

Elaf Bank B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2013 (UNAUDITED)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF ELAF BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Elaf Bank B.S.C. (c) (the "Bank") and its subsidiaries (the "Group") as at 30 September 2013, and the related interim consolidated statements of income, cash flows, changes in owners' equity and changes in off-balance sheet equity of investment account holders for the nine 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 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 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.



31 October 2013
Manama, Kingdom of Bahrain

Elaf Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013 (Unaudited)

		<i>Unaudited</i> 30 September 2013 US\$	<i>Audited</i> 31 December 2012 US\$
	<i>Notes</i>		
ASSETS			
Cash and balances with banks		13,395,054	12,986,997
Due from financial institutions		19,559,713	35,083,388
Financing receivable		12,232,440	13,698,448
Musharaka financing		962,901	1,902,720
Receivable from ijarah investors		14,800,849	14,800,849
Investment in ijarah asset		4,961,974	4,961,974
Ijarah muntahia bittamleek		1,438,356	1,905,822
Investment in securities	3	234,087,718	232,067,260
Investment in associates	4	11,076,299	5,046,963
Investment in real estate	5	40,635,505	38,441,871
Development properties		6,968,909	16,173,111
Non-current asset held for sale		-	1,326,260
Fixed assets		572,953	433,070
Other assets	6	3,839,842	3,938,566
TOTAL ASSETS		364,532,513	382,767,299
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY			
Liabilities			
Due to financial institutions		25,373,428	39,036,923
Due to non financial institutions		434,010	435,408
Other liabilities	7	8,572,490	15,641,883
Total liabilities		34,379,928	55,114,214
EQUITY OF INVESTMENT ACCOUNT HOLDERS			
Owners' equity			
Share capital		300,000,000	300,000,000
Share premium		16,385,368	16,385,368
Statutory reserve		712,897	676,313
Retained earnings		2,110,531	-
Investment fair value reserve		1,608,800	796,081
General reserve		4,618,036	4,618,036
Equity attributable to parent's shareholders		325,435,632	322,475,798
Non-controlling interest		4,034,519	3,913,654
Total owners' equity		329,470,151	326,389,452
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		364,532,513	382,767,299
OFF BALANCE SHEET:			
EQUITY OF INVESTMENT ACCOUNT HOLDERS		111,357,686	110,731,271


Paul Mercer
Chairman

Mohamed Al Adsani
Vice Chairman

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Elaf Bank B.S.C. (c)

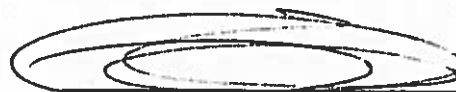
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 September 2013 (Unaudited)

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2013	2012	2013	2012
		US\$	US\$	US\$	US\$
INCOME					
Profit from Islamic financing		868,827	547,851	2,692,853	1,973,132
Profit on Islamic financing		(84,561)	(35,577)	(385,646)	(116,027)
Net income from Islamic financing		784,266	512,274	2,307,207	1,857,105
Income from investment in securities	8	913,562	2,189,944	5,854,768	7,578,667
Income from investment banking services		142,880	86,341	447,388	168,760
Share of results from associates	4	94,440	-	94,440	-
Other income (loss)	9	596,905	(13,600)	2,749,515	(21,068)
Total income		2,532,053	2,774,959	11,453,318	9,583,464
EXPENSES					
Staff costs		(1,244,197)	(672,450)	(4,838,677)	(3,365,229)
Depreciation and amortisation		(31,810)	(181,870)	(84,622)	(729,732)
Other expenses		(1,038,499)	(622,664)	(3,441,342)	(2,041,759)
Total expenses		(2,314,506)	(1,476,984)	(8,364,641)	(6,136,720)
PROFIT BEFORE ACQUISITION EXPENSES, IMPAIRMENT AND PROVISION		217,547	1,297,975	3,088,677	3,446,744
Impairment and provision	10	-	(1,126,773)	(857,281)	(1,126,773)
Acquisition expenses		-	(88,000)	-	(615,611)
NET PROFIT FOR THE PERIOD		217,547	83,202	2,231,396	1,704,360
Attributable to:					
Equity holders of the parent		166,883	83,202	2,110,531	1,704,360
Non-controlling interest		50,664	-	120,865	-
		217,547	83,202	2,231,396	1,704,360



Paul Mercer
Chairman



Mohamed Al Adsani
Vice Chairman

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2013 (Unaudited)

	Notes	Nine months ended 30 September	
		2013 US\$	2012 US\$
OPERATING ACTIVITIES			
Net profit for the period		2,231,396	1,704,360
Adjustment for:			
Depreciation and amortisation		84,622	729,732
Gain on sale of debt-type instruments at amortised cost	8	(298,286)	(1,974,486)
Gain on sale of equity-type instruments at fair value through equity	8	(1,018,858)	(1,119,611)
Gain on sale of fixed assets	9	(18,223)	(17,560)
Gain on sale of investment in real estate	9	(857,143)	-
Gain on sale of development properties	9	(976,169)	-
Impairment and provision	10	857,281	1,126,773
Share of results from associates	4	(94,440)	-
Net amortisation of premium (discount)		411,178	(646,980)
Operating profit (loss) before changes in operating assets and liabilities		321,358	(197,772)
Changes in operating assets and liabilities:			
Financing receivable		1,466,008	1,382,908
Due from financial institutions with original maturity of more than 90 days		(6,003,154)	-
Musharaka financing		899,198	(53,508)
Ijarah muntahia bittamleek		-	(2,063,356)
Other assets		566,190	(1,109,113)
Other liabilities		(7,069,393)	(579,942)
Equity of investment accountholders		(581,199)	-
Net cash used in operating activities		(10,400,992)	(2,620,783)
INVESTMENT ACTIVITIES			
Purchase of investment in securities		(37,084,667)	(66,188,485)
Proceeds from sale of investment in securities		35,966,234	66,211,594
Proceeds from sale of investment in real estate		857,143	-
Proceeds from sale of development properties		10,180,371	-
Proceed from sale of fixed assets		18,223	-
Purchase of investment in real estate	5	(2,193,634)	-
Purchase of fixed assets		(224,505)	(70,530)
Purchase of associate		(4,572,052)	-
Net cash from (used in) investing activities		2,947,113	(47,421)
FINANCING ACTIVITIES			
Due to financial institutions		(13,663,495)	9,498,143
Due to non financial institutions		(1,398)	-
Net cash (used in) from financing activities		(13,664,893)	9,498,143
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(21,118,772)	6,829,939
Cash and cash equivalents at 1 January		43,534,072	16,560,985
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		22,415,300	23,390,924
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances		13,395,054	2,047,481
Due from financial institutions with original maturity of 90 days or less		9,020,246	21,343,443
		22,415,300	23,390,924

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Elaf Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the period ended 30 September 2013 (Unaudited)

	Equity attributable to parent's shareholders								
	Share capital US\$	Share premium US\$	Statutory reserve US\$	Retained earnings/ (accumulated losses) US\$	Investment fair value reserve US\$	General reserve US\$	Total US\$	Non-controlling interest US\$	Total owners' equity US\$
Balance at 1 January 2013	300,000,000	16,385,368	676,313	-	796,081	4,618,036	322,475,798	3,913,654	326,389,452
Net profit for the period	-	-	-	2,110,531	-	-	2,110,531	120,865	2,231,396
Cumulative changes in fair values	-	-	-	-	812,719	-	812,719	-	812,719
Reclassification effect of non-current asset held for sale to a subsidiary - note 2	-	-	36,584	-	-	-	36,584	-	36,584
Balance as at 30 September 2013	300,000,000	16,385,368	712,897	2,110,531	1,608,800	4,618,036	325,435,632	4,034,519	329,470,151
Balance at 1 January 2012	200,000,000	-	676,313	(45,011,717)	(896,197)	-	154,768,399	-	154,768,399
Net profit for the period	-	-	-	1,704,360	-	-	1,704,360	-	1,704,360
Cumulative changes in fair values	-	-	-	-	(316,152)	-	(316,152)	-	(316,152)
Foreign currency translation on investments	-	-	-	-	519,260	-	519,260	-	519,260
Balance as at 30 September 2012	200,000,000	-	676,313	(43,307,357)	(693,089)	-	156,675,867	-	156,675,867

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Elaf Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OFF-BALANCE SHEET EQUITY OF INVESTMENT ACCOUNT HOLDERS

For the period ended 30 September 2013 (Unaudited)

	<i>Marketable equity securities portfolio US\$</i>	<i>Unlisted securities portfolio US\$</i>	<i>Real estate portfolio US\$</i>	<i>Total US\$</i>
Balance at 1 January 2013	1,756,161	66,250,381	42,724,729	110,731,271
Deposits and issues	-	613,031	-	613,031
Repurchased investment units and withdrawal	(442,838)	-	(186,693)	(629,531)
Fair valuation and foreign exchange revaluation	631,865	11,050	-	642,915
Balance at 30 September 2013	<u>1,945,188</u>	<u>66,874,462</u>	<u>42,538,036</u>	<u>111,357,686</u>

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

1 INCORPORATION AND ACTIVITIES

Elaf Bank B.S.C. (c) (the "Bank"), is a closed shareholding company incorporated in the Kingdom of Bahrain on 12 June 2007 under commercial registration (CR) number 65549. The Bank operates as an Islamic Wholesale Investment Bank under a license issued by the Central Bank of Bahrain (the "CBB"). The Bank's registered office is Zamil Tower, 6th Floor, Al Khalifa Avenue, Block 305, Manama, Kingdom of Bahrain.

During the year 2012, the shareholders of the Bank approved the merger of the Bank with Capivest and CMH where Capivest and CMH operations were amalgamated into the Bank's operations to form the Merged Entity in accordance with Article 312 (a) (1) of the Bahrain Commercial Companies Law. The merger was approved by the CBB and the Ministry of Industry and Commerce on 13 September 2012 and 11 October 2012 respectively subject to a 90 days no objection period. On 31 December 2012, via letter no. EDBS/KH/337/2012, the CBB approved the legal amalgamation of Capivest and CMH operations into the Bank in respect to which the assets of CMH and Capivest as of 31 December 2012 were takenover and liabilities of CMH and Capivest as of 31 December 2012 were assumed by the Bank along with the off-balance sheet equity of investment account holders. As the acquisition took place on the last day of the financial year 2012, the statement of financial position was consolidated and there was no impact on the statement of income for the year ended 31 December 2012 due to the acquisition. Consequently, the comparative information might not be comparable with the current period financial information.

The Bank's activities are regulated by the CBB and supervised by a Shari'a Supervisory Board whose role is defined in the Bank's Memorandum and Articles of Association.

The principal activities of the Bank and its subsidiaries (together "the Group") include investment advisory services and investment transactions, which comply with Islamic rules and principles according to the opinion of the Bank's Shari'a Supervisory Board.

The Group carries out its business activities through its head office in the Kingdom of Bahrain and its branch in Malaysia. The branch was granted a license to perform Islamic Banking Business on 15 June 2011 under Islamic Banking Act 1983.

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 31 October 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the nine month period ended 30 September 2013 have been prepared in accordance with the guidance given by the 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 nine months period ended 30 September 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 consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate and investments classified as "fair value through equity" and "fair value through statement of income" that have been measured at fair value.

The consolidated financial statements have been presented in United States Dollars ("US\$"), being the reporting and functional currency of the Group's operations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Basis of consolidation**

The condensed consolidated interim financial information for the period ended 30 September 2013 comprises the financial information of the Bank and its subsidiaries after eliminating inter-company transactions and balances. A subsidiary is an entity over which the Bank has control to govern its financial and operating policies in order to obtain benefits from its activities. The principal subsidiaries and associate of the Group included in this condensed consolidated interim financial information are as follows:

<i>Company</i>	<i>Country of incorporation</i>	<i>Year of incorporation</i>	<i>(%) of ownership</i>
Elaf Bahrain Real Estate Company B.S.C. (c)	Kingdom of Bahrain	2008	100%
Elaf Corporate Services Limited	British Virgin Islands	2008	100%
Sokouk Exchange Centre – Tadawul Holding W.L.L.	Kingdom of Bahrain	2008	100%
Tamkeen Investment Company B.S.C. (c)	Kingdom of Bahrain	2008	100%
Suffun Bahrain W.L.L. **	Kingdom of Bahrain	2010	100%
Suffun Investment Company *	Cayman Island	2010	100%
GCC Balanced Growth Fund Company B.S.C.(c) *	Kingdom of Bahrain	2010	100%
Medical Management Group SPC *	Kingdom of Bahrain	2005	100%
Omavest Holding W.L.L. *	Kingdom of Bahrain	2009	100%
Capinvest Real Estate Fund *	Kingdom of Bahrain	2010	100%
Sakan Development Company Limited	Cayman Island	2006	70.91%

* Subsidiaries not operational at 30 September 2013.

** On 31 December 2012, CBB approved the legal amalgamation of Capinvest and CMH into the Bank (note 1).

As a result of the above amalgamation, the Bank took over Suffun Bahrain W.L.L. ("Suffun"), a 100% owned Company by CMH.

Suffun was classified as non-current asset held for sale, in light of the surrounding market conditions plan to sale a controlling interest in the Suffun was ceased. Accordingly, the criteria to apply IFRS 5 "Non Current Assets Held for Sale and Discontinued operations" was no longer met. Therefore, the Company is consolidated in these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

3 INVESTMENT IN SECURITIES

At 30 September 2013 (unaudited)

	<i>Amortised cost US\$</i>	<i>Fair value through equity US\$</i>	<i>Fair value through statement of income US\$</i>	<i>Total US\$</i>
Debt type				
Quoted sukuk	79,640,454	-	-	79,640,454
Equity type				
Quoted shares	-	10,332,774	-	10,332,774
Unquoted shares	-	124,583,413	20,347,737	144,931,150
Less: Impairment (note 10 (b))	-	(816,660)	-	(816,660)
	<u>79,640,454</u>	<u>134,099,527</u>	<u>20,347,737</u>	<u>234,087,718</u>

	<i>Amortised cost US\$</i>	<i>Fair value through equity US\$</i>	<i>Fair value through statement of income US\$</i>	<i>Total US\$</i>
Debt type				
Quoted sukuk	72,752,595	-	-	72,752,595
Equity type				
Quoted shares	-	13,665,212	-	13,665,212
Unquoted shares	-	128,645,865	20,347,737	148,993,602
Less: Impairment	(371,342)	(2,972,807)	-	(3,344,149)
	<u>72,381,253</u>	<u>139,338,270</u>	<u>20,347,737</u>	<u>232,067,260</u>

The Group's investments in sukuk held at amortised cost amounting to US\$ 79,641 thousand (2012: US\$ 72,753 thousand) has a fair value amounting to US\$ 80,689 thousand (2012: US\$ 74,495 thousand).

Elaf Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

4 INVESTMENT IN ASSOCIATES

	<i>Unaudited</i> 30 September 2013 US\$	<i>Audited</i> 31 December 2012 US\$
At 1 January	5,046,963	3,444,085
Additions:		
due to amalgamation (note 1)	-	1,602,878
due to reclassification ⁽ⁱ⁾	5,934,896	-
Share of results	94,440	-
	11,076,299	5,046,963

Investment in associates comprise the following:

<i>Name</i>	<i>Country of incorporation</i>	<i>% holding</i>
Ali Iskandar Al Ansari and Partners W.L.L. ⁽ⁱⁱ⁾	State of Qatar	35%
Aqari Real Estate Company B.S.C. (c) ^(iv)	Kingdom of Bahrain	31.88%
Alpha Lease and Finance Holding Company B.S.C. (c) ⁽ⁱⁱⁱ⁾	Kingdom of Bahrain	30%
Apex Real Estate Company B.S.C.(c) ⁽ⁱⁱ⁾	Kingdom of Bahrain	30%
Skaugen Gulf Petchem Carriers B.S.C. © ^{(i),(iv)}	Kingdom of Bahrain	30%

⁽ⁱ⁾ Recognised due to consolidation of Suffun Bahrain W.L.L. that owns 30% of Skaugen Gulf Petchem Carriers B.S.C. (c) (note 2).

⁽ⁱⁱ⁾ These associates are fully provided for and the financial information below does not include their financial information.

⁽ⁱⁱⁱ⁾ A provision of US\$ 1,500,000 is maintained against the Bank's investment in this associate which was last equity accounted for based on 30 September 2012 unaudited financial statements.

^(iv) The financial information below includes the information based on 30 September 2013 unaudited management accounts for these associate.

Summarised financial information of associates:

	<i>Unaudited</i> 30 September 2013 US\$	<i>Audited</i> 31 December 2012 US\$
Total assets	31,257,791	44,759,183
Total liabilities	11,568,719	14,506,911
Results	430,711	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

5 INVESTMENT IN REAL ESTATE

	<i>Unaudited</i> 30 September 2013 US\$	<i>Audited</i> 31 December 2012 US\$
Lands	26,447,550	26,447,550
Buildings	14,187,955	11,994,321
	<u>40,635,505</u>	<u>38,441,871</u>

The following is a reconciliation between the carrying amounts of investment in real estate at the beginning and end of the period:

	<i>Unaudited</i> 30 September 2013 US\$	<i>Audited</i> 31 December 2012 US\$
Beginning balance of the period/ year	38,441,871	15,842,773
Additions:		
due to amalgamation (note 1)	-	22,599,098
due to settlement *	2,193,634	-
Ending balance of the period/ year	<u>40,635,505</u>	<u>38,441,871</u>

* Real Estate investment of US\$ 2,193,634 was received in settlement for the Group's investment in certain securities held at fair value through equity.

6 OTHER ASSETS

	<i>Unaudited</i> 30 September 2013 US\$	<i>Audited</i> 31 December 2012 US\$
Income receivable	1,533,959	1,159,201
Ijarah receivable	676,953	630,133
Sales proceeds receivable	466,843	1,302,935
Prepaid expenses	240,751	307,087
Staff receivable	225,046	61,432
Others	696,290	477,778
	<u>3,839,842</u>	<u>3,938,566</u>

7 OTHER LIABILITIES

	<i>Unaudited</i> 30 September 2013 US\$	<i>Audited</i> 31 December 2012 US\$
Accounts payables	2,448,703	1,897,756
Acquisition payables	1,257,116	8,017,873
Due to ijarah investors	1,228,526	1,073,424
Advances for sale of villas	704,298	342,168
Provision for employee benefits	632,010	1,613,808
Directors' fee accrual	468,348	520,823
Others	1,833,489	2,176,031
	<u>8,572,490</u>	<u>15,641,883</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

8 INCOME FROM INVESTMENT IN SECURITIES

	<i>Unaudited</i> 30 September 2013 US\$	<i>Unaudited</i> 30 September 2012 US\$
Profit earned on debt-type instruments at amortised cost	3,690,047	4,356,418
Gain on sale of equity-type instruments at fair value through equity	1,018,858	1,119,611
Dividends on equity-type instruments at fair value through equity	847,577	128,152
Gain on sale of debt-type instruments at amortised cost	298,286	1,974,486
	<u>5,854,768</u>	<u>7,578,667</u>

9 OTHER INCOME (LOSS)

	<i>Unaudited</i> 30 September 2013 US\$	<i>Unaudited</i> 30 September 2012 US\$
Gain on sale of investment in real estate	857,143	-
Gain on sale of development properties	976,169	-
Rental income	879,478	-
Gain on sale of fixed assets	18,223	17,560
Foreign exchange gain (loss)	5,933	(38,628)
Others	12,569	-
	<u>2,749,515</u>	<u>(21,068)</u>

10 IMPAIRMENT AND PROVISION

(a) The following table shows the movement of provision for impairment during the period ended 30 September:

	<i>Musharaka</i> <i>financing</i> US\$	<i>Investment</i> <i>in Ijarah</i> <i>assets</i> US\$	<i>Unaudited</i> 2013 Total US\$	<i>Musharaka</i> <i>financing</i> US\$	<i>Investment</i> <i>in Ijarah</i> <i>assets</i> US\$	<i>Unaudited</i> 2012 Total US\$
Provision at beginning of the period	55,981	1,903,567	1,959,548	7,024	-	7,024
Charged during the period	40,621	-	40,621	26,773	-	26,773
Foreign exchange translation	3,333	-	3,333	-	-	-
Provision at end of the period	<u>99,935</u>	<u>1,903,567</u>	<u>2,003,502</u>	<u>33,797</u>	<u>-</u>	<u>33,797</u>

(b) The following table shows the impairment and provision charge during the period ended:

	<i>Unaudited</i> 30 September 2013 US\$	<i>Unaudited</i> 30 September 2012 US\$
Investment in securities (note 3)	816,660	1,100,000
Musharaka financing	40,621	26,773
	<u>857,281</u>	<u>1,126,773</u>

Elaf Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

11 SEGMENT INFORMATION

a) Geographic sector

The geographical distribution of the Group's assets and liabilities is as follows:

	Middle				South		Others	Unaudited Total US\$
	East US\$	Europe US\$	Africa US\$	East Asia US\$	Others US\$			
30 September 2013 (unaudited)								
Assets								
Cash and balances with banks	9,244,938	2,459,393	-	341,481	1,349,242	-	13,395,054	
Due from financial institutions	19,559,713	-	-	-	-	-	19,559,713	
Financing receivable	12,232,440	-	-	-	-	-	12,232,440	
Musharaka financing	-	-	-	962,901	-	-	962,901	
Receivable from ijarah investors	14,800,849	-	-	-	-	-	14,800,849	
Investment in ijarah asset	-	-	-	4,961,974	-	-	4,961,974	
Ijarah muntahia bittamleek	-	-	-	1,438,356	-	-	1,438,356	
Investment in securities	182,723,166	34,878,399	16,486,153	-	-	-	234,087,718	
Investment in associates	11,076,299	-	-	-	-	-	11,076,299	
Investment in real estate	40,635,505	-	-	-	-	-	40,635,505	
Development properties	6,968,909	-	-	-	-	-	6,968,909	
Fixed assets	572,953	-	-	-	-	-	572,953	
Other assets	2,891,967	109,096	106,205	732,574	-	-	3,839,842	
Total assets	300,706,739	37,446,888	16,592,358	8,437,286	1,349,242	-	364,532,513	
Liabilities								
Due to financial institutions	20,803,147	-	-	4,570,281	-	-	25,373,428	
Due to non financial institutions	434,010	-	-	-	-	-	434,010	
Other liabilities	8,322,061	2,722	188,571	59,136	-	-	8,572,490	
Total liabilities	29,559,218	2,722	188,571	4,629,417	-	-	34,379,928	
Equity of investment accountholders	541,765	-	140,669	-	-	-	682,434	

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

11 SEGMENT INFORMATION (continued)

a) Geographic sector (continued)

31 December 2012 (Audited)	Middle				South		Audited Total US\$
	East US\$	Europe US\$	Africa US\$	East Asia US\$	Others US\$		
Assets							
Cash and balances with banks	8,770,393	3,039,076	-	34,080	1,143,448	-	12,986,997
Due from financial institutions	35,083,388	-	-	-	-	-	35,083,388
Financing receivable	12,372,062	1,326,386	-	-	-	-	13,698,448
Musharaka financing	916,916	-	-	985,804	-	-	1,902,720
Receivable from ijarah investors	14,800,849	-	-	-	-	-	14,800,849
Investment in ijarah asset	-	-	-	4,961,974	-	-	4,961,974
Ijarah muntahia bittamleek	-	-	-	1,905,822	-	-	1,905,822
Investment in securities	180,471,731	34,870,121	16,725,408	-	-	-	232,067,260
Investment in associates	5,046,963	-	-	-	-	-	5,046,963
Investment in real estate	38,441,871	-	-	-	-	-	38,441,871
Development properties	16,173,111	-	-	-	-	-	16,173,111
Non-current asset held for sale	1,326,260	-	-	-	-	-	1,326,260
Fixed assets	433,070	-	-	-	-	-	433,070
Other assets	2,958,842	45,515	133,808	800,401	-	-	3,938,566
Total assets	316,795,456	39,281,098	16,859,216	8,688,081	1,143,448	-	382,767,299
Liabilities							
Due to financial institutions	25,008,985	-	-	14,027,938	-	-	39,036,923
Due to non financial institutions	435,408	-	-	-	-	-	435,408
Other liabilities	15,579,539	-	62,344	-	-	-	15,641,883
Total liabilities	41,023,932	-	62,344	14,027,938	-	-	55,114,214
Equity of investment accountholders	125,836	-	1,137,797	-	-	-	1,263,633

Elaf Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

11 SEGMENT INFORMATION (continued)

b) Industry sector

The industrial distribution of the Group's assets and liabilities is as follows:

30 September 2013 (Unaudited)	Trading and manufacturing US\$	Banks and financial institutions US\$	Real Estate US\$	Others US\$	Unaudited Total US\$
Asset					
Cash and balances with banks	-	13,395,054	-	-	13,395,054
Due from financial institutions	-	19,559,713	-	-	19,559,713
Financing receivable	-	-	-	12,232,440	12,232,440
Musharaka financing	-	962,901	-	-	962,901
Receivable from ijarah investors	-	-	-	14,800,849	14,800,849
Investment in ijarah asset	-	-	-	4,961,974	4,961,974
Ijarah muntahia bittamleek	-	-	-	1,438,356	1,438,356
Investment in securities	21,284,712	73,292,035	74,493,664	65,017,307	234,087,718
Investment in associates	-	3,444,085	1,762,760	5,869,454	11,076,299
Investment in real estate	-	-	40,635,505	-	40,635,505
Development properties	-	-	6,968,909	-	6,968,909
Fixed assets	-	-	-	572,953	572,953
Other assets	72,408	506,569	1,117,261	2,143,604	3,839,842
Total assets	21,357,120	111,160,357	124,978,099	107,036,937	364,532,513
Liabilities					
Due to financial institutions	-	25,373,428	-	-	25,373,428
Due to non financial institutions	-	-	-	434,010	434,010
Other liabilities	197,590	163,192	2,905,086	5,306,622	8,572,490
Total liabilities	197,590	25,536,620	2,905,086	5,740,632	34,379,928
Equity of investment accountholders	145,211	-	-	537,223	682,434

Elaf Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

11 SEGMENT INFORMATION (continued)

b) Industry sector (continued)

31 December 2012 (Audited)	Trading and manufacturing US\$	Banks and financial institutions US\$	Real Estate US\$	Others US\$	Audited Total US\$
Assets					
Cash and balances with banks	-	12,986,997	-	-	12,986,997
Due from financial institutions	-	35,083,388	-	-	35,083,388
Financing receivable	-	-	1,326,386	12,372,062	13,698,448
Musharaka financing	-	985,804	-	916,916	1,902,720
Receivable from ijarah investors	-	-	-	14,800,849	14,800,849
Investment in ijarah asset	-	-	-	4,961,974	4,961,974
Ijarah muntahia bittamleek	-	-	-	1,905,822	1,905,822
Investment in securities	15,695,096	82,000,945	91,654,476	42,716,743	232,067,260
Investment in associates	-	3,444,085	1,602,878	-	5,046,963
Investment in real estate	-	-	38,441,871	-	38,441,871
Development properties	-	-	16,173,111	-	16,173,111
Non-current asset held for sale	-	-	-	1,326,260	1,326,260
Fixed assets	-	-	-	433,070	433,070
Other assets	12,819	421,706	689,210	2,814,831	3,938,566
Total assets	15,707,915	134,922,925	149,887,932	82,248,527	382,767,299
Liabilities					
Due to financial institutions	-	39,036,923	-	-	39,036,923
Due to non financial institutions	268,679	-	-	166,729	435,408
Other liabilities	247,834	163,192	300,275	14,930,582	15,641,883
Total liabilities	516,513	39,200,115	300,275	15,097,311	55,114,214
Equity of investment acountholders	1,137,797	-	-	125,836	1,263,633

The Group's revenue and expenses are reviewed at a Group level and therefore no separate operating segment results and other disclosures are provided in these interim condensed consolidated financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

12 RELATED PARTIES BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence or joint control over the other party in making financial and operating decisions. Related parties comprise major shareholders, directors, shari'a supervisory board, external auditors and executive management of the Group and/or entities over which they exercise control and/or significant influence.

The related parties balances and transactions included in these interim condensed consolidated financial statements are as follows:

	Directors/ key management personnel Shari'a board members/ external auditors		Major shareholders / entities in which directors are interested		Unaudited 30 September 2013		Associated companies		Directors/ key management personnel Shari'a board members/ external auditors		Major shareholders / entities in which directors are interested		Audited 31 December 2012	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Assets														
Cash and balances with banks	-	-	-	7,734,826	-	7,734,826	-	-	-	-	-	5,911,922	-	5,911,922
Due from financial institutions	-	-	-	-	-	-	-	-	-	-	-	5,650,499	-	5,650,499
Investment in securities	-	24,136,801	-	5,154,675	-	29,291,476	-	-	-	24,397,366	-	12,286,966	-	36,684,332
Investment in associates	11,076,299	-	-	-	11,076,299	-	5,046,963	-	-	-	-	-	-	5,046,963
Non-current asset held for sale	-	-	-	-	-	-	-	-	1,326,260	-	-	-	-	1,326,260
Other assets	172,577	87,330	-	2,122	-	262,029	-	-	78,818	-	1,061	-	-	79,879
	11,248,876	24,224,131	12,891,623	48,364,630	5,046,963	25,802,444	23,850,448	54,699,855						
Liabilities														
Due to financial institutions	-	-	-	9,038,188	-	9,038,188	-	-	-	-	-	13,242,584	-	13,242,584
Due to non financial institutions	-	-	-	250,004	-	250,004	-	-	-	-	-	250,004	-	250,004
Other liabilities	79,576	1,644,031	12,339	1,735,946	79,576	1,735,946	2,166,890	5,336,519	2,166,890	2,166,890	5,336,519	7,582,985	7,582,985	
	79,576	1,644,031	9,300,531	11,024,138	79,576	2,166,890	18,829,107	21,075,573						
Equity of investment accountholders	-	140,669	-	140,669	-	140,669	-	-	1,137,797	-	-	-	-	1,137,797
Commitments	-	9,168,966	-	9,168,966	-	9,168,966	-	-	13,505,836	-	-	-	-	13,505,836

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

12 RELATED PARTIES BALANCES AND TRANSACTIONS (continued)

	30 September 2013			30 September 2012		
	Associated companies US\$	Directors/ key management personnel Shari'a board members/ external auditors US\$	Major shareholders / entities in which directors are interested US\$	Associated companies US\$	Directors/ key management personnel Shari'a board members/ external auditors US\$	Major shareholders / entities in which directors are interested US\$
Income						
Profit from Islamic financing	-	-	44,383	-	-	-
Profit on Islamic financing	-	-	372,584	-	-	-
Income from investment in securities - net	-	195,750	241,682	-	-	216,617
Income from investment banking services	60,375	-	368,263	-	-	-
Share of results of associates	94,440	-	-	-	-	-
Expenses						
Staff costs	-	1,475,782	-	-	1,852,286	1,852,286
Other expenses	-	1,145,083	-	-	417,943	417,943

Compensation of key management personnel of the Bank, included in consolidated statement of income, is as follows:

	Unaudited 30 September 2013 US\$	Unaudited 30 September 2012 US\$
Short term employee benefits	1,409,281	1,715,708
Long term employee benefits	66,501	136,578

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

13 COMMITMENTS

	<i>Unaudited</i> 30 September 2013 US\$	<i>Audited</i> 31 December 2012 US\$
Uncalled capital commitments in respect of investment	9,168,966	13,505,836
Promise to purchase foreign currency commitment	-	484,140
Commitment related to project developments	132,626	132,626
Operating lease commitments - expiring within one year	90,169	97,472
Operating lease commitments - expiring in one to three years	7,514	57,388
	<u>9,399,275</u>	<u>14,277,462</u>

14 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Group as at 30 September 2013:

	<i>Amortised</i> <i>Cost</i> US\$	<i>Fair value</i> <i>through</i> <i>equity</i> US\$	<i>Fair value</i> <i>through</i> <i>statement of</i> <i>income</i> US\$
Financial assets:			
Financing receivable	12,232,440	-	-
Musharaka financing	962,901	-	-
Receivable from ijarah investors	14,800,849	-	-
Investment in securities	79,640,454	134,099,527	20,347,737
Other assets (excluding prepaid expenses)	3,599,091	-	-
Total	<u>111,235,735</u>	<u>134,099,527</u>	<u>20,347,737</u>
Financial liabilities:			
Due to financial institutions	25,373,428	-	-
Due to non financial institutions	434,010	-	-
Other liabilities (excluding provision for employee benefits)	7,940,480	-	-
Total	<u>33,747,918</u>	<u>-</u>	<u>-</u>

The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date, except as disclosed in note 3.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing fair values of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2013 (Unaudited)

14 FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i> US\$	<i>Level 2</i> US\$	<i>Level 3</i> US\$	<i>Unaudited</i> <i>Total</i> US\$
30 September 2013 (Unaudited)				
Quoted shares	10,332,774	-	-	10,332,774
Unquoted shares	-	-	144,114,490	144,114,490
	<u>10,332,774</u>	<u>-</u>	<u>144,114,490</u>	<u>154,447,264</u>
	<i>Level 1</i> US\$	<i>Level 2</i> US\$	<i>Level 3</i> US\$	<i>Audited</i> <i>Total</i> US\$
31 December 2012 (Audited)				
Quoted shares	13,665,212	-	-	13,665,212
Unquoted shares	-	-	146,020,795	146,020,795
	<u>13,665,212</u>	<u>-</u>	<u>146,020,795</u>	<u>159,686,007</u>

15 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 profit or owners' equity.