

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	2012 US\$	2011 US\$
ASSETS		
Cash and balances with banks	993,440	158,912
Investments	14,252,457	15,859,440
Deferred payment sale receivables	3,680,203	3,680,203
Investment properties	17,436,112	18,474,757
Other assets	1,403,831	1,385,874
Property and equipment	2,637,718	2,963,735
TOTAL ASSETS	40,403,761	42,522,921
LIABILITIES AND OWNERS' EQUITY		
Liabilities		
Due to a financial institution	3,670,202	3,670,202
Murabaha payable	3,229,064	3,229,064
Other liabilities	697,194	640,175
Total liabilities	7,596,460	7,539,441
Owners' Equity		
Share capital	80,000,000	80,000,000
Statutory reserve	7,409,515	7,409,515
Investments fair value reserve	2,988,199	3,679,690
Accumulated losses	(57,590,413)	(56,105,725)
Total owners' equity	32,807,301	34,983,480
TOTAL LIABILITIES AND OWNERS' EQUITY	40,403,761	42,522,921
OFF-BALANCE SHEET ITEMS:		
EQUITY OF INVESTMENT ACCOUNTHOLDERS	16,440,667	16,546,150

STATEMENT OF INCOME

For the year ended 31 December 2012

	2012 US\$	2011 US\$
Gain on disposal of investments at fair value through equity	-	21,904
Fair value loss on investments at fair value through statement of income	(4,921)	(404,662)
Other income, net	1,552,200	716,332
Operating income	1,547,279	333,574
EXPENSES		
Staff cost	898,764	982,181
Administrative and general expenses	566,263	590,352
Depreciation	786,369	799,038
Operating expenses	2,251,396	2,371,571
Net loss before provision for impairment, net	(704,117)	(2,037,997)
Provision for impairment, net	(780,571)	(2,876,991)
NET LOSS FOR THE YEAR	(1,484,688)	(4,914,988)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 US\$	2011 US\$
OPERATING ACTIVITIES		
Net loss for the year	(1,484,688)	(4,914,988)
Adjustments for non-cash items:		
Depreciation	786,369	799,038
Provision for impairment, net	780,571	3,111,923
Gain on disposal of investments at fair value through equity	-	(21,904)
Fair value loss on investments at fair value through statement of income	4,921	404,662
Gain on disposal of investment property	(164,850)	-
Loss on disposal of equipment	57,560	-
Operating loss before changes in operating assets and liabilities:	(20,117)	(621,269)
Working capital adjustments:		
Other assets	(17,957)	28,772
Other liabilities	57,019	174,991
Net cash from / (used in) operating activities	18,945	(417,506)
INVESTING ACTIVITIES		
Proceeds from disposal of investments at fair value through equity	-	170,291
Redemption of investments at fair value through equity	130,000	-
Proceeds from disposal of investment property	793,737	-
Purchase of equipment	(156,695)	(5,317)
Proceeds from disposal of equipment	48,541	-
Net cash from investing activities	815,583	164,974
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	834,528	(252,532)
Cash and cash equivalents at 1 January	158,912	411,444
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	993,440	158,912

STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2012

	Share capital US\$	Statutory reserve US\$	Investments fair value reserve US\$	Accumulated losses US\$	Total US\$
Balance at 1 January 2012	80,000,000	7,409,515	3,679,690	(56,105,725)	34,983,480
Net loss for the year	-	-	-	(1,484,688)	(1,484,688)
Other comprehensive loss during the year	-	-	(691,491)	-	(691,491)
Balance as at 31 December 2012	80,000,000	7,409,515	2,988,199	(57,590,413)	32,807,301
Balance at 1 January 2011	80,000,000	7,409,515	2,644,604	(51,190,737)	38,863,382
Net loss for the year	-	-	-	(4,914,988)	(4,914,988)
Other comprehensive income during the year	-	-	1,035,086	-	1,035,086
Balance as at 31 December 2011	80,000,000	7,409,515	3,679,690	(56,105,725)	34,983,480

These financial statements were extracted from the audited financial statements on which Ernst & Young issued a qualified opinion dated 14 February 2013 on the basis that the Bank holds an equity investment, with a carrying value of US\$ 5,760,487 as at 31 December 2012, pledged in respect of a financing obtained by a related party from a financial institution. Following the default by the related party, the financial institution had filed a legal case in court and the court ruled in favor of the financial institution. Since, the claim that could be made on the Bank is uncertain and dependent on the selling price of the pledged shares; Ernst & Young are unable to determine the adjustment that maybe required to these financial statements, if any.

The financial statement were authorised for issue in accordance with approval of the Board of Directors on 14 February 2013.


Mr. Ghassan Al Sultan
Chairman


Mr. Ebrahim Al Shaikh
Director