

Al Baraka Islamic Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2013 (UNAUDITED)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF AL BARAKA ISLAMIC BANK B.S.C. (c)

Introduction

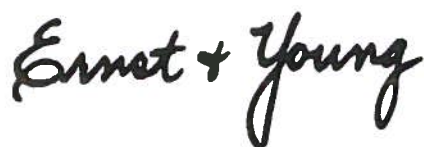
We have reviewed the accompanying interim condensed consolidated financial statements of Al Baraka Islamic Bank B.S.C.(c) (the "Bank") and its subsidiaries ("the Group") as at 31 March 2013, comprising of the interim consolidated statement of financial position as at 31 March 2013 and the related interim consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment accountholders for the three month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 with International Standards on Auditing 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.




7 May 2013
Manama, Kingdom of Bahrain

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013 (Unaudited)

	Notes	31 March 2013 BD	Audited 31 December 2012 BD
ASSETS			
Cash and balances with banks and financial institutions		64,671,920	81,863,450
Sales receivables		196,734,675	179,248,578
Mudaraba financing		17,214,635	13,142,569
Ijara Muntahia Bittamleek		42,223,007	42,688,666
Musharaka		23,748,277	23,559,624
Investments	3	134,361,442	151,077,484
Investment in real estate	4	1,208,092	1,208,092
Ijara income receivables		7,776,396	8,415,957
Premises and equipment		8,082,656	8,315,409
Goodwill		7,083,488	7,177,568
Other assets	5	31,835,953	18,050,539
TOTAL ASSETS		534,940,541	534,747,936
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Due to banks and financial institutions		28,537,941	45,128,075
Current accounts		50,728,632	48,577,772
Other liabilities	6	14,374,524	12,655,362
Total liabilities		93,641,097	106,361,209
Equity of investment accountholders		377,526,412	364,761,831
Owners' Equity			
Share capital		46,166,591	46,166,591
Reserves		8,642,580	8,206,377
Retained earnings		2,308,534	2,401,157
Equity attributable to parent's shareholders		57,117,705	56,774,125
Non-controlling interest		6,655,327	6,850,771
Total owners' equity		63,773,032	63,624,896
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		534,940,541	534,747,936
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		44,130,022	50,508,645
CONTINGENCIES AND COMMITMENTS	7	78,858,541	75,776,256


Khalid Rashid Al-Zayani
Chairman

Adnan Ahmed Yousif
Deputy Chairman

Mohammed Essa Al Mutaweh
Chief Executive & Board Member

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three month period ended 31 March 2013 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2013	2012
	BD	BD
INCOME		
Income from jointly financed sales	3,303,812	3,085,671
Income from jointly financed, other financings and investments	4,403,991	5,257,115
Joint investment income	7,707,803	8,342,786
Return on equity of investment accountholders before Group's share as a Mudarib	(6,667,655)	(7,580,438)
Group's share as a Mudarib	1,656,994	1,154,305
Return on equity of investment accountholders	(5,010,661)	(6,426,133)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)	2,697,142	1,916,653
Group's income from self financed sales	168,755	36,818
Group's income from self financed, other financings and investments	802,498	730,121
Revenue from banking services	526,205	599,514
Other income	127,244	235,505
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	1,365	8,498
TOTAL OPERATING INCOME	4,323,209	3,527,109
OPERATING EXPENSES		
Staff expenses	(2,142,815)	(2,232,433)
Depreciation	(261,099)	(321,860)
Profit on due to banks and financial institutions	(1,336)	(5,033)
Other operating expenses	(1,393,390)	(1,400,195)
TOTAL OPERATING EXPENSES	(3,798,640)	(3,959,521)
NET INCOME / (LOSS) FOR THE PERIOD BEFORE PROVISION FOR IMPAIRMENT AND TAXATION	524,569	(432,412)
Provision for impairment - net	(847,437)	(569,174)
NET LOSS BEFORE TAXATION	(322,868)	(1,001,586)
Taxation	145,012	317,871
LOSS FOR THE PERIOD	(177,856)	(683,715)
Attributable to:		
Equity shareholders of the parent	(92,623)	(470,421)
Non-controlling interest	(85,233)	(213,294)
	(177,856)	(683,715)



Khalid Rashid Al-Zayani
Chairman



Adnan Ahmed Yousif
Deputy Chairman



Mohammed Essa Al Mutaweh
Chief Executive & Board Member

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2013 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2013	2012
	BD	BD
OPERATING ACTIVITIES		
Net loss before taxation	(322,868)	(1,001,586)
Adjustments for :		
Depreciation	261,099	321,860
Provision for impairment - net	847,437	569,174
Unrealised remeasurement loss	-	(162,949)
Gain on sale of premises and equipment	-	(7,262)
Gain on sale of debt-type investments	(603,356)	(153,804)
Operating profit / (loss) before changes in operating assets and liabilities	182,312	(434,567)
Net changes in operating assets and liabilities:		
Sales receivables	(3,676,768)	9,662,863
Mudaraba financing	(4,072,066)	35,494
Ijara Muntahia Bittamleek	465,659	(253,213)
Musharaka	(302,164)	(1,300,391)
Ijara income receivables	600,636	(481,081)
Other assets	(3,554,962)	3,081,753
Other liabilities	1,719,162	(37,422,565)
Due to banks and financial institutions	(16,590,134)	(20,246,967)
Current accounts	2,150,860	(11,030,265)
Equity of investment accountholders	12,764,581	186,564
Taxation paid	(53,011)	(601,082)
Net cash used in operating activities	(10,365,895)	(58,803,457)
INVESTING ACTIVITIES		
Purchase of investments	(6,487,414)	(13,357,503)
Sale of investments	14,362,012	10,756,859
Net (purchase) / sale of premises and equipment	(28,346)	40,866
Purchase of investment in real estate	-	(99,024)
Net cash from (used in) investing activities	7,846,252	(2,658,802)
Foreign currency translation adjustments	(255,779)	(193,131)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,775,422)	(61,655,390)
Cash and cash equivalents at 1 January	108,578,391	175,999,403
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	105,802,969	114,344,013
For the purpose of the interim cash flows statement, cash and cash equivalents comprised of the following:		
Cash in hand	6,031,764	5,615,073
Balances with central banks	22,966,614	17,127,116
Balances with other banks and financial institutions	35,673,542	42,166,938
Sales receivables - international commodities	41,131,049	49,434,886
	105,802,969	114,344,013

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three month period ended 31 March 2013 (Unaudited)

Equity attributable to shareholders of the parent

Reserves

	Share capital BD	Statutory BD	General BD	Cumulative changes in fair value		Foreign exchange BD	Retained earnings BD	Total BD	Non- controlling interest BD	Total owners' equity BD
				BD	BD					
Balance at 1 January 2013	46,166,591	8,199,308	3,275,053	(319,191)	(2,948,793)	2,401,157	56,774,125	63,624,896	6,850,771	63,624,896
Cumulative changes in fair value	-	-	-	695,619	-	-	695,619	695,619	(19,768)	675,851
Foreign currency translation reserve	-	-	-	-	(259,416)	-	(259,416)	(259,416)	(90,443)	(349,859)
Net loss for the period	-	-	-	-	-	(92,623)	(92,623)	(92,623)	(85,233)	(177,856)
Balance at 31 March 2013	46,166,591	8,199,308	3,275,053	376,428	(3,208,209)	2,308,534	57,117,705	63,773,032	6,655,327	63,773,032
Balance at 1 January 2012	46,166,591	8,199,308	3,275,053	(2,843,679)	(1,246,171)	5,646,275	59,197,377	67,422,049	8,224,672	67,422,049
Cumulative changes in fair value	-	-	-	384,100	-	-	384,100	384,100	20,981	405,081
Foreign currency translation reserve	-	-	-	-	(189,159)	-	(189,159)	(189,159)	(68,291)	(257,450)
Net loss for the period	-	-	-	-	-	(470,421)	(470,421)	(470,421)	(213,294)	(683,715)
Balance at 31 March 2012	46,166,591	8,199,308	3,275,053	(2,459,579)	(1,435,330)	5,175,854	58,921,897	66,885,965	7,964,068	66,885,965

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

Al Baraka Islamic Bank B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNTHOLDERS

For the three month period ended 31 March 2013 (Unaudited)

	<i>Balance at 1 January 2013 BD</i>	<i>Net deposits (withdrawals) BD</i>	<i>Gross income BD</i>	<i>Mudarib's/ agency fee BD</i>	<i>Balance at 31 March 2013 BD</i>
Sales receivables	40,689,257	(6,935,389)	1,902	(1,365)	33,754,405
Investments	4,564,462	(635,884)	-	-	3,928,578
Mudaraba	5,254,926	1,192,113	-	-	6,447,039
	50,508,645	(6,379,160)	1,902	(1,365)	44,130,022

	<i>Balance at 1 January 2012 BD</i>	<i>Net deposits (withdrawals) BD</i>	<i>Gross income BD</i>	<i>Mudarib's/ agency fee BD</i>	<i>Balance at 31 March 2012 BD</i>
Sales receivables	88,731,094	(22,769,359)	61,955	(8,498)	66,015,192
Investments	4,231,932	331,679	-	-	4,563,611
Mudaraba	5,042,464	203,848	-	-	5,246,312
	98,005,490	(22,233,832)	61,955	(8,498)	75,825,115

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

1 INCORPORATION AND PRINCIPAL ACTIVITY

Al Baraka Islamic Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 21 February 1984. The Commercial Registration of the Bank was renewed on 7 January 2008 to change the status from exempt closed joint stock company to closed joint stock company. The Bank operates under a Retail Bank's licence number RB/025 issued by the Central Bank of Bahrain (CBB). The Bank has six commercial branches in the Kingdom of Bahrain.

The principal activities of the Bank and its subsidiaries (the "Group") are taking demand, saving and investment accounts, providing Murabaha finance, Ijara financing and other Shari'a compliant forms of financing as well as managing investors' money on the basis of Mudaraba or agency for a fee, providing commercial banking services and other investment activities. The Bank's registered office is at Building 238, Road 1704, Block 317, Manama, Kingdom of Bahrain.

These interim condensed consolidated financial statements were approved by the Board of Directors on 7 May 2013.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the three month period ended 31 March 2013 have been prepared in accordance with the guidance given by International Accounting Standard 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012. In addition, results for the three month period ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

2.2 Accounting convention

The interim condensed consolidated financial statements are prepared on historical cost basis, except for investment in real estate and equity-type instruments through equity that have been measured at fair value.

The interim condensed consolidated financial statements are presented in Bahraini Dinars (BD).

2.3 Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and its subsidiaries after elimination of inter company transactions and balances.

The following are the principle subsidiaries of the Bank, which are consolidated in these interim consolidated financial statements:

<i>Bank</i>	<i>Ownership for 2013</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/offices at 31 March 2013</i>
Held directly by the Bank				
Al Baraka Bank (Pakistan) Limited*	64.64%	2004	Pakistan	94
Delmon properties company S.A.L.**	100%	2011	Lebanon	N/A

*Al Baraka Bank (Pakistan) Limited became a subsidiary on 21 December 2010.

**The Company is a Special Purpose Vehicle (SPV) established by the Bank for the sole purpose of acquiring and leasing properties which was approved by the CBB via a letter dated 29 December 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

Further, the State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated 15 April 2009 required the minimum paid up capital (free of losses) for Banks / Development Financial Institutions to be raised to Rs. 10 billion (BD 38.30 million). The subsidiary was granted exemption from the MCR by the SBP vide its letter no. BSD/BAI-3/608/4673/2011 dated 14 April 2011 for a period of three years, i.e. 31 December 2010, 2011 and 2012 subject to the compliance of the following conditions during the exemption period:

- i) The subsidiary shall maintain paid up capital (free of losses) of at least Rs.6 billion (BD 22.98 million) at all times and raise the paid up capital (free of losses) to Rs.6.5 billion (BD 24.89 million) in the year 2011, Rs.8 billion (BD 30.64 million) in the year 2012 and Rs.10 billion (BD 38.30 million) in the year 2013;
- ii) The subsidiary shall maintain Capital Adequacy ratio (CAR) of 15% or above during the period;
- iii) There would be moratorium on dividend payments until the subsidiary meets existing regulatory capital requirements; and
- iv) The subsidiary shall not undertake related party transaction circulated vide BCD Circular No. 4 of 17 February 2006.

The subsidiary will be subject to Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) as of 31 December 2013 and onwards as per BSD Circular no.7 dated 15 April 2009.

During 2012, the subsidiary was granted further timeline extension by SBP, vide its letter no. BSD/CS/13226/12/2012 dated 08 November 2012 for compliance with the MCR and CAR requirements subject to the submission of capital enhancement plan. The capital enhancement plan is under discussion with the SBP for its approval.

The Bank as the parent is fully committed to comply with current and future regulatory requirements.

Investment in Itqan Capital

The Group's shareholders, in their Extra Ordinary General Assembly Meeting held on 25 January 2011, passed a resolution approving the sale of the Group's 5.88% stake in Al Tawfeeq Company for Investment Funds (ATCIF) and purchase of 60% stake in Itqan Capital (the "Company"), an investment firm based in the Kingdom of Saudi Arabia.

After obtaining all regulatory approvals, the Bank acquired 60% equity stake effective 1 July 2012 in the Company and sold 5.88% equity stake in ATCIF. Further the Bank via a management agreement dated 1 July 2012 assigned the control to govern the financial and operating policies of the Company to Al Baraka Banking Group (the "Ultimate Parent"), which has an indirect stake of 54.67% in the Company. The Bank has authorised the Ultimate Parent to represent it in the shareholders' meetings and to exercise control on the Company to do any or all acts and deeds and exercise all powers of the Bank pursuant to the Charter Document referred in the management agreement and or under any applicable laws.

The financial statements of the Company are not consolidated as it is controlled by the Ultimate Parent pursuant to the terms of the management agreement. The Ultimate Parent consolidates the financial statements of the Company in its consolidated financial statements which are prepared in accordance with AAOIFI standards and the same was approved by the CBB.

The investment acquired is initially recognised at cost, being the fair value of consideration given including acquisition charges associated with the investment. Subsequently, the investment is carried at cost less impairment losses, if any. An assessment is made at each date of statement of financial position to determine whether there is objective evidence that investment may be impaired. If such evidence exist, an impairment loss is recognised in the consolidated statement of income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual consolidated financial statements, for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group has made the applicable disclosures as required by IAS 34.

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group does not set off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group has made the applicable disclosures as required by IFRS 13.

FAS 26 Investment in Real Estate

The Group has adopted FAS 26 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in real estate that is acquired for the purpose of earning periodical income or held for future capital appreciation or both. The adoption of this standard did not have any impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

3 INVESTMENTS

	31 March 2013			Audited 31 December 2012		
	Self	Jointly	Total	Self	Jointly	Total
	financed	financed		financed	financed	
BD	BD	BD	BD	BD	BD	
i) Debt-type instruments at amortised cost						
Quoted						
Sukuk	-	9,794,175	9,794,175	-	5,529,605	5,529,605
Unquoted						
Sukuk	25,496,056	83,131,328	108,627,384	15,931,047	99,105,065	115,036,112
ii) Equity-type instruments at fair value through equity						
Quoted						
Private equity	-	54,268	54,268	-	111,585	111,585
Managed funds	4,226,267	-	4,226,267	5,090,006	-	5,090,006
Unquoted						
Private equity (note 3.1)	10,688,448	199,913	10,888,361	24,322,405	202,568	24,524,973
Real estate related	1,382,457	960,982	2,343,439	1,385,970	969,805	2,355,775
Others	377,000	1,890,540	2,267,540	377,000	1,889,597	2,266,597
	16,674,172	3,105,703	19,779,875	31,175,381	3,173,555	34,348,936
Less: Provision for impairment	(2,603,168)	(1,236,824)	(3,839,992)	(2,603,169)	(1,234,000)	(3,837,169)
Total investments	39,567,060	94,794,382	134,361,442	44,503,259	106,574,225	151,077,484

Included in quoted equity type instruments, BD 2,839 thousand (2012: BD 3,779 thousand) of investments are fair valued using quoted prices in active markets for identical instruments;

Within unquoted equity type instruments, BD 2,314 thousand (2012: BD 15,923 thousand) investments are fair valued using directly or indirectly observable inputs; and

Under unquoted investments which are held at fair value through equity are investments amounting to BD 11,256 thousand (2012: BD 10,434 thousand) which are held at cost less provision for impairment.

The Group's investments in sukuk held at amortised cost amounting to BD 117,952 thousand (2012: BD 120,078 thousand) has a fair value amounting to BD 118,435 thousand (2012: BD 121,213 thousand).

Note 3.1

During the period, the Group sold 7.68% equity stake in Al Tawfeeq a related party for a consideration of BD 13,690 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

4 INVESTMENT IN REAL ESTATE

	31 March 2013 BD	<i>Audited</i> 31 December 2012 BD
Buildings	1,670,665	1,571,641
Additions	-	99,024
	<u>1,670,665</u>	<u>1,670,665</u>
Less: Provision for impairment	(462,573)	(462,573)
	<u>1,208,092</u>	<u>1,208,092</u>

5 OTHER ASSETS

	31 March 2013 BD	<i>Audited</i> 31 December 2012 BD
Advance against financing transactions	6,727,240	4,883,091
Subordinated qard hasan (note 5.1)	6,283,125	-
Accounts receivable (note 5.2)	6,000,188	2,340,807
Deferred tax	5,358,568	5,251,520
Advance tax	1,084,450	1,076,419
Collateral pending sale	694,608	694,608
Income receivable	152,967	135,271
Others	6,201,469	4,266,068
Total	<u>32,502,615</u>	<u>18,647,784</u>
Less: Provision for impairment	(666,662)	(597,245)
	<u>31,835,953</u>	<u>18,050,539</u>

Note 5.1

This represents profit free subordinated qard hasan granted to Itqan Capital a related party to support its financial and operating activities maturing on 28 February 2018.

Note 5.2

This mainly includes receivable amounting to BD 3,827 thousand from a related party relating to sale of Al Tawfeeq investment during the period (note 3.1).

6 OTHER LIABILITIES

	31 March 2013 BD	<i>Audited</i> 31 December 2012 BD
Margins received	2,771,892	2,631,918
Security deposit against Ijara Muntahia Bittamleek	2,597,698	2,484,419
Accounts payable	2,289,383	1,562,890
Bills payable	3,623,241	2,897,460
Provision for employees benefits	1,303,569	1,369,602
Rental received in advance	467,922	441,137
Charity fund	605,067	654,662
Others	715,752	613,274
	<u>14,374,524</u>	<u>12,655,362</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

7 CONTINGENCIES AND COMMITMENTS

	31 March	<i>Audited</i>
	2013	31 December
	BD	2012
		BD
Guarantees	25,588,545	19,224,531
Letters of credit	20,964,291	23,034,316
Acceptances	6,394,112	7,592,912
Foreign exchange contracts	23,893,931	23,876,865
Taxation	777,804	788,135
Others	1,239,858	1,259,497
	78,858,541	75,776,256

8 SEGMENTAL INFORMATION

The primary segment adopted by the Group is geographic, since the Group operates to provide products and services in separate economic environments having risk and rewards that are different for each economic environment. The two geographical segments are Middle East and Other Asian Countries. Other Asian Countries predominantly includes operations in Pakistan.

	<i>Middle East</i>		<i>Other Asian Countries</i>	
	31 March	31 December	31 March	31 December
	2013	2012	2013	2012
	BD	BD	BD	BD
Assets	256,028,503	252,085,525	278,912,038	282,662,411
Liabilities and equity of investment accountholders	211,443,612	208,206,366	259,723,897	262,916,674
	<i>Three months ended</i>		<i>Three months ended</i>	
	31 March		31 March	
	2013	2012	2013	2012
	BD	BD	BD	BD
Total operating income	1,973,423	1,890,565	2,349,786	1,636,544
Total operating expenses	(1,910,235)	(1,971,791)	(1,888,405)	(1,987,730)
Provision for impairment - net	-	717	(847,437)	(569,891)
Taxation	-	-	145,012	317,871
Profit / (loss) for the period	63,188	(80,509)	(241,044)	(603,206)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

9 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, entities owned or controlled, jointly controlled or significantly influenced by them, companies affiliated by virtue of shareholding in common with that of the Group, Shari'a supervisory board and external auditors.

The significant balances with related parties were as follows:

	Shareholders		Other Related Parties		Total	
	31 March	31 December	31 March	31 December	31 March	31 December
	2013	2012	2013	2012	2013	2012
	BD	BD	BD	BD	BD	BD
Assets:						
Cash and balances with banks and financial institutions	28,008	4,946	32,243	32,294	60,251	37,240
Sales receivables	-	-	123,478	5,802,516	123,478	5,802,516
Mudaraba financing	-	-	17,214,635	13,142,569	17,214,635	13,142,569
Ijara Muntahia Bittamleek	-	-	1,877,183	1,889,191	1,877,183	1,889,191
Musharaka	-	-	368,767	278,795	368,767	278,795
Ijara income receivables	-	-	32,414	5,183	32,414	5,183
Investments	-	-	10,529,125	24,164,347	10,529,125	24,164,347
Other assets	4,760,606	215,753	6,471,101	89,899	11,231,707	305,652
	4,788,614	220,699	36,648,946	45,404,794	41,437,560	45,625,493
Liabilities:						
Due to banks and other financial institutions	1,084,911	1,117,621	3,918,182	9,614,087	5,003,093	10,731,708
Current accounts	738,892	768,725	162,776	161,393	901,668	930,118
Other liabilities	8,036	8,142	490	311	8,526	8,453
	1,831,839	1,894,488	4,081,448	9,775,791	5,913,287	11,670,279
Equity of investment accountholders	11,310,254	8,238,214	27,437,009	27,597,283	38,747,263	35,835,497
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	9,396,255	9,543,709	10,502,435	10,502,255	19,898,690	20,045,964
Contingencies and commitments	-	-	7,406,850	6,970,940	7,406,850	6,970,940

The transactions with the related parties included in the statement of income are as follows:

	Three months ended	
	31 March	
	2013	2012
	BD	BD
Income		
Income from jointly financed sales	29,990	16,329
Income from jointly financed, other financings and investments	134,608	125,233
Group's income from self financed, other financings and investments	23,458	36,266
Other income	54,139	76,759
Group's Mudarib/agency fee from off-balance sheet equity of investment accountholders	29,313	4,782
	271,508	259,369

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

9 RELATED PARTY TRANSACTIONS (continued)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2013	2012
	BD	BD
Expenses		
Return on equity of investment accountholders before Group's share as a Mudarib	242,328	391,194
Other expenses	93,646	26,793
	335,974	417,987

Compensation of key management personnel is as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	2013	2012
	BD	BD
Salaries	287,686	293,418
Other benefits	131,766	157,038
	419,452	450,456

10 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

Fair value is determined for each financial asset individually in accordance with the valuation policies set out below:

- (i) For investments that are traded in organised financial markets, fair value is determined by reference to the quoted market bid prices prevailing on the consolidated statement of financial position date.
- (ii) For unquoted investments, fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation methods.
- (iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- (iv) Investments which cannot be remeasured to fair value using any of the above techniques are carried at cost, less provision for impairment.

The fair values of financial instruments on the interim consolidated statement of financial position are not significantly different from their carrying values.

11 COMPARATIVE FIGURES

Certain of the prior period's figures have been restated to confirm to the presentation adopted in the current period. Such reclassification did not affect previously reported net loss or owner's equity.