
Accumulated losses		(379,009)	(291,280)	(295,563)
Other reserves		1,041	903	1,035
Total owners' equity (page 4)		458,700	381,306	327,965
Total liabilities, equity of investment account holders and owners' equity		872,227	890,457	819,807

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 16 on 6 August 2013.

Ahmed Al Mutawa
Vice chairman

Hisham Alrayes
Acting Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2013

US\$ 000's

	Note	Six months ended		Three months ended	
		30 June 2013 (reviewed)	30 June 2012 (reviewed)	30 June 2013 (reviewed)	30 June 2012 (reviewed)
Management and other fees		5,244	1,610	503	575
Income from placements with financial institutions		251	47	14	6
Share of profits of equity-accounted investees		1,096	812	554	837
Gain / (loss) from investment securities, net		343	(1,290)	343	(1,259)
Foreign exchange gain / (loss), net		341	1,986	(4)	4,538
Other income	15	17,214	29,463	11,972	15,009
Total income		24,489	32,628	13,382	19,706
Staff cost		4,404	4,357	3,250	2,423
Investment advisory expenses		1,630	3,009	848	1,731
Finance expense		8,559	11,977	4,167	6,862
Other expenses		4,990	7,541	3,002	3,948
Total expenses		19,583	26,884	11,267	14,964
Profit from continuing operations before impairment allowances		4,906	5,744	2,115	4,742
Impairment allowances		1,500	-	500	-
Profit from continuing operations		3,406	5,744	1,615	4,742
Gain from discontinued operations, net	11	776	-	1,080	-
PROFIT FOR THE PERIOD		4,182	5,744	2,695	4,742
<hr/>					
Earnings per share – continuing operations					
Basic earnings per share (US cents)		0.19	0.47	0.12	0.39
Diluted earnings per share (US cents)		0.19	0.46	0.12	0.38

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the six months ended 30 June 2013

US\$ 000's

	Share capital	Treasury shares	Share premium	Statutory reserve	Accumulated losses	Other reserves	Total
30 June 2013 (reviewed)							
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 (note 9)	174,974	(8,528)	(13,235)	-	(91,296)	-	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 16)	-	806	-	(126)	-	138	818
Gain on partial disposal of assets held-for-sale	-	-	-	-	388	-	388
Balance at 30 June 2013	770,061	(912)	-	67,519	(379,009)	1,041	458,700

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
for the six months ended 30 June 2013

US\$ 000's

	Share capital	Treasury shares	Share premium	Statutory reserve	Accumulated losses	Investments fair value reserve	Other reserves	Total
30 June 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	-	-	-	-	5,744	-	-	5,744
Transfer to income statement on disposal	-	-	-	-	-	(403)	-	(403)
Total recognised income and expense	-	-	-	-	5,744	(403)	-	5,341
Conversion of murabaha to capital	152,431	(16,776)	(59,553)	-	-	-	-	76,102
Transfer to retained earnings on settlement of convertible murabaha	-	-	-	-	380	-	(380)	-
Sale of treasury shares	-	26,912	-	-	-	-	-	26,912
Loss on sale of treasury shares	-	-	-	(13,816)	-	-	-	(13,816)
Share grants vesting expense, net of forfeitures (note 16)	-	-	-	-	-	-	38	38
Balance at 30 June 2012	473,462	(2,716)	86,155	65,592	(295,563)	-	1,035	327,965

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2013

US\$ 000's

	Six months ended	
	30 June 2013 (reviewed)	30 June 2012 (reviewed)
OPERATING ACTIVITIES		
Placements with / from financial institutions, net	(1,882)	13,200
Disbursement of financing to projects, net	(5,125)	(22,500)
Investors' funds, net	(8)	(5,596)
Management fees received	3,245	650
Income received from placements with financial institution	251	48
Payment for expenses and project costs	(9,595)	(11,029)
Net cash used in operating activities	(13,114)	(25,227)
INVESTING ACTIVITIES		
Acquisition of investment securities	(153)	-
Net cashflows on disposal of assets held-for-sale	(1,889)	-
Advance paid for acquisition of investments	(1,904)	-
Proceeds from sale of investment securities	2,063	6,156
Net cash (used in) / generated from investing activities	(1,883)	6,156
FINANCING ACTIVITIES		
Financing liabilities, net	(10,345)	(21,380)
Finance expense paid	(8,006)	(7,886)
Proceeds from issue of convertible murabaha	51,915	34,256
Proceeds from sale of treasury shares	10,074	13,096
Dividends paid	(80)	(4)
Payment to investment account holders	(214)	-
Net cash generated from financing activities	43,344	18,082
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	28,347	(989)
Cash and cash equivalents at 1 January	5,105	6,821
CASH AND CASH EQUIVALENTS at 30 June	33,452	5,832
Cash and cash equivalents comprise:		
Cash and bank balances	33,452	5,832
	33,452	5,832

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2013

30 June 2013 (reviewed)	Balance at 1 January 2013			Movements during the period						Balance at 30 June 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	0.34	54
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)	-			2,360

30 June 2012 (reviewed)	Balance at 1 January 2012			Movements during the period						Balance at 30 June 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	-	23	-	-	-	-	93	6.88	640
Pan European Fund	35.85	797.67	28,597	-	(630)	-	-	-	-	35.85	780.11	27,967
Oman Development Company	522.50	3.12	1,628	-	-	-	-	-	-	522.50	3.12	1,628
			30,895	-	(607)	-	-	-	-			30,288

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 six months ended 30 June 2013

US\$ 000's

	30 June 2013 (reviewed)	30 June 2012 (reviewed)
Sources of charity and zakah fund		
Non-Islamic income	-	3
Total sources	-	3
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 30 June	10,427	10,506
Represented by:		
Charity fund	7,653	7,705
Zakah payable	2,774	2,801
	10,427	10,506

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013**

1 Reporting entity

The condensed consolidated interim financial information for the six months ended 30 June 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. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2012.

Going concern

As at 30 June 2013, the Group had accumulated losses of US\$ 379 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 revisions to IAS 34 effective from 1 January 2013 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 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 2012.

6 Seasonality

Due to the inherent nature of the Group's 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 2012 and the reviewed 30 June 2012 condensed consolidated interim financial information. 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 30 June 2012 condensed consolidated interim financial information.

8 In the annual general meeting dated 4 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 period.

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\$ 72,078 thousand and all the subscribers have exercised their option to convert their subscription to equity of the Bank resulting in issue of 569,020 thousand number of shares of par value US\$ 174,974 thousand as per the terms of the convertible murabaha. Of the total shares issued, 414,621 thousand were issued for cash consideration and the balance 154,399 number of equity shares have been issued against settlement of liabilities. This has resulted in increase in the paid up capital of the Bank from US\$ 595,087 thousand to US\$ 770,061 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 accumulated losses.

10 Investment securities

	30 June 2013 US\$ 000's (reviewed)	31 December 2012 US\$ 000's (audited)	30 June 2012 US\$ 000's (reviewed)
Equity type investments			
<i>At fair value through income statement</i>			
- Quoted securities	1,537	2,548	972
- Unquoted funds	3,723	3,868	3,750
<i>At fair value through equity</i>			
- Unquoted securities* (at cost)	170,040	167,601	181,911
	175,300	174,017	186,633

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

10 Investment securities (continued)

* 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\$ 500 thousand (2012: Nil) was recognised against unquoted equity securities carried at cost.

11 Assets and liabilities held-for-sale

Assets and liabilities held-for-sale represented the Group's 100% 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.

During the period, based on placement of majority stake in LUFC to strategic investors, the Group de-consolidated LUFC Holdings Company, and accordingly, the previously consolidated asset and liabilities of LUFC Holdings Company were derecognised resulting in a net gain of US\$ 776 thousand included in the condensed consolidated income statement under gain from discontinued operations. The Group's remaining stake continues to be classified as held for sale and is recognised as an investment in associate at its estimated fair value less cost to sell.

12 Other assets

	30 June 2013 US\$ 000's (reviewed)	31 December 2012 US\$ 000's (audited)	30 June 2012 US\$ 000's (reviewed)
Financing to projects	78,574	67,192	89,470
Equipment	386	1,379	2,469
Reimbursement right (note 18)	35,000	35,000	35,000
Receivable from sale of investment	11,745	-	-
Prepayments and other receivables	18,948	11,960	9,741
	144,653	115,531	136,680

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

14 Financing liabilities

	30 June 2013 US\$ 000's (reviewed)	31 December 2012 US\$ 000's (audited)	30 June 2012 US\$ 000's (reviewed)
Murabaha financing	68,944	80,170	92,082
Wakala financing	46,986	46,744	48,700
Sukuk liability	99,608	105,913	105,669
Convertible murabaha (2012)	-	-	5,110
	215,538	232,827	251,561

During the period, the Group has repurchased financing liabilities of US\$ 17.46 million at a discount resulting in gain of US\$ 7.12 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%, (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)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013
15 Other income

Other income primarily includes income from buy back of financing liabilities of US\$ 7.12 million (note 14), recovery of expenses of US\$ 4.5 million incurred in the previous periods and recovery of impaired facility of US\$ 4 million.

16 Share-based employee compensation scheme

During the period, a net charge of US\$ 30 thousand (30 June 2012: US\$ 38 thousand) was recognised towards the old incentive scheme as part of staff costs, during the period, net of effect of forfeitures. As at 30 June 2013, 2.49 million share awards were outstanding to be exercised in future periods.

Further, during the period, the Group issued new employee share awards (9,185,391 shares at a share price of US\$ 0.148 per share) with vesting conditions over a period of 2 years based on fulfilment of performance and service conditions. Accordingly, the Group had recognised a charge of US\$ 788 thousand towards the new employee share awards.

17 Segment reporting
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
<u>Other material items:</u>				
Gain from discontinued operations	-	776	-	776
Impairment allowances	1,500	-	-	1,500

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

30 June 2012

(reviewed)

	Development infrastructure	Banking	Unallocated	Total
Segment revenue	2,735	25,288	4,605	32,628
Segment expenses	8,930	15,122	2,832	26,884
Segment result	(6,195)	10,166	1,773	5,744
31 December 2012 (audited)				
Segment assets	520,687	364,178	5,592	890,457
Segment liabilities	290,923	182,857	33,018	506,798

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

18 Commitments and contingencies

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

	30 June 2013 US\$ 000's (reviewed)	31 December 2012 US\$ 000's (audited)	30 June 2012 US\$ 000's (reviewed)
Commitments to invest	-	153	613
Commitments to extend finance	2,500	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).

The Group had issued a financial guarantee of US\$ 35 million to a project promoted by the Group. Based on its assessment of the financial position of the project company, the Group recognized a provision of US\$ 35 million (31 December 2012: US\$ 35 million) which is included in other liabilities and recognised an equivalent amount of 'reimbursement right' receivable included in 'other assets' (note 12). The Group is currently in discussions with the lenders and in the opinion of the management, as at the balance sheet 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 2013 due to the performance of any of its projects.

Litigations, claims and contingencies

Litigations and claims

The Group is a party to number of claims and litigations 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 and no material claims are expected to arise from those litigations. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

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 30 June 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.

As at 30 June 2013, the fair value of financing liabilities was estimated at US\$ 146,031 thousand (carrying value US\$ 215,538 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).

30 June 2013

Investment securities
carried at fair value through income
statement

Level 1	Level 2	Level 3	Total
1,537	-	3,723	5,260
1,537	-	3,723	5,260

31 December 2012

Investment securities
carried at fair value through income
statement

Level 1	Level 2	Level 3	Total
2,548	-	3,868	6,416
2,548	-	3,868	6,416

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

19 *Financial instruments (continued)*

During the six month period ended 30 June 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.