
Al Baraka Islamic Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
31 MARCH 2014 (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 31 March 2014, 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.




6 May 2014
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014 (Unaudited)

	Notes	31 March 2014 BD	Audited 31 December 2013 BD
ASSETS			
Cash and balances with banks and financial institutions		111,535,776	120,504,546
Sales receivables		261,499,236	238,904,043
Mudaraba financing		3,917	651,856
Ijara Muntahia Bittamleek		50,180,857	47,720,628
Musharaka		30,881,008	27,315,723
Investments	3	95,818,818	126,480,900
Investment in real estate	4	2,205,079	2,091,979
Ijara income receivables		8,812,657	6,503,775
Premises and equipment		9,068,055	8,800,010
Goodwill		7,077,039	6,620,472
Other assets	5	41,598,782	29,371,174
TOTAL ASSETS		618,681,224	614,965,106
LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY			
Liabilities			
Due to banks and financial institutions		35,607,790	48,632,362
Current accounts		60,686,397	63,298,267
Other liabilities	6	19,283,031	19,130,756
Total liabilities		115,577,218	131,061,385
Equity of investment accountholders		438,911,766	421,774,380
Owners' Equity			
Share capital		46,166,591	46,166,591
Reserves		8,244,148	6,965,951
Retained earnings		3,008,339	2,729,896
Equity attributable to parent's shareholders		57,419,078	55,862,438
Non-controlling interest		6,773,162	6,266,903
Total owners' equity		64,192,240	62,129,341
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNTHOLDERS AND OWNERS' EQUITY		618,681,224	614,965,106
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		67,754,813	51,565,127
CONTINGENCIES AND COMMITMENTS	7	90,377,725	101,216,130


Khalid Rashid Al-Zayani
Chairman


Adnan Ahmed Yousif
Deputy Chairman


Mohammed Essa Al Mutaweh
Chief Executive Officer & Board Member


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 INCOME

For the three months period ended 31 March 2014 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2014	2013
	BD	BD
INCOME		
Income from jointly financed sales	4,076,904	3,303,812
Income from jointly financed, other financings and investments	3,061,988	4,403,991
Joint investment income	7,138,892	7,707,803
Return on equity of investment accountholders before Group's share as a Mudarib	(6,564,356)	(6,667,655)
Group's share as a Mudarib	1,495,410	1,656,994
Return on equity of investment accountholders	(5,068,946)	(5,010,661)
Group's share of income from equity of investment accountholders (as a Mudarib and Rabalmaal)	2,069,945	2,697,142
Group's income from self financed sales	208,751	168,755
Group's income from self financed, other financings and investments	1,454,177	802,498
Revenue from banking services	752,971	526,205
Other income	475,086	127,244
Group's Mudarib/agency fee from off-balance sheet equity of investment account holders	9,153	1,365
TOTAL OPERATING INCOME	4,970,083	4,323,209
OPERATING EXPENSES		
Staff expenses	(2,253,272)	(2,142,815)
Depreciation	(278,507)	(261,099)
Profit on due to banks and financial institutions	(523)	(1,336)
Other operating expenses	(1,613,916)	(1,393,390)
TOTAL OPERATING EXPENSES	(4,146,218)	(3,798,640)
NET INCOME FOR THE PERIOD BEFORE PROVISION FOR IMPAIRMENT AND TAXATION	823,865	524,569
Provision for impairment - net	(432,868)	(847,437)
NET INCOME / (LOSS) BEFORE TAXATION	390,997	(322,868)
Taxation	(55,750)	145,012
INCOME / (LOSS) FOR THE PERIOD	335,247	(177,856)
Attributable to:		
Equity shareholders of the parent	278,441	(92,623)
Non-controlling interest	56,806	(85,233)
	335,247	(177,856)


Khalid Rashid Al-Zayani
Chairman


Adnan Ahmed Yousif
Deputy Chairman


Mohammed Essa Al Mutaweh
Chief Executive Officer & Board Member

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2014 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2014	2013
	BD	BD
OPERATING ACTIVITIES		
Net Income / (Loss) before taxation	390,997	(322,868)
Adjustments for :		
Depreciation	278,507	261,099
Provision for impairment - net	432,868	847,437
Gain on sale of premises and equipment	(3,174)	-
Gain on sale of debt-type investments	(659,694)	(603,356)
Unrealised remeasurement gain	(113,100)	-
Operating profit before changes in operating assets and liabilities	326,404	182,312
Net changes in operating assets and liabilities:		
Sales receivables	(13,213,438)	(3,676,768)
Mudaraba financing	647,939	(4,072,066)
Ijara Muntahia Bittamleek	(2,460,229)	465,659
Musharaka	(3,627,581)	(302,164)
Ijara income receivables	(2,340,924)	600,636
Other assets	(1,590,984)	(3,554,962)
Other liabilities	152,275	1,719,162
Due to banks and financial institutions	(13,024,572)	(16,590,134)
Current accounts	(2,611,870)	2,150,860
Equity of investment accountholders	17,137,386	12,764,581
Taxation paid	(8,256)	(53,011)
Net cash used in operating activities	(20,613,850)	(10,365,895)
INVESTING ACTIVITIES		
Purchase of investments	(22,831,259)	(6,487,414)
Sale of investments	43,407,218	14,362,012
Net purchase of premises and equipment	(543,378)	(28,346)
Net cash from investing activities	20,032,581	7,846,252
Foreign currency translation adjustments	1,267,876	(255,779)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	686,607	(2,775,422)
Cash and cash equivalents at 1 January	190,129,921	108,578,391
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	190,816,528	105,802,969
For the purpose of the interim cash flows statement, cash and cash equivalents comprised of the following:		
Cash in hand	7,251,197	6,031,764
Balances with central banks	27,193,031	22,966,614
Balances with other banks and financial institutions	77,091,548	35,673,542
Sales receivables - international commodities	79,280,752	41,131,049
	190,816,528	105,802,969

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 months period ended 31 March 2014 (Unaudited)

Equity attributable to shareholders of the parent

	Reserves							Non-controlling interest BD	Total owners' equity BD	
	Share capital BD	Statutory BD	General BD	Cumulative changes in fair value		Retained earnings BD	Total BD			
				Foreign exchange BD	Foreign exchange BD					
Balance at 1 January 2014	46,166,591	8,235,835	3,275,053	(29,742)	(4,515,195)	2,729,898	55,862,440	6,266,901	62,129,341	
Cumulative changes in fair value	-	-	-	2,075	-	-	2,075	-	1,135	3,210
Foreign currency translation reserve	-	-	-	-	-	-	-	-	-	-
Net income for the period	-	-	-	-	1,276,122	278,441	278,441	1,276,122	448,320	1,724,442
Balance at 31 March 2014	46,166,591	8,235,835	3,275,053	(27,667)	(3,239,073)	3,008,339	57,419,078	6,773,162	64,192,240	
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	6,850,771	63,624,896	
Cumulative changes in fair value	-	-	-	695,619	-	-	695,619	(19,768)	675,851	
Foreign currency translation reserve	-	-	-	-	(259,416)	-	(259,416)	(90,443)	(349,859)	
Net loss for the period	-	-	-	-	-	(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	6,655,327	63,773,032	

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 months period ended 31 March 2014 (Unaudited)

	<i>Balance at 1 January 2014 BD</i>	<i>Cumulative changes in fair value BD</i>	<i>Net deposits BD</i>	<i>Gross income BD</i>	<i>Mudarib's/ agency fee BD</i>	<i>Balance at 31 March 2014 BD</i>
Sales						
receivables	40,195,274	-	15,998,731	210,513	(9,153)	56,395,365
Investments	11,369,853	(445,079)	434,674	-	-	11,359,448
	51,565,127	(445,079)	16,433,405	210,513	(9,153)	67,754,813
	<i>Balance at 1 January 2013 BD</i>	<i>Cumulative changes in fair value BD</i>	<i>Net (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	40,689,258	-	(6,935,389)	1,902	(1,365)	33,754,406
Investments	9,819,388	685,068	(128,838)	-	-	10,375,618
	50,508,646	685,068	(7,064,227)	1,902	(1,365)	44,130,024

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 2014 (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 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 6 May 2014.

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 2014 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 2013. In addition, results for the three month period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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 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 2014</i>	<i>Year of incorporation</i>	<i>Country of incorporation</i>	<i>No. of branches/offices at 31 March 2014</i>
Held directly by the Bank				
Al Baraka Bank (Pakistan) Limited*	64.64%	2004	Pakistan	110
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 2014 (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 (DFI) to be raised to Rs. 10 billion (BD 38.26 million). Further the banks / DFIs are also required to maintain a capital adequacy ratio of 10% at all times.

In order to meet the regulatory capital requirements, Al Baraka Bank (Pakistan) Limited (ABPL) has prepared a recapitalization plan which was submitted to the SBP. The SBP vide its letter no. BPRD/BA&CP/608/019652/2013 dated 28 December 2013 has allowed ABPL to proceed with the plan as follows:

- i) ABPL is required to maintain a minimum paid up capital (net of losses) (MCR) of at least Rs. 6 billion (BD 22.96 million) at all times and will have to meet the full MCR of Rs 10 billion (BD 38.26 million) by 31 December 2016.
- ii) As a short term arrangement, ABPL has been allowed to raise a foreign currency sub-ordinated debt of BD 4.147 million from the Bank (Al Baraka Islamic Bank B.S.C. (c)). The said sub-ordinated debt shall be deposited with the SBP as interest free deposit till the time ABPL fully meets the minimum paid up capital requirements.
- iii) The above foreign currency deposit with the SBP shall be increased to Rs. 2.1 billion (BD 8.03 million) by 31 December 2014 and Rs. 2.8 billion (BD 10.71 million) by 31 December 2015.
- iv) The foreign currency sub-ordinated debt will not be withdrawn unless ABPL achieves full compliance with MCR. However any withdrawal will be subject to prior approval of the SBP. In the event ABPL is not MCR compliant by 31 December 2016, the sub-ordinated debt will be converted into the paid up capital of ABPL.
- v) For regulatory purposes, the foreign currency sub-ordinated debt is allowed to be included in ABPL's capital and ABPL will be required to maintain a capital adequacy ratio (CAR) of at least 16% which may be reduced depending on the level of increase in the MCR.

As of 31 March 2014, ABPL's paid up capital (net of losses) including foreign currency subordinated debt amounts to Rs. 6,950.04 million (BD 26.59 million) and the CAR stands at 11.92%. In this regard, the SBP via a letter dated 4 April 2014 has allowed ABPL to issue unsecured Tier II Mudaraba Sukuk of RS 2.5 billion (BD 9.56 million). This would allow ABPL to meet the current MCR and CAR requirements. Further, 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"). 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 Basis of consolidation (continued)

Investment in Itqan Capital (continued)

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.

3 INVESTMENTS

	31 March 2014			Audited 31 December 2013		
	Self financed BD	Jointly financed BD	Total BD	Self financed BD	Jointly financed BD	Total BD
i) Debt-type instruments at amortised cost						
Quoted						
Sukuk	16,687,572	5,748,006	22,435,578	33,533,473	6,473,376	40,006,849
Unquoted						
Sukuk	18,977,901	41,502,247	60,480,148	21,801,489	51,735,333	73,536,822
	35,665,473	47,250,253	82,915,726	55,334,962	58,208,709	113,543,671
ii) Equity-type instruments at fair value through equity						
Quoted						
Private equity	-	80,435	80,435	-	70,124	70,124
Unquoted						
Private equity	10,688,448	199,730	10,888,178	10,688,448	186,845	10,875,293
Managed funds	-	1,890,255	1,890,255	-	1,889,325	1,889,325
Real estate related	1,273,693	344,060	1,617,753	1,273,693	344,060	1,617,753
Others	377,000	-	377,000	377,000	-	377,000
	12,339,141	2,514,480	14,853,621	12,339,141	2,490,354	14,829,495
Less: Provision for impairment	(927,662)	(1,022,867)	(1,950,529)	(927,662)	(964,604)	(1,892,266)
Total investments	47,076,952	48,741,866	95,818,818	66,746,441	59,734,459	126,480,900

Included in quoted equity type instruments, BD 36 thousand (2013: BD 37 thousand) of investments are fair valued using quoted prices in active markets for identical instruments;

Within unquoted equity type instruments, BD 2,281 thousand (2013: BD 2,274 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 11,256 thousand (2013: BD 11,256 thousand) which are held at cost less provision for impairment.

The Group's investments in sukuk held at amortised cost amounting to BD 82,245 thousand (2013: BD 112,913 thousand) has a fair value amounting to BD 82,457 thousand (2013: BD 112,374 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

4 INVESTMENT IN REAL ESTATE

	31 March 2014 BD	<i>Audited</i> 31 December 2013 BD
Buildings	2,091,979	1,208,092
Additions	-	779
Transfer from other assets	-	694,608
Changes in fair value	113,100	188,500
	2,205,079	2,091,979

5 OTHER ASSETS

	31 March 2014 BD	<i>Audited</i> 31 December 2013 BD
Accounts receivable	12,394,200	2,565,465
Subordinated qard hasan (note 5.1)	10,053,000	10,053,000
Advance against financing transactions	6,129,255	4,614,565
Deferred tax	5,524,224	5,155,072
Advance against capital expenditure	2,392,491	2,178,983
Advance tax	978,940	972,978
Receivable against sale of shares	309,927	289,932
Income receivable	184,929	255,272
Others	4,760,760	4,287,231
Total	42,727,726	30,372,498
Less: Provision for impairment	(1,128,944)	(1,001,324)
	41,598,782	29,371,174

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.

6 OTHER LIABILITIES

	31 March 2014 BD	<i>Audited</i> 31 December 2013 BD
Margins received	6,557,480	5,747,911
Security deposit against Ijara Muntahia Bittamleek	3,436,455	2,906,870
Bills payable	3,133,245	2,597,252
Accounts payable	2,514,909	4,398,164
Provision for employees benefits	1,517,029	1,635,055
Rental received in advance	979,570	812,004
Charity fund	537,419	518,544
Others	606,924	514,956
	19,283,031	19,130,756

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

7 CONTINGENCIES AND COMMITMENTS

	<i>Audited</i>	
	<i>31 March 2014</i>	
	<i>31 December 2013</i>	
	<i>BD</i>	
	<i>BD</i>	
Foreign exchange contracts	16,908,180	18,165,847
Guarantees	24,900,666	22,238,952
Letters of credit	21,551,637	49,888,330
Acceptances	26,086,629	9,952,722
Taxation	777,098	726,963
Others	153,515	243,316
	90,377,725	101,216,130

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>	
	<i>31 March 2014</i>	<i>31 March 2013</i>	<i>31 March 2014</i>	<i>31 March 2013</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Assets	320,175,516	256,028,503	298,505,708	278,912,038
Liabilities and equity of investment accountholders	279,651,336	211,443,612	274,837,648	259,723,897
	<i>Three months ended 31 March</i>		<i>Three months ended 31 March</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>BD</i>	<i>BD</i>	<i>BD</i>	<i>BD</i>
Total operating income	2,062,760	1,973,423	2,907,323	2,349,786
Total operating expenses	(1,869,313)	(1,910,235)	(2,276,905)	(1,888,405)
Provision for impairment - net	(18,850)	-	(414,018)	(847,437)
Taxation	-	-	(55,750)	145,012
Income / (loss) for the period	174,597	63,188	160,650	(241,044)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (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
	2014	2013	2014	2013	2014	2013
	BD	BD	BD	BD	BD	BD
Assets:						
Cash and balances with banks and financial institutions	21,792	25,110	86,650	66,887	108,442	91,997
Sales receivables	-	-	18,698,995	18,745,496	18,698,995	18,745,496
Mudaraba financing	-	-	3,917	651,856	3,917	651,856
Ijara Muntahia Bittamleek	-	-	1,380,062	1,548,487	1,380,062	1,548,487
Musharaka	-	-	430,465	349,767	430,465	349,767
Ijara income receivables	-	-	171,755	17,124	171,755	17,124
Investments	-	-	10,537,709	10,531,017	10,537,709	10,531,017
Other assets	883,336	986,006	10,544,509	11,074,730	11,427,845	12,060,736
	905,128	1,011,116	41,854,062	42,985,364	42,759,190	43,996,480
Liabilities:						
Due to banks and other financial institutions	823,975	1,638,496	2,370,003	17,163,552	3,193,978	18,802,048
Current accounts	749,946	744,229	200,659	220,580	950,605	964,809
Other liabilities	8,028	7,511	490	2,266,637	8,518	2,274,148
	1,581,949	2,390,236	2,571,152	19,650,769	4,153,101	22,041,005
Equity of investment accountholders	4,545,678	5,996,352	33,889,865	24,732,526	38,435,543	30,728,878
OFF-BALANCE SHEET ITEMS:						
Equity of investment accountholders	3,065,010	3,065,010	30,778,366	32,699,421	33,843,376	35,764,431
Contingencies and commitments	-	-	6,205,825	5,936,271	6,205,825	5,936,271

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

	Three months ended	
	31 March	
	2014	2013
	BD	BD
Income		
Income from jointly financed sales	118,747	29,990
Income from jointly financed, other financings and investments	27,498	134,608
Group's income from self financed, other financings and investments	5,155	23,458
Other revenues	54,139	54,139
Group's Mudarib/agency fee from off-balance sheet equity of investment accountholders	9,153	1,365
	214,692	243,560

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

9 RELATED PARTY TRANSACTIONS (continued)

	<i>Three months ended</i>	
	<i>31 March</i>	
	2014	2013
	BD	BD
Expenses		
Return on equity of investment accountholders before		
Group's share as a Mudarib	138,516	242,328
Other expenses	71,061	93,646
	209,577	335,974

Compensation of key management personnel is as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	2014	2013
	BD	BD
Salaries	302,153	287,686
Other benefits	217,107	131,766
	519,260	419,452

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.
