Venture Capital Bank B.S.C. (c)

CONSOLIDATED
FINANCIAL STATEMENTS

31 DECEMBER 2011

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VENTURE CAPITAL BANK B.S.C. (c)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Venture Capital Bank B.S.C. (c) ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of income, comprehensive income, cash flows, changes in equity, changes in off-balance sheet equity of investment account holders and sources and uses of Zakah Fund for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions, and for such internal control the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VENTURE CAPITAL BANK B.S.C. (c) (continued)

Opinion
In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.

Report on other regulatory requirements
As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain ("CBB") Rule Book (Volume 2), we report that:

a) the Group has maintained proper accounting records and the consolidated financial statements are in agreement therewith; and

b) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, or the terms of the Bank's memorandum and articles of association during the year ended 31 December 2011 that might have had a material adverse effect on the business of the Bank or on its financial position. Satisfactory explanations and information have been provided to us by management in response to all our requests.

29 February 2012
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Note	**2011 USD '000**	*2010 USD '000*
ASSETS			
Balances with banks		**3,286**	2,672
Placements with financial institutions	8	**10,652**	11,267
Investments	9	**112,954**	135,396
Investments in associates and joint venture accounted under the equity method	10	**29,474**	31,677
Investment property	11	**9,130**	9,130
Receivable from investment banking services	12	**6,550**	13,837
Funding to project companies	13	**5,839**	20,975
Other assets	14	**9,673**	11,942
Property and equipment	15	**10,977**	12,350
TOTAL ASSETS		**198,535**	249,246
LIABILITIES			
Islamic financing payable		**8,631**	44
Employee accruals		**6,323**	5,785
Other liabilities	16	**3,865**	3,715
Total liabilities		**18,819**	9,544
EQUITY			
Share capital	17	**250,000**	250,000
Share premium	17	**28,429**	28,429
Unvested shares of employee share ownership plan		**(22,764)**	(22,764)
Statutory reserve	17	**10,414**	10,414
Investment fair value reserve	17	**628**	2,229
Employee share ownership plan reserve		**5,349**	5,064
Accumulated losses		**(92,340)**	(33,670)
Total equity		**179,716**	239,702
TOTAL LIABILITIES AND EQUITY		**198,535**	249,246
OFF STATEMENT OF FINANCIAL POSITION ITEMS			
Equity of investment account holders		**16,846**	16,219

Dr Ghassan Al Sulaiman
Chairman

Abdullatif M. Janahi
Board Member
and Chief Executive Officer

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2011

	Note	***2011 USD '000***	*2010 USD '000*
REVENUE			
Income from investment banking services	18	**2,966**	13,249
Finance income	23	**574**	863
Other income		**2,820**	2,300
Total revenue		**6,360**	16,412
OTHER GAINS (LOSSES)			
Loss on investments - net	19	**(14,149)**	(13,658)
		(7,789)	2,754
EXPENSES			
Staff costs	20	**8,422**	9,890
Travel and business development expenses		**766**	753
Legal and professional fees		**1,435**	1,333
Finance expense	23	**75**	254
Depreciation	15	**1,509**	1,612
Other expenses	22	**2,323**	2,315
Total expenses		**14,530**	16,157
LOSS BEFORE IMPAIRMENT ALLOWANCES AND SHARE OF LOSS OF ASSOCIATES AND JOINT VENTURE		**(22,319)**	(13,403)
Impairment allowances	21	**(35,172)**	(30,999)
Share of losses of associates and joint venture, net	10	**(1,179)**	(3,200)
NET LOSS FOR THE YEAR		**(58,670)**	(47,602)

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	**2011 USD '000**	2010 USD '000
LOSS FOR THE YEAR		**(58,670)**	(47,602)
Other comprehensive (loss) income			
Recycling of the gain on sale of available-for-sale investments to the consolidated statement of income	19	**(867)**	-
Changes in fair value of available-for-sale investments	9	**(734)**	733
Other comprehensive (loss) income for the year		**(1,601)**	733
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(60,271)**	(46,869)

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Note	*Share capital USD '000*	*Share premium USD '000*	*Funds received towards capital increase USD '000*	*Unvested ESOP shares USD '000*	*Statutory reserve USD '000*	*Investment fair value reserve USD '000*	*ESOP reserve USD '000*	*Accumulated losses USD '000*	*Total USD '000*
Balance at 1 January 2011		250,000	28,429	-	(22,764)	10,414	2,229	5,064	(33,670)	239,702
Issue of share capital	17					-	-	-	-	-
Net loss for the year		-	-	-	-	-	-	-	(58,670)	(58,670)
Other comprehensive loss for the year		-	-	-	-	-	(1,601)	-	-	(1,601)
Total comprehensive loss for the year		-	-	-	-	-	(1,601)	-	(58,670)	(60,271)
Employee share ownership plan vesting charge	24	-	-	-	-	-	-	285	-	285
Balance at 31 December 2011		**250,000**	**28,429**	**-**	**(22,764)**	**10,414**	**628**	**5,349**	**(92,340)**	**179,716**
Balance at 1 January 2010		173,250	13,533	64,905	(15,000)	10,414	1,496	4,211	32,988	285,797
Issue of share capital	17	57,773	14,896	(64,905)	(7,764)	-	-	-	-	-
Net loss for the year		-	-	-	-	-	-	-	(47,602)	(47,602)
Other comprehensive income for the year		-	-	-	-	-	733	-	-	733
Total comprehensive income (loss) for the year		-	-	-	-	-	733	-	(47,602)	(46,869)
Bonus shares issued during the year	17	18,977	-	-	-	-	-	-	(18,977)	-
Zakat contribution	26,30	-	-	-	-	-	-	-	(79)	(79)
Employee share ownership plan vesting charge	24	-	-	-	-	-	-	853	-	853
Balance at 31 December 2010		250,000	28,429	-	(22,764)	10,414	2,229	5,064	(33,670)	239,702

The attached notes 1 to 36 form part of these consolidated financial statements.

Venture Capital Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	***2011*** ***USD '000***	*2010* *USD '000*
OPERATING ACTIVITIES			
Net loss for the year		**(58,670)**	(47,602)
Adjustments for non-cash items:			
Loss on investments	19	**14,149**	13,658
Share of results of associates and joint venture accounted under the equity method	10	**1,179**	3,200
Employee share ownership plan vesting charge		**285**	853
Impairment allowances	21	**35,172**	30,999
Depreciation	15	**1,509**	1,612
Operating (loss) profit before changes in operating assets and liabilities		**(6,376)**	2,720
Changes in operating assets and liabilities:			
Investments	9	**469**	(33,128)
Receivable from investment banking services	12	**1,907**	(7,661)
Funding to project companies	13	**(6,944)**	(16,294)
Other assets	14	**1,804**	11,647
Employee accruals		**538**	18
Other liabilities	16	**150**	(5,557)
Net cash used in operating activities		**(8,452)**	(48,255)
INVESTING ACTIVITIES			
Purchase of property and equipment	15	**(136)**	(75)
Purchase of investment in associates and joint venture accounted under the equity method	10	**-**	(1,481)
Proceeds from sale of investment property	11	**-**	53,874
Net cash (used in) from investing activities		**(136)**	52,318
FINANCING ACTIVITIES			
Islamic financing payables		**8,587**	(13,384)
Payable on acquisition of investment property	11	**-**	(41,737)
Zakah contribution	26,30	**-**	(79)
Net cash from (used in) financing activities		**8,587**	(55,200)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1)**	(51,137)
Cash and cash equivalents at beginning of the year		**13,939**	65,076
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**13,938**	13,939
Comprising of:			
Balances with banks		**3,286**	2,672
Placements with financial institutions	8	**10,652**	11,267
		13,938	13,939

The attached notes 1 to 36 form part of these consolidated financial statements.

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

For the year ended 31 December 2011

		Movements during the year					
2011	*Balance as at 1 January USD '000*	*Investment / withdrawal USD '000*	*Fair value movement / (impairment) USD '000*	*Gross income USD '000*	*Dividends paid USD '000*	*Bank's fees as an agent USD '000*	*Balance as at 31 December USD '000*
GCC Pre IPO Fund	3,878	(266)	(2)	71	-	-	3,681
VC Bank Investment Projects Mudarabah	12,341	-	-	886	-	(62)	13,165
Balance as at 31 December 2011	**16,219**	**(266)**	**(2)**	**957**	**-**	**(62)**	**16,846**
2010							
GCC Pre IPO Fund	4,471	-	(595)	2	-	-	3,878
VC Bank Investment Projects Mudarabah	12,308	-	-	887	(792)	(62)	12,341
Balance as at 31 December 2010	16,779	-	(595)	889	(792)	(62)	16,219

	2011 USD '000	*2010 USD '000*
Investment in equities	**3,679**	3,681
Funds in short term murabaha	**13,167**	12,538
Total	**16,846**	16,219

The GCC Pre-IPO Fund targets investments in selected GCC equities in the pre-IPO stage with the primary objective of benefiting from the potential market gains expected to arise from their IPO's. Investors nominate the specific equities they wish to participate in from a pool of GCC Pre-IPO equities, specifying the amounts in each, and receive all returns less the Bank's fee of 20% over a 10% simple return.

The VC Bank Investment Projects Mudarabah provides an opportunity for investors to earn attractive returns from providing liquidity financing to selected investment projects from the portfolio of projects promoted by the Group.

The attached notes 1 to 36 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF SOURCES AND USES OF ZAKAH FUND

For the year ended 31 December 2011

	Note	***2011 USD '000***	*2010 USD '000*
Sources of Zakah Fund			
Contribution by the Group	26, 30	**-**	79
Total sources of Zakah Fund		**-**	79
Uses of Zakah Fund			
Contributions to charitable organisations	26, 30	**-**	79
Total uses of Zakah Fund		**-**	79
Undistributed Zakah Fund at 31 December		**-**	-

The attached notes 1 to 36 form part of these consolidated financial statements.

1 INCORPORATION AND ACTIVITIES

Incorporation
Venture Capital Bank B.S.C. (c) ("the Bank") was incorporated in the Kingdom of Bahrain on 26 September 2005 as a closed shareholding company under commercial registration (CR) number 58222 issued by the Ministry of Industry and Commerce. The Bank is licensed as a wholesale Islamic bank by the Central Bank of Bahrain ("CBB") and is subject to the regulations and supervision of the CBB.

Activities
The principal activities of the Bank comprise venture capital, real estate and private equity investment transactions and related investment advisory services. The Bank conducts all its activities in compliance with Islamic Shari'ah under the guidance and supervision of the Bank's Shari'ah Supervisory Board, and in compliance with applicable laws and regulations.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary companies (together, "the Group"). Refer to note 6 for details of the Bank's subsidiaries.

These consolidated financial statements were approved by the Bank's Board of Directors on 29 February 2012.

2 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements of the the Group have been prepared in accordance with both the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation (AAOIFI) for Islamic Financial Institutions and International Financial Reporting Standards (IFRS) and in conformity with Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 2 and applicable provisions of Volume 6) and CBB directives, and the terms of the Bank's memorandum and articles of association.

Accounting convention
The consolidated financial statements have been prepared under the historical cost convention as modified for the remeasurement at fair value of investment securities, and are presented in United States Dollars (USD) which is the functional currency of the Group. All values are rounded off to the nearest thousand (USD 000's) unless otherwise indicated.

Basis of consolidation
A subsidiary is an entity that the Group has the power to control so as to obtain economic benefits and therefore excludes those held in a fiduciary capacity. The financial statements of the subsidiary are prepared for the same reporting period as the Bank, using consistent accounting policies.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and profit and losses are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated statements of income and comprehensive income and within equity, separately from the parent shareholders' equity.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The most significant judgements and estimates are discussed below:

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Classification of investments
Management decides on acquisition of a financial asset whether it should be classified as "fair value through profit and loss", "available-for-sale" or "held to maturity". The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

Fair value of financial instruments
Fair value estimates are made at a specific point in time, based on market conditions and information about the investee companies/funds. These estimates involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision. There is no certainty about future events (such as continued operating profits and financial strengths). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the investments.

Details of estimates and related sensitivity analysis are disclosed in notes 35 and 36.

Impairment on assets carried at amortised cost
Judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgements about the liquidity of the project, evidence of deterioration in the financial health of the project, impacts of delays in execution and the net realisable value of any underlying assets. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Each asset is assessed on its merits, and the strategy to recover and estimate of cash flows considered recoverable are independently evaluated by the Risk Management Department and approved by the Finance and Investment Committee.

Impairment of available-for-sale investments
The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the investment's fair value compared to cost. The determination of what is 'significant' or 'prolonged' requires judgement and is assessed for each investment separately. In case of quoted equity securities, the Group considers a decline of more than 30% in the fair value below cost to be significant and considers a decline below cost which persists for more than six months as prolonged. In making this judgement, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Where fair values are not readily available and the investments are carried at cost, the recoverable amount of such investment is estimated to test for impairment. A significant portion of the Group's available-for-sale investments comprise investments in long-term real estate development projects. In making a judgement of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the project, impacts of delays in execution, industry and sector performance, changes in technology, and operational and financing cash flows. It is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of the investments within the next financial year due to significant changes in the assumptions underlying such assessments.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Consolidation of special purpose entities (SPEs)
The Group sponsors the formation of SPEs primarily for the purpose of allowing clients to hold investments. The Group provides nominee, corporate administration, investment management and advisory services to these SPEs, which involve the Group making decisions on behalf of such entities. The Group administers and manages these entities on behalf of its clients, who are by and large third parties and are the economic beneficiaries of the underlying investments. The Group does not consolidate SPEs that it does not have the power to control. In determining whether the Group has the power to control an SPE, judgements are made about the objectives of the SPE's activities, its exposure to the risks and rewards, as well as about the Group's intention and ability to make operational decisions for the SPE and whether the Group derives benefits from such decisions.

4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES

New standards and amendments issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group’s consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards (where applicable) when they become effective:

IAS 1 Financial Statement Presentation
The amendments becomes effective for annual periods beginning on or after 1 July 2012 and require that an entity present separately, the items of other comprehensive income that would be reclassified (or recycled) to profit or loss in the future if certain conditions are met (for example, upon derecognition or settlement), from those that would never be reclassified to profit or loss. The amendment affects presentation only, therefore, will have no impact on the Group’s financial position or performance.

IAS 19 Employee Benefits
The IASB has issued numerous amendments to IAS 19, which are effective for annual periods beginning on or after 1 January 2013. These include the elimination of the corridor approach and recognising all actuarial gains and losses in other comprehensive income as they occur; immediate recognition of all past service costs; and replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset); and certain clarifications and re-wording. The Group is currently assessing the full impact of these amendments.

IFRS 9 Financial Instruments
IFRS 9 as issued reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39.

It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch.

It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 *Reassessment of Embedded Derivatives.*

4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES (continued)

New standards and amendments issued but not yet effective (continued)
The IASB issued amendments to IFRS 9 that defer the mandatory effective date from 1 January 2013 to 1 January 2015 with early application continuing to be permitted. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

The Group will quantify the effect of adoption of this standard, in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements
IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single consolidation model that identifies control as the basis for consolidation for all types of entities.

An investor controls an investee when:
- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

Control is re-assessed as facts and circumstances change.

IFRS 10 replaces IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group is currently assessing the full impact of this new

IFRS 11 Joint Arrangements
IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement and improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements.

IFRS 11 classifies joint arrangements into two types – joint operations and joint ventures; and defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 *Jointly Controlled Entities – Non-monetary Contributions* by Venturers. IFRS 11 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group is currently assessing the full impact of this new standard.

IFRS 12 Disclosure of interests in other entities
IFRS 12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRSs, the IASB also issued, amended and retitled IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures.

IFRS 12 aims to provide information to enable users to evaluate:
- the nature of, and risks associated with, an entity's interests in other entities; and
- the effect of those interests on the entity's financial position, financial performance and cash flows.

IFRS 12 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group is currently assessing the full impact of this new standard.

4 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES (continued)

New standards and amendments issued but not yet effective (continued)

IFRS 13 Fair Value Measurement
IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group is currently assessing the full impact of this new standard.

IAS 27 Separate Financial Statements (as revised in 2011)
IAS 27 (2011) supersedes IAS 27 (2008). As a consequence of the new IFRS 10 and IFRS 12 aforementioned, IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

IAS 27 (2011) is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group does not present separate financial statements.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
IAS 28 (2011) supersedes IAS 28 (2008). As a consequence of the new IFRS 11 and IFRS 12 aforementioned, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IAS 28 (2011) is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Group is currently assessing the full impact of this revised standard.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 New and amended standards and interpretations effective as of 1 January 2011
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

IAS 24 Related Party Disclosures (amendment)
The IASB has issued an amendment to IAS 24 that clarifies the identification of related party relationships, particularly in relation to significant influence or joint control. The new definitions emphasise a symmetrical view on related party relationship as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial instruments: presentation (amendment)
The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group as the Group has not issued these type of instruments.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.1 New and amended standards and interpretations effective as of 1 January 2011 (continued)

IFRS 7 Financial instruments: Disclosures (amendment)
These amendments introduced new disclosure requirements for transfers of financial assets, including disclosures for:

- financial assets that are not derecognised in their entirety; and
- financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

The amendment has had no effect on the disclosures made by the Group as the Group has not issued these types of instruments.

Improvements to IFRSs
In May 2010, the Board issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

- *IFRS 3 Business Combinations:* The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation must be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.
- *IFRS 7 Financial Instruments* – Disclosures: The standard was amended to simplify the disclosures required, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in
- *IAS 1 Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income may be presented either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements.

Other amendments resulting from improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- *IFRS 3 Business Combinations* (Contingent consideration arising from business combination prior to adoption of IRS 3 (as revised in 2008);
- *IFRS 3 Business Combinations* (Un-replaced and voluntarily replaced share-based payment award);
- *IAS 27 Consolidated and Separate Financial Statements*;
- *IAS 34 Interim Financial Reporting*; and
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*.

5.2 Significant accounting policies

(a) Foreign currency transactions

(i) Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US Dollars, which is the Bank's functional and presentation currency.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Significant accounting policies (continued)

(a) Foreign currency transactions (continued)

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined and the differences are included in equity as part of the fair value adjustment of the respective items. Fair value differences arising from investments in associates denominated in a foreign currency are taken to "foreign currency translation reserve" forming part of equity.

(iii) Group companies

The Group does not have significant investments in foreign operations with functional currency different from the presentation currency of the Group. The functional currency of the majority of the Group's entities are either US Dollars or currencies which are effectively pegged to the US Dollar, and hence, the translation of the financial statements of Group entities that have a functional currency different from the presentation currency do not result in significant exchange differences.

(b) Financial assets and liabilities

(i) Recognition and de-recognition

Financial assets of the Group comprise cash and balances with banks, placements with financial institutions, investments (other than associates and joint venture that are equity accounted), receivable from investment banking services, funding to project companies and other assets. Financial liabilities of the Group comprise Islamic financing payables, employee accruals and other liabilities. All financial assets (except investment securities) and financial liabilities are recognised on the date at which they are originated. Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

A financial asset or liability is initially measured at fair value which is the value of the consideration given (in the case of an asset) or received (in the case of a liability).

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) the right to receive cash flows from the asset has expired;

(ii) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

(iii) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

(ii) Classification of financial assets and liabilities

The Group classifies financial assets under the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity; and available-for-sale financial assets. Except for investment securities, the Group classifies all other financial assets as loans and receivables. All of the financial liabilities of the Group are classified at amortised cost. Management determines the classification of its financial instruments at initial recognition.

(iii) Measurement principles

Financial assets and liabilities are measured either at fair value, amortised cost or in certain cases carried at cost.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analysis and other valuation models with accepted economic methodologies for pricing financial instruments.

Amortised cost

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

(c) Investments

The Group classifies its investments, excluding investment in subsidiaries and equity accounted associates and joint ventures, in the following categories: fair value through profit or loss; held-to-maturity; and available-for-sale.

(i) Classification

Investments carried at fair value through profit or loss are financial assets that are either held for trading or which upon initial recognition are designated as such by the Group.

An investment is classified as held for trading if it is acquired principally for the purpose of selling or repurchasing it in the near term or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These include investments in quoted equities.

The Group designates investments as fair value through profit or loss at inception only when it is managed, evaluated and reported internally on a fair value basis. These include certain private equity investments, including investments in certain associates and joint ventures.

Held-to-maturity investments are investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale. The Group currently does not hold any held-to-maturity investments.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Significant accounting policies (continued)

(c) Investments (continued)

(i) Classification (continued)
Available-for-sale investments are financial assets that are not investments carried at fair value through profit or loss or held-to-maturity or loans and receivables. These include investments in certain quoted and unquoted equity securities.

(ii) Initial recognition
Investments are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs on investments carried at fair value through profit or loss are expensed in the statement of income when incurred.

(iii) Subsequent measurement
Subsequent to initial recognition, investments at fair value through profit or loss and available-for-sale investments are re-measured to fair value. Gains and losses arising from a change in the fair value of investments carried at fair value through profit or loss are recognised in the consolidated statement of income in the period in which they arise. Gains and losses arising from a change in the fair value of available-for-sale investments are recognised in the consolidated statement of comprehensive income and presented in 'Investment fair value reserve' within equity. When available-for-sale investments are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in equity is transferred to the consolidated statement of income.

Held-to-maturity investments are carried at amortised cost less any impairment allowances. Available-for-sale investments which do not have a quoted market price or other appropriate methods from which to derive reliable fair values are stated at cost less impairment allowances.

(iv) Fair value measurement principles
The determination of fair value for investments depends on the accounting policy as set out below:

(i) For investments quoted in an active market, fair value is determined by reference to quoted market prices;

(ii) For investments in unit funds, fair value is determined based on the latest net asset value provided by the fund manager; and

(iii) For unquoted investments, where the fair values cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as expected cash flows, expected scale of activity, EBITDA multiples and discount rates.

For certain investments, the Group uses proprietary models, which usually are developed from recognised valuation models for fair valuation. Some or all of the inputs into these models may not be market observable, but are estimated based on assumptions. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. Valuation adjustments are recorded to allow for bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state the values of these investments.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Significant accounting policies (continued)

(c) Investments (continued)

(v) Impairment of investments

On each reporting date, the Group assesses whether there is objective evidence that investments not carried at fair value through profit or loss are impaired. Impairment is assessed on an individual basis for each investment and is reviewed twice a year. The Group does not perform a collective assessment of impairment of its investments as the risk and credit characteristics of each investment exposure is considered to be different.

In case of available-for-sale equity securities carried at fair value, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in recognition of an impairment loss. If any such evidence exists for available-for-sale investments, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity instruments are not subsequently reversed through the consolidated statement of income.

For available-for-sale investments carried at cost, the Group makes an assessment of whether there is an objective evidence of impairment for each investment by assessment of financial and other operating and economic indicators. Impairment is recognised if the estimated recoverable amount is assessed to be below the cost of the investment.

(d) Other financial assets carried at amortised cost

All other financial assets are classified as loans and receivables and are carried at amortised cost less impairment allowances. Impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses, if any, are recognised in the consolidated statement of income and reflected in an allowance account against the respective financial asset.

(e) Investment in associates accounted under the equity method

The Group's investment in its associates are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investments in associates are carried on the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of associates is shown on the face of the consolidated statement of income. This is the profit attributable to equity holders of the associates and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Significant accounting policies (continued)

(e) Investment in associates accounted under the equity method (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in 'Share of loss of associates and joint venture' in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(f) Investment in a joint venture accounted under the equity method

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers. The Group recognises its interest in the joint venture using the equity method. The Group presents its aggregate share of profit or loss from the jointly controlled entity accounted under the equity method on the face of the consolidated statement of income in 'Share of loss of associates and joint venture'.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealised gains and losses on such transactions between the Group and its joint venture. Losses on transactions are recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

Upon loss of joint control, the Group measures and recognises its remaining investment at its fair value. Any difference between the carrying amount of the former joint controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of income. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate and accounted under the equity method.

(g) Investment property

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the Group, are classified as investment properties and are accounted for under the cost method net of accumulated depreciation. Investment property comprises freehold land and building.

Properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If part of the property that is occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16 *"Property, Plant and Equipment"*, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40 *"Investment Property"*. The portions that require allocation between self-occupied property and investment property are determined based on the relative area of the property.

Investment properties are measured initially at cost, including transaction costs. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated statement of income during the financial period in which they are incurred.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Significant accounting policies (continued)

(h) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and balances with banks and placements with financial institutions with original maturities of ninety days or less.

(i) Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method to write-off the cost of the assets over the following estimated useful lives. Land is not depreciated. Residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Office building	40 years
Office equipment	4 years
Furniture and fixtures	5 years
Motor vehicles	4 years

(j) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods.

(k) Islamic financing payable

Islamic financing payables are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective profit rate method. Finance expense is recognised in the consolidated statement of income on a time-apportioned basis at the effective profit rate.

(l) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised from the date of its issue. The liability arising from a financial guarantee contract is recognised at the present value of any expected payment, when a payment under the guarantee has become probable. The Group only issues financial guarantees to support its development projects and investee entities.

(m) Dividends and Board remuneration

Dividends to shareholders and board remuneration are recognised as liabilities in the period in which they are approved by the shareholders at the Bank's Annual General Meeting.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Significant accounting policies (continued)

(n) Share capital and statutory reserve

Ordinary shares issued by the Bank are classified as equity. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Treasury shares
The amount of consideration paid including all directly attributable costs incurred in connection with the acquisition of the treasury shares are recognised in equity. Consideration received on sale of treasury shares is presented in the financial statements as a change in equity. No gain or loss is recognised on the Group's consolidated statement of income on the sale of treasury shares.

Statutory reserve
The Bahrain Commercial Companies Law 2001 requires that 10 per cent of the annual profit be appropriated to a statutory reserve which is normally distributable only on dissolution. Appropriations may cease when the reserve reaches 50 per cent of the paid up share capital.

(o) Revenue recognition

Income from investment banking services
Income from investment banking services comprise income from investment advisory and structuring income, advisory fee, placement and arrangement fee and other fees arising from related activities, as further explained below:

(i) Investment advisory and structuring income
Investment advisory and structuring income is recognised when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group.

(ii) Fee income
Fee income is recognised when earned and the related services are performed and / or upon achieving required performance.

(iii) Income from placements with financial institutions
Income from placements with financial institutions is recognised on a time-apportioned basis over the period of the related contract.

Dividend income
Dividend income is recognised when the right to receive payment is established.

(p) Operating leases

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease.

(q) Off-balance sheet equity of investment accountholders

Off-balance sheet equity of investment accountholders represent assets acquired using funds provided by holders of restricted investment accounts and managed by the Group as an investment manager based on either a mudaraba contract or agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investment account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.2 Significant accounting policies (continued)

(r) Employee benefits

(i) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Post employment benefits

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation for Bahrain (SIO) scheme, which is a "defined contribution scheme" in nature under IAS 19 '*Employee Benefits'*, and to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. Contributions by the Bank are recognised as an expense in consolidated statement of income when they are due.

Employees are also entitled to leaving indemnities payable based on length of service and final remuneration. Provision for this unfunded commitment, which is a "defined benefit scheme" in nature under IAS 19, has been made by calculating the notional liability had all employees left at the date of the statement of financial position. Any increase or decrease in the benefit obligation is recognised in the consolidated statement of income.

(iii) Share based payment transactions

The Group has established an employee share ownership plan (ESOP) under which employees are entitled to purchase units in the ESOP on a deferred payment basis. Each unit carries the rights to benefits of ownership of one share of the Bank upon completion of a five year service lock-in period. The cost to the Group, representing the fair value of the units offered, using the Black-Scholes model, and is recognised as an expense in the consolidated statement of income over the vesting period, with corresponding increase in the ESOP reserve recognised as a separate component of the consolidated statement of changes in equity. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share awards that meet the related service conditions at the vesting date.

(s) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(t) Segment reporting

The Group primarily operates as an investment bank and its lines of business comprise venture capital, private equity and real estate. At present the Group's revenue is reviewed by lines of business and the expenses and results are reviewed at a Group level and therefore no separate operating segment results and other disclosures are provided in these consolidated financial statements.

(u) Zakah

In the absence of appointment of the Bank to pay Zakah on behalf of the shareholders, the responsibility of payment of Zakah is on individual shareholders of the Group.

(v) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position, if and only if there is a legally enforceable or religious right (based on Shari'ah) to set off the recognised amounts and the Group intends to settle on a net basis.

(w) Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

6 INVESTMENT IN SUBSIDIARIES

Key subsidiaries of the Group, all of which have 31 December as their year end, are listed below. There is no change in the percentage holding of the subsidiaries during the year and all of them are wholly owned.

Name of subsidiary	Year of incorporation	Country of incorporation	Principal activities
Gulf Projects Company W.L.L.	1998	Kingdom of Bahrain	To own an interest in and operate the VC Bank Building.
MENA SME Fund Manager Limited	2006	Cayman Island	Fund manager to MENA SME Fund 1 LP.
Lime Restaurant Management and Catering Services Co. W.L.L.	2007	Kingdom of Bahrain	To own, operate and manage restaurant and catering services companies.
The Lounge Serviced Offices Company W.L.L.	2007	Kingdom of Bahrain	To own, operate and manage serviced offices in Bahrain and regionally.
VC Bank ESOP S.P.C.	2008	Kingdom of Bahrain	To hold employee share ownership plan shares on behalf of the employees of the Bank.
Tatweer Consultancy Co. W.L.L.	2010	Kingdom of Bahrain	To provide training and management consultancy services.

7 CLASSIFICATION OF FINANCIAL INSTRUMENTS

The Group's financial instruments have been classified for the purpose of measurement under International Accounting Standard 39: Financial Instruments: Recognition and Measurement as follows:

At 31 December 2011

	Fair value through profit and loss USD '000	*Available-for-sale USD '000*	*Amortised cost / cost USD '000*	*Total 2011 USD '000*
ASSETS				
Balances with banks	-	-	3,286	3,286
Placements with financial institutions	-	-	10,652	10,652
Investments	72,175	40,779	-	112,954
Receivable from investment banking services	-	-	6,550	6,550
Funding to project companies	-	-	5,839	5,839
Other assets	-	-	9,673	9,673
TOTAL FINANCIAL ASSETS	**72,175**	**40,779**	**36,000**	**148,954**
Equity of investment account holders	-	3,679	13,167	16,846

7 CLASSIFICATION OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2010

	Fair value through profit and loss USD '000	*Available-for-sale USD '000*	*Amortised cost / cost USD '000*	*Total 2010 USD '000*
ASSETS				
Balances with banks	-	-	2,672	2,672
Placements with financial institutions	-	-	11,267	11,267
Investments	86,206	49,190	-	135,396
Receivable from investment banking services	-	-	13,837	13,837
Funding to project companies	-	-	20,975	20,975
Other assets	-	-	11,942	11,942
TOTAL FINANCIAL ASSETS	86,206	49,190	60,693	196,089
Equity of investment account holders	-	3,681	12,538	16,219

At 31 December 2011, all the financial liabilities of the Group are classified under 'amortised cost'. (2010: all liabilities classified at 'amortised cost'.)

8 PLACEMENTS WITH FINANCIAL INSTITUTIONS

	2011 USD '000	*2010 USD '000*
Short-term placements	**10,694**	11,271
Less: Deferred profits	**(42)**	(4)
	10,652	11,267

Short-term placements comprise commodity murabaha and wakala deals entered into for cash management purposes with local and regional banks of good credit standing. These carry annual profit rates ranging between 1.75% and 3.90% (2010: 2.70% and 4.00%).

The Group considers the promise made in the Murabaha to the purchase orderer as obligatory.

9 INVESTMENTS

	2011 USD '000	*2010 USD '000*
Investments at fair value through profit or loss		
Quoted - equities held for trading	**107**	1,293
Unquoted:		
Joint venture	**-**	13,572
Equity securities	**58,097**	54,370
Funds	**13,971**	16,971
	72,175	86,206
Available-for-sale investments		
Quoted equities	**3,568**	5,756
Unquoted equities	**36,969**	43,192
Managed funds - at net asset value	**242**	242
	40,779	49,190
	112,954	135,396

9 INVESTMENTS (continued)

Investments include USD 37.21 million of unquoted equities and a managed fund classified as "available for sale" (2010: USD 43.43 million) which are carried at cost less impairment in the absence of reliable measure of fair value. It is not possible to obtain a reliable measure of fair value for these investments due to their illiquid nature and lack of ready saleability. Furthermore, some of the investments are either private equity investments managed by external investment managers or represent investments in real estate development projects / start-up entities promoted by the Group. The Group intends to exit these investments principally by means of sale to strategic buyers or at the time of sale of the underlying assets in these investments.

These investments comprise equites in the following market segments located in the GCC:

	2011	*2010*
	USD '000	*USD '000*
Real estate projects	**11,992**	14,792
Business development projects	**13,568**	16,192
Healthcare projects	**10,160**	10,160
Financial services	**977**	977
Oil and Gas	**514**	1,313
	37,211	43,434

The Group plans to dispose of these investments through trade sales over a 3 to 5 year horizon.

Summarised financial information for investment in joint venture at fair value through profit or loss are as follows:

	2011	*2010*
	USD '000	*USD '000*
Total assets	**67,878**	91,684
Total liabilities	**66,410**	56,561
Total revenues	**-**	1,388
Total net loss for the year	**(12,124)**	(9,284)

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE ACCOUNTED UNDER THE EQUITY METHOD

The Group has the following associates and joint venture as at 31 December:

		Country of	**% holding**	
Name of associate	**Nature of business**	**incorporation**	**2011**	2010
Mozon Holding SA	Investment development	Morocco	20	20
German Medical Centre Bahrain	Specialist orthopaedic hospital	Kingdom of Bahrain	30	30
Dari Holdings	Real estate development	Kingdom of Bahrain	43	43
House of Development	Software development	Kingdom of Saudi Arabia	49	49
Venture Capital Fund	Small & medium enterprises investment fund	Kingdom of Bahrain	30	30

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE ACCOUNTED UNDER THE EQUITY METHOD (continued)

Name of joint venture	Nature of business	Country of incorporation	% holding 2011	% holding 2010
Global Real Estate Co. W.L.L.	Real estate development	Kingdom of Bahrain	50	50

The carrying value comprises:	*2011 USD '000*	*2010 USD '000*
Associates	**8,010**	9,962
Joint venture	**21,464**	21,715
	29,474	31,677

Movement in investments in associates and joint venture accounted under equity method is as follows:

	2011 USD '000	*2010 USD '000*
At 1 January	**31,677**	36,814
Acquisitions / additional investments during the year	**-**	1,481
Share of losses of associates and joint venture, net	**(1,179)**	(3,200)
Impairment allowance (note 21)	**(1,024)**	(3,418)
	29,474	31,677

Summarised financial information for investments in associates and joint venture accounted under the equity method, is as follows:

	2011 USD '000	*2010 USD '000*
Total assets	**41,154**	97,161
Total liabilities	**19,883**	30,720
Total revenues	**3,778**	1,205
Total net loss for the year	**(6,661)**	(4,602)

11 INVESTMENT PROPERTY

This relates to land located in the Kingdom of Bahrain. The land is carried at cost. The fair value of the land as at 31 December 2011 is approximately USD 17.34 million (31 December 2010: USD 17.95 million). The fair value was determined based on the valuation from an independent external valuer.

12 RECEIVABLE FROM INVESTMENT BANKING SERVICES

	2011	*2010*
	USD '000	*USD '000*
Gross receivables	**16,759**	18,666
Less: impairment allowance	**(10,209)**	(4,829)
	6,550	13,837

Movement in impairment allowance for receivables from investment banking services is as follows:

	2011	*2010*
	USD '000	*USD '000*
At 1 January	**4,829**	1,080
Charge for the year (note 21)	**5,380**	3,749
At 31 December	**10,209**	4,829

13 FUNDING TO PROJECT COMPANIES

	2011	*2010*
	USD '000	*USD '000*
Gross funding	**38,406**	31,462
Less: impairment allowances	**(32,567)**	(10,487)
	5,839	20,975

These receivables include funding provided to projects and investments promoted by the Group. The financing facilities are generally free of profit and do not have specific terms of repayment, but are expected to be recovered in full in the course of project development and on realisation of cash flows from sale of the underlying assets and their operations.

Movement in impairment allowance for funding to project companies is as follows:

	2011	*2010*
	USD '000	*USD '000*
At 1 January	**10,487**	750
Charge for the year (note 21)	**22,080**	9,737
At 31 December	**32,567**	10,487

14 OTHER ASSETS

	2011	*2010*
	USD '000	*USD '000*
Investment sale proceeds receivable	**-**	7,498
Advances to acquire investments	**5,227**	159
Project costs recoverable	**1,818**	2,440
Other receivables	**4,450**	3,202
Less: impairment allowances	**(1,822)**	(1,357)
	9,673	11,942

14 OTHER ASSETS (continued)

Movement in impairment allowances is as follows:

	2011 USD '000	*2010* USD '000
At 1 January	**1,357**	1,328
Charge for the year (note 21)	**465**	29
At 31 December	**1,822**	1,357

15 PROPERTY AND EQUIPMENT

	Building *USD '000*	*Office equipment* *USD '000*	*Furniture and fixtures* *USD '000*	*Motor vehicles* *USD '000*	*2011 Total* *USD '000*
Cost					
At 1 January 2011	9,794	1,231	4,851	534	16,410
Additions during the year	-	130	6	-	136
At 31 December 2011	**9,794**	**1,361**	**4,857**	**534**	**16,546**
Depreciation					
At 1 January 2011	306	879	2,382	493	4,060
Charge for the year	267	301	901	40	1,509
At 31 December 2011	**573**	**1,180**	**3,283**	**533**	**5,569**
Net book value at 31 December 2011	**9,221**	**181**	**1,574**	**1**	**10,977**
Net book value at 31 December 2010	9,488	352	2,469	41	12,350

16 OTHER LIABILITIES

	2011 USD '000	*2010* USD '000
Accounts payable	**1,371**	1,376
Provisions and accruals	**1,298**	1,625
Deferred income	**557**	211
Other	**639**	503
	3,865	3,715

17 SHARE CAPITAL

	2011 USD '000	*2010* USD '000
Authorised: 500,000,000 ordinary shares of USD 1 each	**500,000**	500,000
Issued and fully paid up: 250,000,000 shares of USD 1 each (2010: 250,000,000 shares of USD 1 each)	**250,000**	250,000

17 SHARE CAPITAL (continued)

Share premium
Amounts collected in excess of the par value of the issued share capital during any new issue of shares, net of issue expenses, are treated as share premium. This amount is not available for distribution, but can be utilised as stipulated by the Bahrain Commercial Companies Law and following the approval of the Central Bank of Bahrain.

Statutory reserve
As required by the Bahrain Commercial Companies Law and the Bank's articles of association, 10% of the profit for the year has to be transferred to a statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital. The reserve is not distributable except in such circumstances as stipulated in the Bahrain Commercial Companies Law and following the approval of the Central Bank of Bahrain. As the Group incurred a loss during the year, no appropriations were made to the statutory reserve.

Investment fair value reserve
The unrealised fair value gains or losses from revaluation of available-for-sale investments, if not determined to be impaired, are recorded under the investment revaluation reserve in equity. Upon disposal of such assets, the related cumulative gains or losses are transferred to the consolidated statement of income.

18 INCOME FROM INVESTMENT BANKING SERVICES

	2011 USD '000	*2010 USD '000*
Investment structuring income	**100**	7,976
Investment management fees	**2,786**	4,998
Placement and arrangement fees	**80**	275
	2,966	13,249

19 LOSS ON INVESTMENTS - NET

	2011 USD '000	*2010 USD '000*
Trading securities	**(91)**	(28)
Investments designated at fair value through profit or loss	**(15,047)**	(13,650)
Available-for-sale investments	**989**	20
	(14,149)	(13,658)

Details of gains (losses) by type of investments are as follows:

2011	***Trading USD '000***	***Designated at fair value USD '000***	***Available-for-sale USD '000***	***Total USD '000***
Fair value gains	**-**	**7,589**	**-**	**7,589**
Fair value losses	**(131)**	**(22,872)**	**-**	**(23,003)**
Profit on sale	**21**	**-**	**867**	**888**
Dividends	**19**	**236**	**122**	**377**
	(91)	**(15,047)**	**989**	**(14,149)**

19 LOSS ON INVESTMENTS - NET (continued)

2010	*Trading* *USD '000*	*Designated at fair value* *USD '000*	*Available-for-sale* *USD '000*	*Total* *USD '000*
Fair value gains	-	-	-	-
Fair value losses	(58)	(15,100)	-	(15,158)
Profit on sale	-	-	-	-
Dividends	30	1,450	20	1,500
	(28)	(13,650)	20	(13,658)

20 STAFF COSTS

	2011 ***USD '000***	*2010* *USD '000*
Salaries and benefits	**6,756**	8,919
Social insurance expenses	**760**	964
Severance costs	**900**	-
Other staff expenses	**6**	7
	8,422	9,890

21 IMPAIRMENT ALLOWANCES

	2011 ***USD '000***	*2010* *USD '000*
Available for sale investments	**6,223**	14,066
Investment in associates and joint venture (note 10)	**1,024**	3,418
Receivable from investment banking services (note 12)	**5,380**	3,749
Funding to project companies (note 13)	**22,080**	9,737
Other assets (note 14)	**465**	29
	35,172	30,999

22 OTHER EXPENSES

	2011 ***USD '000***	*2010* *USD '000*
Rent and office expenses	**1,698**	1,691
Publicity, conferences and promotion	**226**	192
Board and Shari'ah expenses	**347**	408
Other	**52**	24
	2,323	2,315

23 FINANCE INCOME AND EXPENSE

	2011 ***USD '000***	*2010* *USD '000*
Finance income		
Income from placements with financial institutions	**429**	787
Funding to project companies	**145**	76
	574	863
Finance expense		
Murabaha expense	**(75)**	(254)
Net finance income	**499**	609

24 EMPLOYEE SHARE OWNERSHIP PLAN

On 1 October 2007, the Group set up an employees' share ownership plan (ESOP) under which employees are offered units in the ESOP for purchase at the book value of the equity shares of the Bank determined as on the grant date. Each unit represents the rights to the benefits of one equity share in the Bank and the purchase price of these units is to be paid in instalments over a five year service vesting period upon which the employee will be allotted shares underlying these units. The units carry the rights to the full value of the underlying shares including dividends and participation in bonus rights conditional on completion of the service period and settlement of the cost of the units. The cost to the Bank, representing the fair value of the units offered at each grant date, is determined by independent firm of consultants using appropriate valuation techniques and is recognised as an expense in the consolidated statement of income over the vesting period with corresponding increase in the ESOP reserve recognised as a separate component in the consolidated statement of changes in equity.

The shareholders have authorised issue of up to 24.852 million shares (2010: 24.852 million shares) to the ESOP under this scheme. The Group has incorporated VC Bank ESOP SPC, a special purpose vehicle, to hold the shares for the benefit of the participating employees until they vest. The shares issued to the ESOP are treated as treasury shares until they unconditionally vest to the benefit of the employees.

The vesting charge (credit) for the current year amounted to USD 478 thousand, whereas the amounts of forfeiture during the year for employees no longer in service amounted to USD 763 thousand (2010: Vesting charge of USD 853 thousand).

Movements in the share options during the year:
The following table illustrates the number and weighted average purchase price (WAPP) of, and movements in ESOP units, during the year:

	2011		*2010*	
	No of units (thousands)	***WAPP $***	*No of units (thousands)*	*WAPP $*
Outstanding at 1 January	**11,375**	**1.087**	12,725	1.086
Forfeited during the year	**(4,718)**	**1.090**	(1,350)	1.080
Outstanding at 31 December	**6,657**	**1.085**	11,375	1.087

Under the ESOP Rules, the Units vest upon completion of the 5 year service period and full payment of purchase price (both conditions to be satisfied). These conditions remained to be satisfied as at 31 December 2011 and, accordingly, no units were exercisable for vesting as at 31 December 2011.

25 RELATED PARTY TRANSACTIONS

Related parties represent shareholders, directors and key management of the Bank, and entities controlled, jointly controlled or significantly influenced by such parties.

A significant portion of the Group’s income from investment banking services and management fees are from entities over which the Group exercises influence. Although these entities are considered related parties, the Group administers and manages these entities on behalf of its clients, who are mostly third parties and are the economic beneficiaries of the underlying investments.

25 RELATED PARTY TRANSACTIONS (continued)

The significant related party balances and transactions included in these consolidated financial statements are as follows:

2011	*Associates and joint venture USD '000*	*Key management personnel USD '000*	*Significant shareholders / entities in which directors are interested USD '000*	*Assets under management (including special purpose entities USD '000*	*Total USD '000*
Assets					
Balances with banks	313	-	321	-	634
Placements with financial institutions	-	-	3,555	-	3,555
Investments	-	-	46,623	-	46,623
Investments in associates and joint ventures	29,474	-	-	-	29,474
Receivable from investment banking services	373	-	2,853	-	3,225
Funding to project companies	8,732	-	3,523	-	12,255
Other assets	270	-	424	-	694
Liabilities					
Employee accruals	-	2,713	-	-	2,713
Payable on acquisition of investment property	-	-	-	-	-
Payables	-	-	-	-	-
Income					
Income from investment banking services	1,818	-	130	-	1,948
Loss on investments	(13,572)	-	(3,000)	-	(16,572)
Share of profit/ (loss) of associates and joint venture accounted for using the equity method	(1,179)	-	-	-	(1,179)
Other income	3,028	-	-	-	3,028
Expenses (excluding compensation for key management personnel)					
Impairment allowances against investments	1,024	-	-	-	1,024
Impairment allowances against receivables	6,085	-	6,086	-	12,170
Commitments and contingencies	435	-	11,831	-	12,266
Equity of investment account holders	13,165	-	-	-	13,165

25 RELATED PARTY TRANSACTIONS (continued)

2010	*Associates and joint venture* *USD '000*	*Key management personnel* *USD '000*	*Significant shareholders / entities in which directors are interested* *USD '000*	*Assets under management (including special purpose entities* *USD '000*	*Total* *USD '000*
Assets					
Balances with banks	-	-	404	-	404
Placements with financial institutions	-	-	2,255	-	2,255
Investments	-	-	63,019	13,548	76,566
Investments in associates and joint ventures	31,677	-	-	104,493	136,170
Receivable from investment banking services	1,002	-	5,022	-	6,024
Funding to project companies	13,128	-	1,296	-	14,424
Other assets	110	-	88	-	198
Liabilities					
Employee accruals	-	2,161	-	-	2,161
Payable on acquisition of investment property	-	-	-	-	-
Payables	-	-	-	-	-
Income					
Income from investment banking services	1,792	-	3,318	-	5,109
Loss on investments	-	-	-	-	-
Share of profit/ (loss) of associates and joint venture accounted for using the equity method	3,200	-	-	-	3,200
Other income	-	-	-	-	-
Expenses (excluding compensation for key management personnel)					
Impairment allowances on investments	3,418	-	10,133	-	13,551
Impairment allowances on receivables	6,227	-	7,217	-	13,444
Commitments and contingencies	435	-	11,831	-	12,266
Equity of investment account holders	12,341	-	-	-	12,341

25 RELATED PARTY TRANSACTIONS (continued)

Key management personnel
Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

Details of Directors' interests in the Bank's ordinary shares as at the year end were:

Categories*

	2011		*2010*	
	Number of Shares	***Number of Directors***	*Number of Shares*	*Number of Directors*
Less than 1%	**5,928,122**	**4**	5,928,122	4
1% up to less than 5%	**3,255,000**	**1**	3,255,000	1

** Expressed as a percentage of total outstanding shares of the Bank.*

Details of material contracts involving directors include:

	2011 ***USD '000***	*2010* *USD '000*
Directors' participation in investments promoted by the Group	**14,987**	12,704

The key management personnel compensation is as follows:

	2011 ***USD '000***	*2010* *USD '000*
Board member fees	**115**	255
Share-based payments	**-**	516
Salaries and other short-term benefits	**2,397**	2,091
	2,512	2,862

Terms and conditions of transactions with related parties
The Group enters into transactions, arrangements and agreements with its related parties in the ordinary course of business at commercial profit rates and fees. The above mentioned transactions and balances arose from the ordinary course of business of the Group. Outstanding balances at the year end are unsecured.

26 ZAKAH

In accordance with the Articles of Association, the Bank is not required to collect or pay Zakah on behalf the shareholders of its off-balance sheet equity accounts holders. However, the Bank is required to calculate and notify individual shareholders of their pro-rata share of Zakah on each share held in the Bank. Zakah payable by the shareholders is computed by the Bank based on the method prescribed by the Bank's Shari'ah Supervisory Board. Zakah payable by the shareholders in respect of each share for the year ended 31 December 2011 is US cents 0.0828 for every share held (31 December 2010: US cents 0.4843 for every share held). Investors should be aware that the ultimate responsibility of calculating and paying the Zakah due on them is their sole responsibility.

27 EARNINGS PROHIBITED BY SHARI'AH

The Group is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account where the Group uses these funds for charitable means. There were no earnings from non-Islamic sources during the year (2010: nil).

28 SHARI'AH SUPERVISORY BOARD

The Group's Shari'ah Supervisory Board consists of three Islamic scholars who review the Group's compliance with general Shari'ah principles and specific fatwas, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Shari'ah principles.

29 SOCIAL RESPONSIBILITY

The Group discharges its social responsibilities through donations to charitable causes and organisations.

30 PROPOSED APPROPRIATIONS

The Board of Directors of the Bank propose the following appropriations, subject to the approval of the shareholders at the Annual General Meeting:

	2011	*2010*
	USD '000	*USD '000*
Zakah	**-**	79

31 MATURITY PROFILE

The table below shows the maturity profile of the Group's assets and liabilities and unrecognised commitments on the basis of their expected maturities. The amount of cash flows on these instruments may vary significantly from this analysis. For contractual maturity of financial liabilities refer note 35 (c).

2011	*No fixed maturity USD '000*	*Up to 3 months USD '000*	*3 to 6 months USD '000*	*6 months to 1 year USD '000*	*Total up to 1 year USD '000*	*1 to 3 years USD '000*	*Over 3 years USD '000*	*Total USD '000*
Assets								
Balances with banks	-	3,286	-	-	3,286	-	-	**3,286**
Placements with financial institutions	-	10,652	-	-	10,652	-	-	**10,652**
Investments	112,954	-	-	-	-	-	-	**112,954**
Investments in associates and joint venture	29,474	-	-	-	-	-	-	**29,474**
Investment property	9,130	-	-	-	-	-	-	**9,130**
Receivable from investment banking services	-	33	763	1,981	2,777	2,238	1,535	**6,550**
Funding to project companies	-	-	283	4,112	4,395	-	1,444	**5,839**
Other assets	-	4,531	4,242	675	9,448	137	88	**9,673**
Property and equipment	10,977	-	-	-	-	-	-	**10,977**
Total assets	**162,535**	**18,502**	**5,288**	**6,768**	**30,558**	**2,375**	**3,067**	**198,535**
Liabilities								
Islamic financing payables	-	8,631	-	-	8,631	-	-	**8,631**
Employee accruals	-	900	-	-	900	-	5,423	**6,323**
Other liabilities	19	598	811	1,199	2,608	1,134	104	**3,865**
Total liabilities	**19**	**10,129**	**811**	**1,199**	**12,139**	**1,134**	**5,527**	**18,819**
Net liquidity gap	162,516	8,373	4,477	5,569	18,419	1,241	(2,460)	198,135
Cumulative liquidity gap	162,516	170,889	175,366	180,935	199,354	200,595	198,135	-

31 MATURITY PROFILE (continued)

2010	*No fixed maturity USD '000*	*Up to 3 months USD '000*	*3 to 6 months USD '000*	*6 months to 1 year USD '000*	*Total up to 1 year USD '000*	*1 to 3 years USD '000*	*Over 3 years USD '000*	*Total USD '000*
Assets								
Balances with banks	-	2,672	-	-	2,672	-	-	2,672
Placements with financial institutions	-	11,267	-	-	11,267	-	-	11,267
Investments	135,396	-	-	-	-	-	-	135,396
Investments in associates and joint venture	31,677	-	-	-	-	-	-	31,677
Investment property	9,130	-	-	-	-	-	-	9,130
Receivable from investment banking services	-	4,792	450	1,021	6,263	4,774	2,800	13,837
Funding to project companies	-	3,868	4,911	1,000	9,779	11,196	-	20,975
Other assets	-	10,810	306	84	11,200	742	-	11,942
Property and equipment	12,350	-	-	-	-	-	-	12,350
Total assets	188,553	33,409	5,667	2,105	41,181	16,712	2,800	249,246
Liabilities								
Islamic financing payables	-	-	44	-	44	-	-	44
Employee accruals	-	-	-	-	-	2,096	3,689	5,785
Other liabilities	-	3,715	-	-	3,715	-	-	3,715
Total liabilities	-	3,715	44	-	3,759	2,096	3,689	9,544
Net liquidity gap	188,553	29,694	5,623	2,105	37,422	14,616	(889)	277,124
Cumulative liquidity gap	188,553	218,247	223,870	225,975	263,397	278,013	277,124	-

32 CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

a) Industry sector

2011	*Trading and Manufacturing USD '000*	*Banks and financial Institutions USD '000*	*Real estate USD '000*	*Oil and Gas USD '000*	*Health care USD '000*	*Technology USD '000*	*Shipping USD '000*	*Other USD '000*	*Total USD '000*
Assets									
Balances with banks	-	3,286	-	-	-	-	-	-	**3,286**
Placements with financial institutions	-	10,652	-	-	-	-	-	-	**10,652**
Investments	35,370	22,265	12,091	6,200	10,160	-	11,728	15,140	**112,954**
Investment in associates and joint ventures accounted under the equity method	-	4,319	21,723	-	1,673	-	-	1,759	**29,474**
Investment property	-	-	9,130	-	-	-	-	-	**9,130**
Receivable from investment banking services	450	1,350	1,536	-	304	-	1,702	1,208	**6,550**
Funding to project companies	1,120	283	1,443	-	2,993	-	-	-	**5,839**
Other assets	319	2,750	96	104	136	13	5,228	1,027	**9,673**
Property and equipment	-	-	9,188	-	-	-	-	1,789	**10,977**
Total assets	**37,259**	**44,905**	**55,207**	**6,304**	**15,266**	**13**	**18,658**	**20,923**	**198,535**
Liabilities									
Financing payables	-	8,631	-	-	-	-	-	-	**8,631**
Employee accruals	-	-	-	-	-	-	-	6,323	**6,323**
Other liabilities	141	23	-	-	-	-	-	3,701	**3,865**
Total liabilities	**141**	**8,654**	**-**	**-**	**-**	**-**	**-**	**10,024**	**18,819**
Commitments and contingencies	10,513	37,260	15,321	-	-	-	-	-	**63,094**
Equity of investment account holders	-	3,097	13,165	-	-	-	-	584	**16,846**

32 CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

a) Industry sector (continued)

2010	*Trading and Manufacturing USD '000*	*Banks and financial Institutions USD '000*	*Real estate USD '000*	*Oil and Gas USD '000*	*Health care USD '000*	*Technology USD '000*	*Shipping USD '000*	*Other USD '000*	*Total USD '000*
Assets									
Balances with banks	-	2,672	-	-	-	-	-	-	2,672
Placements with financial institutions	-	11,267	-	-	-	-	-	-	11,267
Investments	29,145	21,971	31,276	10,174	10,160	-	17,768	14,902	135,396
Investment in associates and joint ventures accounted under the equity method	-	4,438	22,999	-	2,464	-	-	1,776	31,677
Investment property	-	-	9,130	-	-	-	-	-	9,130
Receivable from investment banking services	330	668	2,856	-	304	-	2,025	7,654	13,837
Funding to project companies	2,737	2,175	7,046	-	6,243	2,774	-	-	20,975
Other assets	182	2,753	128	-	84	15	76	8,704	11,942
Property and equipment	-	-	9,488	-	-	-	-	2,862	12,350
Total assets	32,394	45,944	82,923	10,174	19,255	2,789	19,869	35,898	249,246
Liabilities									
Financing payables	-	44	-	-	-	-	-	-	44
Employee accruals	-	-	-	-	-	-	-	5,785	5,785
Other liabilities	249	-	-	-	-	-	-	3,466	3,715
Total liabilities	249	44	-	-	-	-	-	9,251	9,544
Commitments and contingencies	9,441	37,260	17,666	-	-	-	-	-	64,367
Equity of investment account holders	-	3,294	12,341	-	-	-	-	584	16,219

32 CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

(b) Geographic region

The following table shows the assets and liabilities of the Group, classified into geographical regions based on the domicile of the entity for the year ended 31 December:

2011	***GCC countries USD '000***	***Other MENA countries USD '000***	***Europe USD '000***	***Cayman / Americas USD '000***	***Total USD '000***
Assets					
Balances with banks	3,286	-	-	-	**3,286**
Placement with financial institutions	10,652	-	-	-	**10,652**
Investments	62,417	24,838	11,728	13,971	**112,954**
Investment in associates and joint venture accounted under the equity method	27,716	1,758	-	-	**29,474**
Investment property	9,130	-	-	-	**9,130**
Receivable from investment banking services	3,171	450	1,702	1,227	**6,550**
Funding to project companies	4,719	1,120	-	-	**5,839**
Other assets	4,027	280	5,278	88	**9,673**
Property and equipment	10,977	-	-	-	**10,977**
Total assets	**136,095**	**28,446**	**18,708**	**15,286**	**198,535**
Liabilities					
Financing payable	8,631	-	-	-	**8,631**
Employee accruals	6,323	-	-	-	**6,323**
Other liabilities	3,865	-	-	-	**3,865**
Total liabilities	**18,819**	**-**	**-**	**-**	**18,819**
Commitments and contingencies	**52,581**	**10,513**	**-**	**-**	**63,094**
Equity of investment account holders	**16,846**	**-**	**-**	**-**	**16,846**

32 CONCENTRATION OF ASSETS, LIABILITIES, COMMITMENTS AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

(b) Geographic region (continued)

2010	*GCC countries USD '000*	*Other MENA countries USD '000*	*Europe USD '000*	*Cayman / Americas USD '000*	*Total USD '000*
Assets					
Balances with banks	2,672	-	-	-	2,672
Placement with financial institutions	11,267	-	-	-	11,267
Investments	85,043	17,154	16,228	16,971	135,396
Investment in associates and joint venture accounted under the equity method	29,900	1,777	-	-	31,677
Investment property	9,130	-	-	-	9,130
Receivable from investment banking services	11,190	330	2,025	292	13,837
Funding to project companies	15,464	2,737	-	2,774	20,975
Other assets	11,668	198	76	-	11,942
Property and equipment	12,350	-	-	-	12,350
Total assets	188,684	22,196	18,329	20,037	249,246
Liabilities					
Financing payable	44	-	-	-	44
Employee accruals	5,785	-	-	-	5,785
Other liabilities	3,466	249	-	-	3,715
Total liabilities	9,295	249	-	-	9,544
Commitments and contingencies	54,926	9,441	-	-	64,367
Equity of investment account holders	16,219	-	-	-	16,219

33 FIDUCIARY ASSETS UNDER MANAGEMENT

The Group provides corporate administration, investment management and advisory services to its project companies, which involve the Group acting as the custodian of the assets and or making decisions on behalf of such entities in a fiduciary capacity. Assets that are held in such capacity are not included in these consolidated financial statements. At 31 December 2011, the Group had fiduciary assets under management of USD 810 million (31 December 2010: USD 714 million).

34 COMMITMENTS AND CONTINGENCIES

The Group has issued financial guarantees totalling USD 21.95 million (2010: USD 22.51 million) in respect of a number of its investee companies on which no losses are expected. The Group also had commitments to finance of USD 37.26 million (31 December 2010: 37.26 million) and commitments to invest of USD 3.88 million (31 December 2010: USD 4.60 million).

35 RISK MANAGEMENT AND CAPITAL ADEQUACY

The Group has an internal risk management function to oversee risk management and ensure the maintenance of an adequate capital base in line with best practice and in compliance with the regulations of the Central Bank of Bahrain. The Risk Committee of the Board has the overall responsibility for this function, which is managed by the Management's Executive Committee through the Risk Management Department.

The Risk Management Department independently identifies and evaluates risks in respect of each investment proposal, and periodically monitors and measures risks at investment and statement of financial position level. The Head of Risk Management is the secretary to the Risk Committee of the Board and has access to the Board of Directors.

The Group is exposed to credit risk, concentration risk, liquidity risk, and market risk (which comprises equity price risk, profit rate risk and currency risk), in addition to operational risk. The Group's approach to monitoring, measuring and managing these risks are discussed below.

a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument does not discharge its obligations on due dates and cause the other party to incur a financial loss. The Group's credit risk arises mainly from the balances with banks, placements with financial institutions, receivable from investment banking services, funding to project companies and certain other assets like advances to acquire investments, project costs recoverable and other receivables.

The Group has put in place policies and procedures for managing credit risks to ensure that risks are accurately assessed, properly approved and regularly monitored. Formal credit limits are applied at counterparty and single obligor level. Overall exposures, including large exposures, are evaluated on a monthly basis to ensure a broad diversification of risk by counterparties and concentration limits by geography and industry.

Credit-related commitments risks

In the course of its business, the Group may extend to its investment project companies guarantees which may require the Group to make payments on their behalf. Such payments are collected from the projects based on the terms of the guarantee. They expose the Group to risks similar to financing contracts and these are mitigated by the same control processes and policies.

Maximum exposure to credit risk

The maximum exposure of credit risk on the financial assets of the Group is the carrying value of the financial assets as at 31 December 2011. The Group does not hold collateral against any of its exposures as at 31 December 2011 (31 December 2010: nil).

35 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

a) Credit risk (continued)

Maximum exposure to credit risk (continued)

Past due
The Group's receivables are generally free of profit and do not have specific terms of repayment, but are expected to be recovered in full in the course of project development and on realisation of cash flows from sale of the underlying assets and their operations. The Group does not consider these as past due based on the expected cash flows of the project companies. For expected timelines of recovery of these balances please refer to note 31.

Impaired financial assets
Impaired financial assets are those for which the Group determines that it is probable that it will be unable to collect all principal and profit due according to the contractual terms of the exposure. Impairment is assessed on an individual basis for each exposure.

Based on the estimates of recovery of these receivables, the Group has made an impairment provision of USD 27,925 thousand (2010: USD 13,515 thousand) against its receivable exposure during the year.

The gross amount of impaired exposures by class of financial assets is as follows:

	2011 USD '000	*2010 USD '000*
Investments	**41,443**	30,509
Investments in associates and joint venture accounted under the equity method	**4,702**	5,146
Receivable from investment banking services	**13,814**	3,927
Funding to project companies	**30,449**	24,406
Other assets	**1,043**	2,002
Total	**91,451**	65,990

35 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

b) Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar economic activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its concentration risk by establishing geographic and industry wise concentration limits. The geographical and industry wise distribution of assets and liabilities are set out in note 32.

At 31 December 2011, the total credit exposure to individual counterparties in excess of 10% of the Group's equity was USD 114,507 thousand relating to three counterparties (31 December 2010: USD 118,242 thousand relating to four counterparties).

c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Financial Control Department (FCD) collates data from Treasury and other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. FCD communicates the information to the treasury who manages the Group's portfolio of short-term liquid assets, largely made up of short-term placements with other banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The table below shows the undiscounted cash flows on the Group's financial liabilities, including issued financial guarantee contracts, and unrecognised financing commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Group's expected cash flows on these instruments vary significantly from this analysis. Refer note 31 for the expected maturity profile of assets and liabilities.

35 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

c) Liquidity risk (continued)

2011	***Gross undiscounted cash flows***					
	Up to 3 months USD '000	***3 to 6 months USD '000***	***6 months to 1 year USD '000***	***1 to 3 years USD '000***	***Over 3 years USD '000***	***Carrying amount USD '000***
Liabilities						
Islamic financing payables	8,631	-	-	-	-	**8,631**
Employee accruals	900	-	-	-	5,423	**6,323**
Other liabilities	617	811	1,199	1,134	104	**3,865**
Total financial liabilities	**10,148**	**811**	**1,199**	**1,134**	**5,527**	**18,819**
Commitments and contingencies	-	9,806	12,708	9,315	31,265	**63,094**
Equity of investment account holders	2	-	13,165	3,679	-	**16,846**

2010	*Gross undiscounted cash flows*					
	Up to 3 months USD '000	*3 to 6 months USD '000*	*6 months to 1 year USD '000*	*1 to 3 years USD '000*	*Over 3 years USD '000*	*Carrying amount USD '000*
Liabilities						
Islamic financing payables	-	44	-	-	-	44
Employee accruals	-	-	-	2,096	3,689	5,785
Other liabilities	3,715	-	-	-	-	3,715
Total financial liabilities	3,715	44	-	2,096	3,689	9,544
Commitments and contingencies	-	-	-	15,695	48,672	64,367
Equity of investment account holders	197	-	12,341	3,681	-	16,219

35 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

d) Market risk

Market risk is the risk that changes in market prices, such as profit rate, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. Market risk comprises four types of risk: currency risk, profit rate risk, equity price risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Profit rate risk

Profit rate risk arises due to different timing of re-pricing of the Group's assets and liabilities. The Group's significant financial assets and liabilities sensitive to profit rate are placements with financial institutions, financing receivables and financing payables. The Group's exposure to profit rate risk is limited due to the relatively short-term nature of these assets. Average profit rates on financial instruments were:

	2011	*2010*
Placements with financial institutions	**2.75%**	3.13%
Funding to project companies	**9.00%**	1.56%
Islamic financing payables	**1.60%**	10.22%

Sensitivity analysis

An analysis of the Group's sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	Effect on consolidated statement of income	
	2011	*2010*
	USD '000	*USD '000*
100 bps parallel increase / (decrease)		
Placements with financial institutions	**± 106.52**	± 112.67
Funding to project companies	**± 207.25**	± 65.51
Islamic financing payables	**± 86.31**	± 0.44

Overall, profit rate risk positions are managed by the Group's Treasury, which uses placements from / with financial institutions to manage the overall position arising from the Group's activities.

(ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risks on certain financing receivables and investments denominated in Kuwaiti Dinars and Euros. The Group seeks to manage currency risk by continually monitoring exchange rates and exposures.

The Group had the following significant currency exposures as of 31 December:

	2011	*2010*
	USD '000	*USD '000*
Kuwaiti Dinars	**1,888**	1,670
Euro	**10**	11

35 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

d) Market risk (continued)

(ii) Currency risk (continued)

The table below indicates the currencies to which the Group had significant exposure at 31 December 2011 and 31 December 2010 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the US Dollar with all other variables held constant on the consolidated statement of income (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity. A negative amount on the table below represents a potential net reduction in the consolidated statements of income or equity, while a positive amount reflects a net potential increase.

		2011		*2010*	
	Change in currency rates	***Effect on profit USD '000***	***Effect on equity USD '000***	*Effect on profit USD '000*	*Effect on equity USD '000*
Kuwaiti Dinars	+10%	**57**	**132**	34	133
Euro	+10%	**1**	**-**	1	-
Kuwaiti Dinars	-10%	**(189)**	**-**	(167)	-
Euro	-10%	**(1)**	**-**	(1)	-

(iii) Other price risk

The Group's available-for-sale equity investments carried at cost are exposed to risk of changes in equity values. Refer note 3 for significant estimates and judgements in relation to impairment assessment of available-for-sale equity investments carried at cost. The Group manages exposure to other price risks by actively monitoring the performance of the equity securities. The performance assessment is performed on a half yearly basis and is reported to the Board Finance and Investment Committee.

(iv) Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the value of individual companies' shares. The effect on equity, as a result of a change in fair value of trading equity instruments and equity instruments held as available-for-sale, due to a reasonably possible change in equity indices or net asset values, with all other variables held constant, is as follows:

		2011		*2010*	
		Effect on profit USD '000	***Effect on equity USD '000***	*Effect on profit USD '000*	*Effect on equity USD '000*
Trading securities	+1%	**1**	**-**	13	-
Available-for-sale	+1%	**-**	**38**	-	60
Trading securities	-1%	**(1)**	**-**	(13)	-
Available-for-sale	-1%	**(13)**	**(25)**	(13)	(47)

e) Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department is in charge of identifying, monitoring and managing operational risk in the Bank. The Group already has an approved policy for doing this and all required organisational and physical infrastructure are in place.

35 RISK MANAGEMENT AND CAPITAL ADEQUACY (continued)

f) Investment property price risk

Investment property price risk is the risk that the fair value of investment property decreases as a result of downfall in the real estate market. The investment property price risk exposure arises from Group's holding of land. The Group carries its investment in the land at cost less impairment.

g) Capital management

The Bank's regulator Central Bank of Bahrain (CBB) sets and monitors capital requirements for the Group as a whole. The Group is required to comply with the provisions of the Capital Adequacy Module of the CBB (based on the Basel II and IFSB frameworks) in respect of regulatory capital. In implementing current capital requirements CBB requires the Group to maintain a prescribed ratio of total capital to risk-weighted assets. The Bank's operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group's regulatory capital position as at 31 December was as follows:

	2011	*2010*
	USD '000	*USD '000*
Total risk weighted assets	**528,190**	608,930
Tier 1 capital	**193,924**	276,716
Tier 2 capital	**-**	-
Total regulatory capital	**193,924**	276,716
Total regulatory capital expressed as a percentage of total risk weighted assets	**36.71%**	45.44%
Minimum requirement	**12%**	12%

Tier 1 capital comprises share capital, share premium, statutory reserve and retained earnings, gross unrealised gains arising from fair valuing available-for-sale equity securities (subject to 55% haircut), minority interest in consolidated subsidiaries less gross unrealised loss arising from fair valuing equities and 50% of excess over permitted large exposure limit.

Tier 2 capital comprises unrealised gains arising from fair valuing equity securities (subject to 55% haircut) and 50% of excess over permitted large exposure limit. Certain adjustments are made to IFRS and AAOIFI based results and reserves, as prescribed by the Central Bank of Bahrain.

The Bank has complied with all externally imposed capital requirements throughout the year.

36 FAIR VALUE

Fair value hierarchy
The table below analyses the financial instruments carried at fair value, by valuation technique. The different levels have been defined as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- **Level 3** – Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

This hierarchy requires the use of observable market data when available. There have been no transfers between the levels of valuation in 2011.

2011	***Level 1 USD 000***	***Level 2 USD 000***	***Level 3 USD 000***	***Total USD 000***
Held for trading	107	-	-	107
Fair value through profit or loss	-	-	72,068	72,068
Available-for-sale	3,568	242	-	3,810
	3,675	**242**	**72,068**	**75,985**

2010	*Level 1 USD 000*	*Level 2 USD 000*	*Level 3 USD 000*	*Total USD 000*
Held for trading	1,293	-	-	1,293
Fair value through profit or loss	-	-	84,913	84,913
Available-for-sale	5,756	242	-	5,998
	7,049	242	84,913	92,204

There were no transfers of financial assets between Level 1, Level 2 and Level 3.

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets which are recorded at fair value.

	31 December 2011 USD 000	*31 December 2010 USD 000*
Balance at 1 January	**84,913**	75,011
Losses recognised in consolidated statement of income - net	**(11,301)**	(15,100)
Investments acquired during the year	**2,438**	25,002
At 31 December	**76,050**	84,913

36 FAIR VALUE (continued)

Determining fair value under Level 3 includes use of valuation techniques such as the discounted cash flow model. The future cash flows have been estimated by the management, based on information and discussion with representatives of the management of the investee companies, and based on the latest available audited and un-audited financial statements. Cash flows have been projected for an initial period of between two to five years and then a terminal value has been estimated using a combination of value based on forward multiples and at a perpetual growth rate of up to 2-3% applied on the discounted cash flows of the last year of the estimate. The discount rates used for computing the present value of future cash flows range from 10.75% – 21.7%. The discount rates have been arrived at after considering the risk free rate, expected market premium, country risk and systematic risk underlying each investee company. The Group has also made use of illiquidity and marketability discount where considered appropriate.

The potential income effect of 1% increase in the discount rates, which is a key variable used in the valuation technique, would decrease the fair values by approximately USD 2,231 thousand (31 December 2010: USD 4,278 thousand), whereas a 1% decrease in the discount rate would increase the fair values by approximately USD 2,387 thousand (31 December 2010: USD 4,278 thousand). The potential income effect of 0.5 times change, on either side, in the market multiples, which is a key variable used in the valuation technique, would increase the fair values by approximately USD 4,530 thousand (31 December 2010: 5,362 thousand) or reduce the fair values by approximately USD 4,530 thousand (31 December 2010: USD 5,362 thousand) respectively.