

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

31 MARCH 2011

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 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 2011, comprising the interim consolidated statement of financial position as at 31 March 2011 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.


5 May 2011
Manama, Kingdom of Bahrain

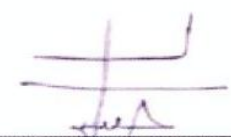
Seera Investment Bank B.S.C. (c)


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

		(Unaudited) 31 March 2011 US\$ '000	(Audited) 31 December 2010 US\$ '000
ASSETS			
Cash and balances with banks		17,592	18,486
Due from banks and financial institutions		33,675	34,286
Non-trading investments	3	22,058	21,494
Investments in leases		-	93,390
Investments in ijarah assets	4	272,596	-
Net assets of disposal group classified as held for sale		15,980	14,953
Investment property		10,476	10,476
Goodwill and intangible assets		163,983	165,206
Other assets	5	52,191	49,844
Property and equipment		9,232	9,590
TOTAL ASSETS		597,783	417,725
LIABILITIES AND EQUITY			
Term financing	6	179,003	-
Due to banks and financial institutions		95,200	101,338
Other liabilities		19,060	15,455
TOTAL LIABILITIES		293,263	116,793
EQUITY			
Share capital		291,286	291,286
Reserves		5,416	4,565
Accumulated losses		(25,212)	(27,396)
Equity attributable to shareholders of the parent		271,490	268,455
Non-controlling interest		33,030	32,477
TOTAL EQUITY		304,520	300,932
TOTAL LIABILITIES AND EQUITY		597,783	417,725


Asaad Al Banwan
Chairman


Khalid Al Nasser
Board Member


Abdulla Janahi
Chief Executive Officer

The attached explanatory notes 1 to 8 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 2011 (Unaudited)

	Notes	Three months ended	
		31 March 2011 US\$ '000	31 March 2010 US\$ '000
Rental income from investments in leases		-	8,617
Rental income from investments in ijarah assets		8,190	-
Rental expense on investments in leases		-	(6,376)
Management fees relating to leases		(343)	(378)
Net income from investments in leases		7,847	1,863
Profit on amounts due from banks and financial institutions		51	50
Profit on amounts due to banks and financial institutions		(58)	(69)
Financing cost relating to term financing		(2,042)	-
Net funding cost		(2,049)	(19)
Net income from non-banking activities	7	1,335	-
Fee and other income		154	1,980
TOTAL INCOME		7,287	3,824
Expenses			
Staff expenses		1,055	1,459
General and administration expenses		543	559
Foreign exchange (gain) / loss		(1,272)	853
Depreciation relating to investment in ijarah assets	4	4,008	-
Depreciation relating to property and equipment		380	424
TOTAL EXPENSES		4,714	3,295
NET INCOME FOR THE PERIOD		2,573	529
Attributable to:			
Shareholders of the parent		2,184	318
Non-controlling interest		389	211
		2,573	529

The attached explanatory notes 1 to 8 form part of these interim condensed consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2011 (Unaudited)

	<i>Three months ended</i>	
	31 March 2011	31 March 2010
	US\$ '000	US\$ '000
OPERATING ACTIVITIES		
Net income for the period	2,573	529
Adjustments for:		
Depreciation relating to investment in ijarah assets	4,008	424
Depreciation relating to property and equipment	380	-
Amortisation of intangibles	1,223	-
Gain on disposal of non-trading investments	-	(1,826)
	8,184	(873)
Changes in operating assets and liabilities:		
Due to banks and financial institutions	(6,138)	(12,847)
Other assets	(2,347)	50
Other liabilities	2,525	222
Net cash from (used in) operating activities	2,224	(13,448)
INVESTING ACTIVITIES		
Proceeds from disposal of non-trading investments	504	6,929
Purchase of investments in leases	-	(26)
Purchase of property and equipment	(22)	-
Net cash from investing activities	482	6,903
FINANCING ACTIVITIES		
Term financing	(4,211)	-
Non-controlling interest	-	(164)
Net cash used in financing activities	(4,211)	(164)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,505)	(6,709)
Cash and cash equivalents at beginning of the period	52,772	42,303
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	51,267	35,594

The attached explanatory notes 1 to 8 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 2011 (Unaudited)

	<i>Equity attributable to shareholders of the parent</i>							<i>Total equity</i> US\$ '000
	<i>Share capital</i> US\$ '000	<i>Statutory reserve</i> US\$ '000	<i>Investment fair value reserve</i> US\$ '000	<i>Foreign currency translation reserve</i> US\$ '000	<i>Accumulated losses</i> US\$ '000	<i>Total</i> US\$ '000	<i>Non-controlling interest</i> US\$ '000	
Balance at 1 January 2010	291,286	2,557	351	1,657	(27,396)	268,455	32,477	300,932
Net income for the period	-	-	-	-	2,184	2,184	389	2,573
Exchange differences on translation of foreign operations	-	-	-	930	-	930	164	1,094
Unrealised gain on remeasurement to fair value	-	-	(79)	-	-	(79)	-	(79)
Balance at 31 March 2011	291,286	2,557	272	2,587	(25,212)	271,490	33,030	304,520
Balance at 1 January 2010	291,286	2,002	418	-	(32,804)	260,902	15,110	276,012
Net (loss) income for the period	-	-	-	-	318	318	211	529
Dividends paid by subsidiaries	-	-	-	-	-	-	(164)	(164)
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

The attached explanatory notes 1 to 8 form part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011

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.

Based on the revised "Conceptual Framework for Financial Reporting by Islamic Financial Institutions" issued by Accounting and Auditing Organisation for Islamic Financial Institutions (the "AAOIFI") and effective from 1 January 2011, the full structure of Falak Aviation Fund B.S.C. (c) has been consolidated line by line that has resulted in recognition of aircrafts and term financing on the interim condensed consolidated financial statements. Therefore, the comparative amount are not entirely comparable to that extent.

The comparative figures also include an investment classified as "held for sale" which the Group has consolidated under FAS 23 from 1 April 2010. The comparative amounts for the interim condensed consolidated financial statements are not entirely comparable to that extent.

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 5th May 2011.

2 BASIS OF PREPARATION

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Bank and its subsidiaries (together "the Group") for the three months period ended 31 March 2011 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010. In addition, results for the three months period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

2.2 Accounting convention

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment in real estate, and certain investments classified as "fair value through statement of income" that have been measured at fair value.

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

2.3 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2010 except for the new and amended conceptual framework and financial accounting standards, which were prepared in accordance with the Financial Accounting Standards issued by AAOIFI, the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law and Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards (the "IFRSs").

2.4 New and amended accounting standard and framework

During 2010, AAOIFI amended its conceptual framework and issued new Financial Accounting Standard (FAS 25) "Investment in sukuk, shares and similar instruments", which are effective as of 1 January 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011

2 BASIS OF PREPARATION (continued)**2.5 Statement of financial accounting No.1: Conceptual Framework for the financial reporting by Islamic Financial Institutions**

The amended conceptual frame work provides the basis for the financial accounting standards issued by AAOFI. The amended framework introduces the concept of substance and form compared to the concept of form over substance. The framework state that it is necessary that information, transaction and other events are accounted for and presented in accordance with its substance and economic reality as well as the legal form. The adoption of this has resulted in a full consolidation of all entities under Falak structure.

2.6 Financial accounting standard (FAS 25) "Investment in sukuk, shares and similar instruments"

The Group has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic financial institutions.

The adoption of this standard did not have any impact on the accounting policies, financial position or performance of the Group.

2.7 Investments in ijarah assets

Investments in ijarah assets are stated at cost less accumulated depreciation and accumulated impairment / provision in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of ijarah assets to their residual values over their lease terms.

Ijarah assets are derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the ijarah asset (calculated as the difference between the net disposal proceeds and the carrying amount of the ijarah asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

3 NON-TRADING INVESTMENTS

	<i>(Unaudited)</i> 31 March 2011 US\$ '000	<i>(Audited)</i> 31 December 2010 US\$ '000
Available for sale - equity investments		
<i>Quoted</i>	1,323	1,906
<i>Unquoted</i>	20,735	19,588
	22,058	21,494

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011

4 INVESTMENT IN IJARAH ASSETS

	<i>Cost at 1 January 2011</i>	<i>Depreciation Charge</i>	<i>Net book value at 31 March 2011</i>
	<i>value US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Falak Fin One Limited	39,739	371	39,368
Falak Fin Two Limited	40,042	351	39,691
Falak Fin Three Limited	42,693	387	42,306
Falak Fin Four Limited	36,599	405	36,194
Falak Fin Seven Limited	44,359	482	43,877
Falak Fin Eight Limited	32,848	888	31,960
Falak Fin Nine Limited	5,046	408	4,638
Falak Fin Ten Limited	5,526	360	5,166
Falak Fin Eleven Limited	37,752	356	37,396
	<u>284,604</u>	<u>4,008</u>	<u>280,596</u>
General provision			<u>(8,000)</u>
			<u>272,596</u>

5 OTHER ASSETS

	<i>(Unaudited) 31 March 2011</i>	<i>(Audited) 31 December 2010</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Trade receivables	21,580	20,738
Deferred tax asset	8,978	9,478
Inventories	12,241	11,848
Other assets	9,392	7,780
	<u>52,191</u>	<u>49,844</u>

6 TERM FINANCING

	<i>(Unaudited) US\$ '000 2011 US\$ '000</i>
Falak Fin One Limited	24,598
Falak Fin Two Limited	24,797
Falak Fin Three Limited	27,121
Falak Fin Four Limited	21,774
Falak Fin Seven Limited	25,662
Falak Fin Eight Limited	23,734
Falak Fin Nine Limited	3,908
Falak Fin Ten Limited	3,908
Falak Fin Eleven Limited	23,501
	<u>179,003</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011

7 NET INCOME FROM NON-BANKING ACTIVITIES

	31 March 2011 US\$ '000
Revenue from sale of goods	32,057
Cost of goods sold	(20,899)
Gross Profit	11,158
Selling and distribution expenses	(2,024)
Administrative expenses	(5,183)
Finance cost	(1,719)
Taxation	(897)
Total expenses from non-banking activities	(9,823)
Net income from non-banking activities	1,335

8 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. These transaction have been carried out on an arm's length basis in manner similar to transactions with a third party.

The significant balances with related parties were as follows:

	(Unaudited)	<i>(Audited)</i>
	31 March 2011	<i>31 December 2010</i>
	US\$ '000	<i>US\$ '000</i>
Assets		
Quoted equity investments	1,323	1,906

The significant transactions in respect of related parties were as follows:

	<i>Three months ended</i>	
	31 March 2011	<i>31 March 2010</i>
	US\$ '000	<i>US\$ '000</i>
Income		
Fee income	28	27
Expenses		
Board of Directors and committees meetings' expenses and attendance allowances	17	47
Shari'a Supervisory Board meetings' expenses and attendance allowances	13	19
Fee expense	2	12

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2011

8 RELATED PARTY TRANSACTIONS (continued)

Key management personnel are those that possesses significant decision making and direction setting responsibilities within the Bank. Staff costs attributable to key management personnel of the Bank is as follows:

	<i>Three months ended</i>	
	31 March	<i>31 March</i>
	2011	<i>2010</i>
	US\$ '000	<i>US\$ '000</i>
Short term employee costs	329	486
Post employment benefits	49	44
	378	530