

United International Bank B.S.C. (c) and Subsidiaries

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2007 (UNAUDITED)

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF UNITED INTERNATIONAL BANK B.S.C.(c)**

Introduction

We have reviewed the accompanying interim consolidated balance sheet of United International Bank B.S.C. (c) and subsidiaries ("the Group") as of 30 September 2007 and the related consolidated statement of income for the three- and nine-month periods then ended, the related consolidated statements of cash flows and changes in equity for the nine-month period then ended, and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

30 October 2007
Manama, Kingdom of Bahrain

United International Bank B.S.C. (c) and Subsidiaries

INTERIM CONSOLIDATED BALANCE SHEET

30 September 2007 (Unaudited)

		<i>30 September</i>	<i>31 December</i>
		<i>2007</i>	<i>2006</i>
	<i>Notes</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and balances with banks		778	53
Due from banks and other financial institutions		146,081	216,472
Due from non banks		47,754	60,092
Investment in fund	4	10,234	-
Investments in Sukuk		25,021	-
Investments in aviation leases	5	65,924	-
Other assets		6,678	774
Property and equipment		19,001	18,291
TOTAL ASSETS		321,471	295,682
LIABILITIES AND EQUITY			
Due to banks		10,554	-
Provision for employees' end of service benefits		237	268
Other liabilities		2,576	257
TOTAL LIABILITIES		13,367	525
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		291,286	291,286
Retained earnings		9,660	3,871
		300,946	295,157
Minority interest	3	7,158	-
TOTAL EQUITY		308,104	295,157
TOTAL LIABILITIES AND EQUITY		321,471	295,682

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 30 October 2007.

Mr. Asaad Al-Banwan
Chairman

Mr. Abdulla Janahi
Acting Chief Executive Officer

The attached explanatory notes 1 to 7 form part of these financial statements.

United International Bank B.S.C. (c) and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended 30 September 2007 (Unaudited)

	<i>Notes</i>	<i>3 months ended 30 September 2007 US\$ '000</i>	<i>9 months ended 30 September 2007 US\$ '000</i>
Rental income from investments in aviation leases	6	6,312	18,400
Profit on amounts due from banks and other financial institutions		2,187	7,277
Profit on amounts due from non banks		732	2,647
Fee income		-	119
Income on investments in Sukuk		332	408
Income on investment in fund		501	501
TOTAL INCOME		10,064	29,352
Rental expense from investments in aviation leases	6	4,427	11,754
Staff compensation and benefits		2,726	7,961
General and administration expenses		607	1,907
Management fees relating to aviation leases	6	280	782
Profit on amounts due to banks and other financial institutions		152	311
Depreciation		121	303
TOTAL EXPENSES		8,313	23,018
NET PROFIT FOR THE PERIOD		1,751	6,334
Attributable to:			
Equity holders of the Parent		1,605	5,789
Minority interest		146	545

The attached explanatory notes 1 to 7 form part of these financial statements.

United International Bank B.S.C. (c) and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2007 (Unaudited)

	<i>30 September 2007 US\$ '000</i>
OPERATING ACTIVITIES	
Net profit for the period	6,334
Adjustments for:	
Provision for employees' end of service benefits	256
Depreciation	303
	<u>6,893</u>
Changes in operating assets and liabilities:	
Due from non banks	12,338
Due to banks	10,143
Other assets	(5,904)
Other liabilities	2,319
End of service benefits paid	(287)
	<u>25,502</u>
INVESTING ACTIVITIES	
Investment in fund	(9,823)
Investment in Sukuk	(25,021)
Investments in aviation leases	(65,924)
Purchase of property and equipment	(1,013)
	<u>(101,781)</u>
FINANCING ACTIVITIES	
Minority interest	6,613
	<u>6,613</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(69,666)
Cash and cash equivalents at beginning of the period	216,525
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>146,859</u>

The attached explanatory notes 1 to 7 form part of these financial statements.

United International Bank B.S.C. (c) and Subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2007 (Unaudited)

	<i>Attributable to equity holders of the parent</i>		<i>Minority interest</i>	<i>Total</i>
	<i>Share capital</i>	<i>Retained earnings</i>		
	<i>US\$ '000</i>	<i>US\$ '000</i>		
Balance at 1 January 2007	291,286	3,871	-	295,157
Investment in subsidiaries	-	-	6,613	6,613
Net profit for the period	-	5,789	545	6,334
Balance at 30 September 2007	291,286	9,660	7,158	308,104

The attached explanatory notes 1 to 7 form part of these financial statements.

United International Bank B.S.C. (c) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2007

1. INCORPORATION AND ACTIVITIES

United International Bank B.S.C (c) ("the Bank") was incorporated on 5th 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 a Wholesale Banking Licence issued by the Central Bank of Bahrain.

The core business activities of United International Bank B.S.C. (c) and subsidiaries ("the Group") include investing on its own account and providing a full range of investment banking products and services that are in conformity with Islamic Shari'a.

2. SIGNIFICANT ACCOUNTING POLICIES

a). Basis of preparation

These interim condensed consolidated financial statements have been prepared using accounting policies which are in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). The financial statements for the period ended 31 December 2006 were prepared in accordance with both AAOIFI and International Financial Reporting Standards (IFRS); new and amended accounting policies are shown below. For matters for which no AAOIFI standards exist, including interim financial reporting, the Bank uses the relevant International Financial Reporting Standard issued by the International Accounting Standards Board.

Results for the nine month period ended 30 September 2007 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2007.

b). Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Group as at and for the nine-month period ended 30 September 2007. The financial information of the subsidiaries (including special purpose entities that the Group controls) is prepared for the same reporting period, using consistent accounting policies.

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

Subsidiaries are fully 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.

Minority 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 income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

c). New accounting policies

During the nine-month period, the Group adopted the following new accounting policies:

Investment in fund

The investment in fund is classified as 'available for sale', and recorded in the balance sheet at cost, adjusted for the effect of foreign exchange movements where these are compensated by movements in a related foreign currency liability, since a reliable fair value cannot be determined.

Investment in Sukuk

Investments in Sukuk are initially recognised at cost, being the fair value of consideration paid, and subsequently carried at amortised cost less provision for impairment in value.

United International Bank B.S.C. (c) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c). New accounting policies (continued)

Investments in aviation leases

Investments in aviation leases are initially recognised at cost, being the fair value of consideration paid, and subsequently carried at cost less provision for impairment in value. Initial direct costs incurred in negotiating aviation lease arrangements are added to the carrying amount of the investment.

Due to banks

Amounts due to banks are initially recognised at cost, being the fair value of consideration received, and subsequently carried at amortised cost.

Rental income and rental expense

Rental income and rental expense are recognised on the basis of contractual amounts payable over the life of the lease.

Income on investments in Sukuk

Income on investments in Sukuk is recognised on a time-apportioned basis over the period of the contract based on the principal amounts outstanding.

Investment in fund

Income from the investment in fund is recognised when the bank's right to receive payment is established.

3. CONSOLIDATED SUBSIDIARIES

The following are the Group's significant subsidiaries as at 30 September 2007:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Equity interest 30 September 2007</i>
Falak Aviation Limited	Bahamas	100%
Falak Investment Limited	Bahamas	90%
Falak Lease One Limited	Bahamas	90%
Falak Lease Two Limited	Bahamas	90%
Falak Lease Three Limited	Bahamas	90%
Falak Lease Four Limited	Bahamas	90%
Falak Lease Five Limited	Bahamas	90%
Falak Lease Six Limited	Bahamas	90%

All of the above subsidiaries were created by the Group during the period for the purpose of entering into arrangements for leasing aircraft.

4. INVESTMENT IN FUND

This represents an indirect investment in the equity of Viridian Group Plc, privately placed by Arcapita Bank B.S.C.(c).

United International Bank B.S.C. (c) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2007

5. INVESTMENTS IN AVIATION LEASES

During 2007 the Bank, through its newly created subsidiaries, has entered into arrangements for leasing aircraft. Future minimum rentals receivable are as follows:

	<i>30 September 2007 US\$ '000</i>
Receivable during 2007	7,273
Receivable during 2008	29,370
Receivable from 2009-2014	127,761
Receivable from 2015-2017	16,778
	<u>181,182</u>

Future minimum rentals payable are as follows:

	<i>30 September 2007 US\$ '000</i>
Payable during 2007	4,827
Payable during 2008	19,274
Payable from 2009-2014	78,830
Payable from 2015-2017	1,676
	<u>104,607</u>

In consideration of the above, the Group has acquired head leases for the total value of US\$ 66,134 thousand, which give it the right to acquire the underlying aircraft based on agreed formulae. The Group has fully paid this amount during the period ended 30 September 2007.

The group is currently in the process of preparing a private placement memorandum with the intention of selling down the majority stake in Falak Investments Limited, in which it holds a 90% stake, to private investors. Falak Investments Limited holds 100% of each of Falak Lease One Limited, Falak Lease Two Limited, Falak Lease Three Limited, Falak Lease Four Limited, Falak Lease Five Limited and Falak Lease Six Limited, each of which sublease the aircraft to operating airlines, in some cases through further subsidiaries

6. NET INCOME FROM INVESTMENT IN AVIATION LEASES

Included in the nine month results are the following amounts, which relates to the ended 30 June 2007 but were not previously reported.

	<i>US\$ '000</i>
Rental income from investments in aviation leases	7,530
Rental expense from investments in aviation leases	(3,954)
Management fees relating to aviation leases	(284)
	<u>3,292</u>

7. COMPARATIVE FIGURES

These financial statements cover the period from 1st January 2007 to 30th September 2007. Since the Bank only commenced operations on 5th August 2006, comparative information is only presented for the balance sheet and related notes.