

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

30 JUNE 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 consolidated statement of financial position of Al Baraka Islamic Bank B.S.C.(c) (the "Bank") and its subsidiaries ("the Group") as of 30 June 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 six 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.



1 August 2013
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 (Unaudited)

	Notes	30 June 2013 BD	Audited 31 December 2012 BD
ASSETS			
Cash and balances with banks and financial institutions		98,140,197	81,863,450
Sales receivables		219,468,224	179,248,578
Mudaraba financing		17,389,088	13,142,569
Ijara Muntahia Bittamleek		44,179,684	42,688,666
Musharaka		25,136,057	23,559,624
Investments	3	137,136,060	151,077,484
Investment in real estate	4	1,208,092	1,208,092
Ijara income receivables		6,595,476	8,415,957
Premises and equipment		8,193,352	8,315,409
Goodwill		6,996,810	7,177,568
Other assets	5	31,630,886	18,050,539
TOTAL ASSETS		596,073,926	534,747,936
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Due to banks and financial institutions		32,703,522	45,128,075
Current accounts		69,842,112	48,577,772
Other liabilities	6	15,202,968	12,655,362
Total liabilities		117,748,602	106,361,209
Equity of investment accountholders		414,911,644	364,761,831
Owners' Equity			
Share capital		46,166,591	46,166,591
Reserves		7,983,360	8,206,377
Retained earnings		2,712,660	2,401,157
Equity attributable to parent's shareholders		56,862,611	56,774,125
Non-controlling interest		6,551,069	6,850,771
Total owners' equity		63,413,680	63,624,896
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		596,073,926	534,747,936
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		40,770,424	50,508,645
CONTINGENCIES AND COMMITMENTS	7	78,126,367	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 six months period ended 30 June 2013 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
INCOME				
Income from jointly financed sales	3,373,920	3,573,549	6,677,732	6,659,220
Income from jointly financed, other financings and investments	4,151,547	5,143,602	8,555,538	10,400,717
Joint investment income	7,525,467	8,717,151	15,233,270	17,059,937
Return on equity of investment accountholders before Group's share as a Mudarib	(6,647,133)	(7,623,321)	(13,314,788)	(15,203,759)
Group's share as a Mudarib	1,424,365	1,675,360	3,081,359	2,829,665
Return on equity of investment accountholders	(5,222,768)	(5,947,961)	(10,233,429)	(12,374,094)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmal)	2,302,699	2,769,190	4,999,841	4,685,843
Group's income from self financed sales	170,631	235	339,386	37,053
Group's income from self financed, other financings and investments	1,161,696	627,010	1,964,194	1,357,131
Revenue from banking services	620,108	616,051	1,146,313	1,215,565
Other income	276,440	200,491	403,684	435,996
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	4,520	4,657	5,885	13,155
TOTAL OPERATING INCOME	4,536,094	4,217,634	8,859,303	7,744,743
OPERATING EXPENSES				
Staff expenses	(2,008,353)	(1,873,085)	(4,151,168)	(4,105,518)
Depreciation	(264,693)	(308,057)	(525,792)	(629,917)
Profit on due to banks and financial institutions	(2,820)	(4,166)	(4,156)	(9,199)
Other operating expenses	(1,523,927)	(1,429,013)	(2,917,317)	(2,829,208)
TOTAL OPERATING EXPENSES	(3,799,793)	(3,614,321)	(7,598,433)	(7,573,842)
NET INCOME FOR THE PERIOD BEFORE PROVISION FOR IMPAIRMENT AND TAXATION	736,301	603,313	1,260,870	170,901
Provision for impairment - net	(403,696)	(1,128,644)	(1,251,133)	(1,697,818)
NET INCOME / (LOSS) BEFORE TAXATION	332,605	(525,331)	9,737	(1,526,917)
Taxation	50,123	(264,456)	195,135	53,415
INCOME / (LOSS) FOR THE PERIOD	382,728	(789,787)	204,872	(1,473,502)
Attributable to:				
Equity shareholders of the parent	404,126	(724,094)	311,503	(1,194,515)
Non-controlling interest	(21,398)	(65,693)	(106,631)	(278,987)
	382,728	(789,787)	204,872	(1,473,502)


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 CASH FLOWS

For the six months period ended 30 June 2013 (Unaudited)

	<i>Six months ended</i>	
	<i>30 June</i>	
	2013	2012
	BD	BD
OPERATING ACTIVITIES		
Net income / (loss) before taxation	9,737	(1,526,917)
Adjustments for :		
Depreciation	525,792	629,917
Provision for impairment - net	1,251,133	1,697,818
Loss on sale of premises and equipment	15,405	2,434
Gain on sale of investments	(1,399,432)	(441,344)
Operating profit before changes in operating assets and liabilities	402,635	361,908
Net changes in operating assets and liabilities:		
Sales receivables	(16,788,029)	8,831,522
Mudaraba financing	(4,246,519)	(2,663,748)
Ijara Muntahia Bittamleek	(1,491,018)	(1,800,655)
Musharaka	(1,125,182)	(1,192,900)
Ijara income receivables	1,659,468	(2,742,462)
Other assets	(3,635,186)	(4,675,122)
Other liabilities	2,547,606	(37,629,291)
Due to banks and financial institutions	(12,424,553)	(8,563,361)
Current accounts	21,264,340	2,335,285
Equity of investment accountholders	50,124,011	(28,714,239)
Taxation paid	(164,637)	(142,968)
Net cash from / (used in) operating activities	36,122,936	(76,596,031)
INVESTING ACTIVITIES		
Purchase of investments	(22,411,579)	(16,301,799)
Sale of investments	27,658,172	19,457,886
Net (purchase) / sale of premises and equipment	(419,140)	70,219
Purchase of investment in real estate	-	(99,024)
Net cash from investing activities	4,827,453	3,127,282
Foreign currency translation adjustments	(509,602)	(1,140,632)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	40,440,787	(74,609,381)
Cash and cash equivalents at 1 January	108,578,391	175,999,403
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	149,019,178	101,390,022

For the purpose of the interim cash flows statement, cash and cash equivalents comprised of the following:

Cash in hand	6,123,145	5,226,147
Balances with central banks	27,134,391	22,854,518
Balances with other banks and financial institutions	64,882,661	47,036,021
Sales receivables - international commodities	50,878,981	26,273,336
	149,019,178	101,390,022

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 six months period ended 30 June 2013 (Unaudited)

Equity attributable to shareholders of the parent

	Reserves						Non-controlling interest	Total owners' equity
	Share capital	Statutory	General	Cumulative changes in fair value	Foreign exchange	Retained earnings		
	BD	BD	BD	BD	BD	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
Cumulative changes in fair value	-	-	-	287,147	-	-	287,147	274,272
Foreign currency translation reserve	-	-	-	-	(510,164)	-	(510,164)	(690,360)
Net income / (loss) for the period	-	-	-	-	-	311,503	311,503	204,872
Balance at 30 June 2013	46,166,591	8,199,308	3,275,053	(32,044)	(3,458,957)	2,712,660	56,862,611	63,413,680
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
Cumulative changes in fair value	-	-	-	1,381,344	-	-	1,381,344	1,383,972
Foreign currency translation reserve	-	-	-	-	(1,114,731)	-	(1,114,731)	(1,518,058)
Net loss for the period	-	-	-	-	-	(1,194,515)	(1,194,515)	(1,473,502)
Balance at 30 June 2012	46,166,591	8,199,308	3,275,053	(1,462,335)	(2,360,902)	4,451,760	58,269,475	65,814,461

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 six months period ended 30 June 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 30 June 2013 BD</i>
Sales receivables	40,689,257	(10,286,318)	12,202	(5,885)	30,409,256
Investments	4,564,462	(324,940)	-	-	4,239,522
Mudaraba	5,254,926	866,718	-	-	6,121,644
	50,508,645	(9,744,540)	12,202	(5,885)	40,770,422

	<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 30 June 2012 BD</i>
Sales receivables	88,731,094	(46,127,889)	90,494	(13,155)	42,680,544
Investments	4,231,932	265,714	-	-	4,497,646
Mudaraba	5,042,464	(265,278)	-	-	4,777,186
	98,005,490	(46,127,453)	90,494	(13,155)	51,955,376

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 30 June 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 1 August 2013.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements for the six month period ended 30 June 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 six month period ended 30 June 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 30 June 2013</i>
<i>Held directly by the Bank</i>				
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 30 June 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 plus an additional amount of Rs.383.14 million (BD 1.45 million).

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 30 June 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 30 June 2013 (Unaudited)

3 INVESTMENTS

	30 June 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	-	14,688,295	14,688,295	-	11,131,960	11,131,960
Unquoted						
Sukuk	24,785,601	83,621,520	108,407,121	15,931,047	93,502,710	109,433,757
	24,785,601	98,309,815	123,095,416	15,931,047	104,634,670	120,565,717
ii) Equity-type instruments at fair value through equity						
Quoted						
Private equity	-	72,415	72,415	-	111,585	111,585
Managed funds	-	-	-	5,090,006	-	5,090,006
Unquoted						
Private equity (note 3.1)	10,688,448	197,466	10,885,914	24,322,405	202,568	24,524,973
Real estate related	2,513,457	960,982	3,474,439	1,385,970	969,805	2,355,775
Others	377,000	1,891,494	2,268,494	377,000	1,889,597	2,266,597
	13,578,905	3,122,357	16,701,262	31,175,381	3,173,555	34,348,936
Less: Provision for impairment	(1,221,504)	(1,439,114)	(2,660,618)	(2,603,169)	(1,234,000)	(3,837,169)
Total investments	37,143,002	99,993,058	137,136,060	44,503,259	106,574,225	151,077,484

Included in quoted equity type instruments, BD 36 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 2,276 thousand (2012: BD 15,923 thousand) investments are fair valued using directly or indirectly observable inputs; and

Under unquoted equity type instruments which are held at fair value through equity are investments amounting to BD 12,387 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 122,437 thousand (2012: BD 120,078 thousand) has a fair value amounting to BD 121,227 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 30 June 2013 (Unaudited)

4 INVESTMENT IN REAL ESTATE

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

5 OTHER ASSETS

	30 June 2013 BD	<i>Audited</i> 31 December 2012 BD
Advance against financing transactions	7,455,789	4,883,091
Subordinated qard hasan (note 5.1)	6,283,125	-
Accounts receivable (note 5.2)	5,622,504	2,340,807
Deferred tax	5,442,193	5,251,520
Advance tax	1,086,156	1,076,419
Collateral pending sale	694,608	694,608
Income receivable	198,122	135,271
Others	5,954,879	4,266,068
Total	32,737,376	18,647,784
Less: Provision for impairment	(1,106,490)	(597,245)
	31,630,886	18,050,539

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

	30 June 2013 BD	<i>Audited</i> 31 December 2012 BD
Margins received	3,770,001	2,631,918
Security deposit against Ijara Muntahia Bittamleek	2,707,217	2,484,419
Accounts payable	1,702,592	1,562,890
Bills payable	3,760,724	2,897,460
Provision for employees benefits	1,321,031	1,369,602
Rental received in advance	859,637	441,137
Charity fund	565,268	654,662
Others	516,498	613,274
	15,202,968	12,655,362

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

7 CONTINGENCIES AND COMMITMENTS

	30 June	<i>Audited</i>
	2013	<i>31 December</i>
	BD	<i>2012</i>
		<i>BD</i>
Guarantees	24,181,282	19,224,531
Letters of credit	29,543,320	23,034,316
Acceptances	8,422,150	7,592,912
Foreign exchange contracts	13,997,771	23,876,865
Taxation	768,286	788,135
Others	1,213,558	1,259,497
	78,126,367	75,776,256

8 SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's geographical segments. The geographical segments are based upon the location of the units responsible for recording the transactions and reflects the manner in which financial information is evaluated by management and the Board of Directors.

For financial reporting purposes, the Group is divided into two geographical segments, Middle East and Other Asian Countries. Other Asian Countries predominantly includes operations in Pakistan.

The results reported for the geographic segments are based on the Group's internal financial reporting systems. The accounting policies of the segments are the same as those applied in the preparation of the Group's interim condensed consolidated financial statements as set out in note 2. Transactions between segments are conducted at estimated market rates on an arm's length basis.

The segmental results of the Group were as follows:

	<i>Middle East</i>		<i>Other Asian Countries</i>	
	30 June	<i>31 December</i>	30 June	<i>31 December</i>
	2013	<i>2012</i>	2013	<i>2012</i>
	BD	<i>BD</i>	BD	<i>BD</i>
Assets	277,506,520	252,085,525	318,567,406	282,662,411
Liabilities and equity of investment accountholders	232,981,652	208,206,366	299,678,594	262,916,674
	<i>Three months ended</i>		<i>Six months ended</i>	
	30 June		30 June	
	2013	<i>2012</i>	2013	<i>2012</i>
	BD	<i>BD</i>	BD	<i>BD</i>
Total operating income	4,185,803	3,868,017	4,673,500	3,876,726
Total operating expenses	(3,638,389)	(3,724,012)	(3,960,044)	(3,849,830)
Provision for impairment - net	(40,983)	(828,516)	(1,210,150)	(869,302)
Taxation	-	-	195,135	53,415
Income / (loss) for the period	506,431	(684,511)	(301,559)	(788,991)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 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	
	30 June	31 December	30 June	31 December	30 June	31 December
	2013	2012	2013	2012	2013	2012
	BD	BD	BD	BD	BD	BD
Assets:						
Cash and balances with banks and financial institutions	29,391	4,946	37,694	32,294	67,085	37,240
Sales receivables	-	-	2,787,876	5,802,516	2,787,876	5,802,516
Mudaraba financing	-	-	17,389,088	13,142,569	17,389,088	13,142,569
Ijara Muntahia Bittamleek	-	-	1,867,209	1,889,191	1,867,209	1,889,191
Musharaka	-	-	370,207	278,795	370,207	278,795
Ijara income receivables	-	-	34,110	5,183	34,110	5,183
Investments	-	-	10,530,619	24,164,347	10,530,619	24,164,347
Other assets	4,804,318	215,753	6,438,413	89,899	11,242,731	305,652
	4,833,709	220,699	39,455,216	45,404,794	44,288,925	45,625,493
Liabilities:						
Due to banks and other financial institutions	1,783,967	1,117,621	4,240,985	9,614,087	6,024,952	10,731,708
Current accounts	740,072	768,725	372,828	161,393	1,112,900	930,118
Other liabilities	7,937	8,142	490	311	8,427	8,453
	2,531,976	1,894,488	4,614,303	9,775,791	7,146,279	11,670,279
Equity of investment accountholders	11,331,438	8,238,214	34,048,752	27,597,283	45,380,190	35,835,497
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	6,934,442	9,543,709	12,319,024	10,502,255	19,253,466	20,045,964
Contingencies and commitments	-	-	6,309,265	6,970,940	6,309,265	6,970,940

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

	Six months ended	
	30 June	
	2013	2012
	BD	BD
Income		
Income from jointly financed sales	62,470	19,077
Income from jointly financed, other financings and investments	275,802	267,753
Group's income from self financed, other financings and investments	44,135	72,107
Other revenues	108,277	108,277
Group's Mudarib/agency fee from off-balance sheet equity of investment accountholders	5,355	7,726
	496,039	474,940

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

9 RELATED PARTY TRANSACTIONS (continued)

	<i>Six months ended</i>	
	<i>30 June</i>	
	2013	2012
	BD	BD
Expenses		
Return on equity of investment accountholders before Group's share as a Mudarib	487,831	650,178
Other expenses	49,800	50,633
	537,631	700,811

Compensation of key management personnel is as follows:

	<i>Six months ended</i>	
	<i>30 June</i>	
	2013	2012
	BD	BD
Salaries	583,663	576,119
Other benefits	361,205	335,751
	944,868	911,870

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.

Except as disclosed in note 3, the fair values of other 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 reclassified to confirm to the presentation adopted in the current period. Such reclassification did not affect previously reported net loss or owner's equity.