

Seera Investment Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

31 MARCH 2010

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Seera Investment Bank B.S.C. (c) ("the Bank") and its subsidiaries ("the Group") as of 31 March 2010, comprising the interim consolidated statement of financial position as at 31 March 2010 and the related interim consolidated statements of income, cash flows and changes in equity for the three month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with note 2.

A stylized, handwritten-style signature of 'Ernst & Young' in black ink.

12 May 2010
Manama, Kingdom of Bahrain

Seera Investment Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

		(Unaudited) 31 March 2010 US\$ '000	(Audited) 31 December 2009 US\$ '000
	Note		
ASSETS			
Cash and balances with banks		11,840	4,363
Due from banks and financial institutions		23,754	37,940
Non-trading investments		22,421	27,624
Investments in leases		93,390	93,390
Net assets of disposal group classified as held for sale	4	114,798	115,846
Investment property		11,454	11,454
Other assets		6,078	6,128
Property and equipment		9,646	10,044
TOTAL ASSETS		293,381	306,789
LIABILITIES AND EQUITY			
Due to banks and financial institutions		10,770	25,874
Other liabilities		5,212	4,903
TOTAL LIABILITIES		15,982	30,777
EQUITY			
Share capital		291,286	291,286
Reserves		3,442	2,420
Accumulated losses		(32,486)	(32,804)
Equity attributable to shareholders of the parent		262,242	260,902
Non-controlling interest		15,157	15,110
TOTAL EQUITY		277,399	276,012
TOTAL LIABILITIES AND EQUITY		293,381	306,789


Asaad Al Banwan
Chairman


Khalid Al Nasser
Board Member


Abdulla Janahi
Chief Executive Officer

The attached explanatory notes 1 to 6 form part of these interim condensed consolidated financial statements

Seera Investment Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF INCOME

For the three month period ended 31 March 2010 (Unaudited)

	<i>Three months ended</i>	
	31 March	31 March
	2010	2009
	US\$ '000	US\$ '000
Rental income from investments in leases	8,617	9,546
Rental expense on investments in leases	(6,376)	(6,677)
Management fees relating to leases	(378)	(391)
Net income from investments in leases	1,863	2,478
Profit on amounts due from banks and financial institutions	50	373
Profit on amounts due to banks and financial institutions	(69)	(570)
Net cost on due from / to banks and financial institutions	(19)	(197)
Gain on disposal of non-trading investment	1,826	187
Fee income	154	147
TOTAL INCOME	3,824	2,615
Expenses		
Staff expenses	1,459	1,329
General and administration expenses	559	784
Foreign exchange	853	308
Depreciation	424	419
TOTAL EXPENSES	3,295	2,840
NET INCOME / (LOSS) FOR THE PERIOD	529	(225)
Attributable to:		
Equity holders of the parent	318	(519)
Non-controlling interest	211	294
	529	(225)

Seera Investment Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2010 (Unaudited)

	<i>Three months</i>	
	31 March 2010 US\$ '000	31 March 2009 US\$ '000
OPERATING ACTIVITIES		
Net income / (loss) for the period	529	(225)
Adjustments for:		
Provision for employees' end of service benefits	50	69
Depreciation	424	419
(Gain) / loss on disposal of non-trading investments	(1,826)	283
	(823)	546
Changes in operating assets and liabilities:		
Due from banks and financial institutions	-	(11,076)
Due to banks and financial institutions	(12,847)	(4,512)
Other assets	50	(442)
Other liabilities	172	(2,849)
Net cash used in operating activities	(13,448)	(18,333)
INVESTING ACTIVITIES		
Proceeds from sale of non-trading investments	6,929	4,728
Purchase of property and equipment	(26)	(8)
Net cash from investing activities	6,903	4,720
FINANCING ACTIVITY		
Non-controlling interest	(164)	(258)
Net cash used in financing activity	(164)	(258)
DECREASE IN CASH AND CASH EQUIVALENTS	(6,709)	(13,871)
Cash and cash equivalents at beginning of the period	42,303	66,340
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35,594	52,469

The attached explanatory notes 1 to 6 form part of these interim condensed consolidated financial statements

Seera Investment Bank B.S.C. (c)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2010 (Unaudited)

	<i>Equity attributable to shareholders of the parent</i>					<i>Non-controlling interest</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Investment fair value reserve</i>	<i>Accumulated losses</i>	<i>Total</i>		
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Balance at 1 January 2010	291,286	2,002	418	(32,804)	260,902	15,110	276,012
Dividends paid by subsidiaries	-	-	-	-	-	(164)	(164)
Net income for the period	-	-	-	318	318	211	529
Unrealised gain on remeasurement to fair value	-	-	1,022	-	1,022	-	1,022
Balance at 31 March 2010	291,286	2,002	1,440	(32,486)	262,242	15,157	277,399
Balance at 1 January 2009	291,286	2,002	6,424	(2,693)	297,019	14,994	312,013
Dividends paid by subsidiaries	-	-	-	-	-	(258)	(258)
Net (loss) / income for the period	-	-	-	(519)	(519)	294	(225)
Unrealised losses on remeasurement to fair value	-	-	(1,960)	-	(1,960)	-	(1,960)
Balance at 31 March 2009	291,286	2,002	4,464	(3,212)	294,540	15,030	309,570

The attached explanatory notes 1 to 6 form part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

1 INCORPORATION AND ACTIVITIES

Seera Investment Bank B.S.C. (c) ["the Bank"] was incorporated on 5th of August 2006, under commercial registration number 62003 as a Bahrain Joint Stock Company (closed). The Bank's registered office is Building 2431, Road 2831, Block 428, Seef, Kingdom of Bahrain.

The Bank operates under an Islamic Wholesale Banking License issued by the Central Bank of Bahrain ["the CBB"]. The Bank and its subsidiaries ["the Group"] aim to provide a full range of investment banking products and services that are compliant with Shari'a principles.

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 12 May 2010.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements have been prepared using accounting policies which are in accordance with Financial Accounting Standards ["FAS"] issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ["AAOIFI"]. For matters for which no AAOIFI standards exist, including interim financial reporting, the Group uses the relevant International Financial Reporting Standard ["IFRS"] issued by the International Accounting Standards Board ["IASB"].

The interim condensed consolidated financial statements do not include all the information and disclosures required for the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2009.

Results for the three month period ended 31 March 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

3 CONSOLIDATED SUBSIDIARIES

The following are the Group's significant subsidiaries as at 31 March 2010:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Equity interest</i>
Falak Aviation Fund Company	Kingdom of Bahrain	100%
Falak Aviation Fund B.S.C. (c)	Kingdom of Bahrain	86%
Falak Investments Limited	Bahamas	86%
Falak Lease One Limited	Bahamas	86%
Falak Lease Two Limited	Bahamas	86%
Falak Lease Three Limited	Bahamas	86%
Falak Lease Four Limited	Bahamas	86%
Falak Lease Five Limited *	Bahamas	86%
Falak Lease Six Limited *	Bahamas	86%
Falak Lease Seven Limited	Bahamas	86%
Falak Lease Eight Limited	Bahamas	86%
Falak Lease Nine Limited	Bahamas	86%
Falak Lease Ten Limited	Bahamas	86%
Falak Lease Eleven Limited	Bahamas	86%

* The underlying assets in these entities were disposed off in October 2008.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2010

4 NET ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The Group has investments in two European based companies as part of its private equity investments portfolio.

The first is a company incorporated in Cayman Islands which has a stake of 92.02% in a Danish operator that is a global leader in the provision of systems and solutions for filling and reconditioning of liquefied petroleum gas cylinders. As at 31 March 2010, the Group retained a 21.5% stake in this Danish company (total assets and liabilities amounted to US\$ 52,532 thousand and US\$ 35,052 thousand) through the Cayman Islands holding company.

The other disposal group is a company incorporated in Cayman Islands which has a stake of 87.13% of a UK based company selling water treatment products. As at 31 March 2010, total assets and liabilities of this UK based company amounted to US\$ 202,465 thousand and US\$ 106,876 thousand respectively.

5 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Group, Shari'a Supervisory Board, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Group.

The significant balances with related parties were as follows:

	<i>(Unaudited)</i> 31 March 2010 US\$ '000	<i>(Audited)</i> 31 December 2009 US\$ '000
Assets		
Quoted investments managed by a shareholder - NIC	4,767	8,761

The significant transactions with related parties were as follows:

	<i>(Unaudited)</i> <i>Three months ended</i> 31 March 2010 US\$ '000	31 March 2009 US\$ '000
Income		
Profit on amounts due from banks and financial institutions	-	44
Fee income	27	26
Expenses		
Board of Directors and Committees meetings' expenses and attendance allowances	47	64
Shari'a Supervisory Board meetings' expenses and attendance allowances	19	18
Fee expense	12	21

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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5 RELATED PARTY TRANSACTIONS (continued)

Staff costs attributable to key management personnel of the Bank is as follows:

	<i>(Unaudited)</i>	
	<i>Three months ended</i>	
	31 March	31 March
	2010	2009
	US\$ '000	US\$ '000
Short term employee costs	486	486
Termination costs	44	59
Staff costs attributable to key management personnel	530	545

6 COMPARATIVE FIGURES

Certain of the prior period figures have been reclassified to conform to the presentation adopted in the current period. Such reclassification did not affect the previously reported net loss for the period or total equity.