

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

30 SEPTEMBER 2012

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 30 September 2012, comprising the interim consolidated statement of financial position as at 30 September 2012 and the related interim consolidated statements of income, cash flows and changes in owners' 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 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 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 the accounting policies disclosed in note 2.

22 October 2012

Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012 (Unaudited)

		<i>(Unaudited)</i> 30 September 2012 US\$ '000	<i>(Audited)</i> 31 December 2011 US\$ '000
	<i>Notes</i>		
ASSETS			
Cash and balances with banks		11,103	12,045
Due from banks and financial institutions		36,304	197,271
Non-trading investments	3	18,937	18,752
Murabaha receivables	4	20,667	-
Investments in ijarah assets	5	248,592	260,597
Net assets of disposal group classified as held for sale		14,538	14,630
Investment property		10,476	10,476
Other assets		5,404	6,017
Property and equipment		6,518	7,008
TOTAL ASSETS		372,539	526,796
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
Term financing	6	149,148	164,104
Other liabilities		21,732	19,644
TOTAL LIABILITIES		170,880	183,748
OWNERS' EQUITY			
Share capital	8	145,643	291,286
Reserves		9,102	9,009
Retained earnings		30,328	26,896
Equity attributable to shareholders of the parent		185,073	327,191
Non-controlling interest		16,586	15,857
TOTAL OWNERS' EQUITY		201,659	343,048
TOTAL LIABILITIES AND OWNERS' EQUITY		372,539	526,796

Khalid Al Nasser
Chairman

Mubarak Al Hemeiri
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)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended 30 September 2012 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Rental income from investment in ijarah assets	9,034	8,861	27,024	26,657
Depreciation on investment in ijarah assets	(4,002)	(4,001)	(12,005)	(12,005)
Management fees relating to ijarah	(265)	(299)	(792)	(966)
Financing cost relating to term financing obtained to purchase ijarah assets	(2,167)	(2,311)	(6,187)	(6,685)
Other operating expenses relating to ijarah	(371)	(299)	(2,424)	(925)
Net income from investment in ijarah assets	2,229	1,951	5,616	6,076
Profit on amounts due from banks and financial institutions	84	520	1,014	612
Profit on amounts due to banks and financial institutions	-	(63)	-	(182)
Profit on murabaha receivables	322	-	322	-
Net funding income	406	457	1,336	430
Fee and other income	374	253	668	573
Net foreign exchange gain / (loss)	808	(1,256)	699	427
TOTAL INCOME	3,817	1,405	8,319	7,506
Expenses				
Staff expenses	921	946	2,765	3,025
General and administration expenses	313	292	880	864
Depreciation on property and equipment	160	350	513	1,092
TOTAL EXPENSES	1,394	1,588	4,158	4,981
Net income / (loss) for the period before disposal of an investment	2,423	(183)	4,161	2,525
Disposal of an investment	-	-	-	61,368
NET INCOME / (LOSS) FOR THE PERIOD	2,423	(183)	4,161	63,893
Attributable to:				
Shareholders of the parent	2,129	(434)	3,432	63,110
Non-controlling interest	294	251	729	783
	2,423	(183)	4,161	63,893

Khalid Al Nasser
Chairman

Mubarak Al Hemeiri
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)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2012 (Unaudited)

	Note	<i>Nine months ended</i>	
		30 September 2012 US\$ '000	<i>30 September 2011 US\$ '000</i>
OPERATING ACTIVITIES			
Net income for the period		4,161	63,893
Adjustments for:			
Depreciation on investment in ijarah assets	5	12,005	12,005
Depreciation on property and equipment		513	1,092
Gain on disposal of an investment		-	(60,033)
		16,679	16,957
Changes in operating assets and liabilities:			
Due to banks and financial institutions		-	327
Other assets		613	(538)
Other liabilities		2,088	(68)
Net cash from operating activities		19,380	16,678
INVESTING ACTIVITIES			
Proceeds from disposal of an investment		-	177,678
Investment in murabaha receivables		(20,667)	-
Purchase of equipment		(23)	(4)
Net movement in non-trading investment		-	36
Net cash (used in) / from investing activities		(20,690)	177,710
FINANCING ACTIVITIES			
Reduction of share capital	7	(145,643)	-
Term financing repayment		(14,956)	(14,291)
Dividend received		-	93
Non-controlling interest		-	(329)
Net cash used in financing activities		(160,599)	(14,527)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(161,909)	179,861
Cash and cash equivalents at beginning of the period		209,316	52,772
Cash and cash equivalents of an investment sold		-	(13,804)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		47,407	218,829
Cash and cash equivalents comprise:			
Cash and balances with banks		11,103	6,567
Due from banks and financial institutions with original maturity of ninety days or less		36,304	212,262
		47,407	218,829

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

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine month period ended 30 September 2012 (Unaudited)

	<i>Equity attributable to shareholders of the parent</i>							<i>Total owners' equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Investment fair value reserve</i>	<i>Foreign currency translation reserve</i>	<i>Retained earnings / (Accumulated losses)</i>	<i>Total</i>	<i>Non-controlling interest</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>	<i>US\$ '000</i>
Balance at 1 January 2012	291,286	8,590	419	-	26,896	327,191	15,857	343,048
Reduction in share capital (note 8)	(145,643)	-	-	-	-	(145,643)	-	(145,643)
Net income for the period	-	-	-	-	3,432	3,432	729	4,161
Unrealised gain on remeasurement to fair value	-	-	93	-	-	93	-	93
Balance at 30 September 2012	145,643	8,590	512	-	30,328	185,073	16,586	201,659
Balance at 1 January 2011	291,286	2,557	351	1,657	(27,396)	268,455	32,477	300,932
Net income for the period	-	-	-	-	63,110	63,110	783	63,893
Dividends paid by a subsidiary	-	-	-	-	-	-	(329)	(329)
Disposal of an investment	-	-	-	(1,657)	-	(1,657)	(17,184)	(18,841)
Unrealised gain on remeasurement to fair value	-	-	31	-	-	31	-	31
Balance at 30 September 2011	291,286	2,557	382	-	35,714	329,939	15,747	345,686

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2012 (Unaudited)

1 INCORPORATION AND ACTIVITIES

Seera Investment Bank B.S.C. (c) ["the Bank"] was incorporated on 5 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 22 October 2012.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements for the nine month period ended 30 September 2012 have been prepared in accordance with the guidance given by 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 annual consolidated financial statements as at 31 December 2011. In addition, results for the nine month period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

2.2 Accounting convention

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for investment property, and certain investments classified as "non-trading investments" 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. All values are rounded to the nearest US\$ '000 except when otherwise indicated.

2.3 Significant accounting policies

The accounting policies adopted in 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 2011, which were prepared in accordance with Financial Accounting Standards (FAS) issued by Accounting and Auditing Organisation for Islamic Institutions (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 International Financial Reporting Standards (the "IFRSs").

3 NON-TRADING INVESTMENTS

	<i>(Unaudited)</i> 30 September 2012 US\$ '000	<i>(Audited)</i> 31 December 2011 US\$ '000
<i>Investments designated at fair value through equity</i>		
Quoted investment designated at fair value through equity	1,426	1,465
Unquoted investments designated at fair value through equity	20,857	20,633
Provision	(3,346)	(3,346)
Unquoted investments designated at fair value through equity, net of provision	17,511	17,287
	18,937	18,752

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2012 (Unaudited)

4 MURABAHA RECEIVABLES

Murabaha receivables represent a 2.5 year shari'a compliant facility provided to ADGL (Guernsey). Profit is receivable on a quarterly basis.

5 INVESTMENTS IN IJARAH ASSETS

Investments in Ijarah assets represent aircraft indirectly acquired through an equity investment in Falak Aviation Fund B.S.C.(c) a Collective Investment Unit regulated by the Central Bank of Bahrain (the CBB). These aircraft have been leased to various commercial airline companies.

	<i>Cost at 1 January 2012 US\$ '000</i>	<i>Accumulated Depreciation 1 January 2012 US\$ '000</i>	<i>Depreciation charge US\$ '000</i>	<i>Net book value at 30 September 2012 US\$ '000</i>	<i>Net book value at 31 December 2011 US\$ '000</i>
Falak Fin One Limited	39,739	1,484	1,113	37,142	38,255
Falak Fin Two Limited	40,042	1,404	1,053	37,585	38,638
Falak Fin Three Limited	41,965	1,748	1,311	38,906	40,945
Falak Fin Four Limited	36,599	1,619	1,214	33,766	34,980
Falak Fin Seven Limited	43,690	2,180	1,635	39,875	42,179
Falak Fin Eight Limited	34,245	3,077	2,308	28,860	29,771
Falak Fin Nine Limited	5,046	1,631	1,223	2,192	3,415
Falak Fin Ten Limited	5,526	1,438	1,079	3,009	4,088
Falak Fin Eleven Limited	37,752	1,426	1,069	35,257	36,326
	284,604	16,007	12,005	256,592	268,597
Provision				(8,000)	(8,000)
				248,592	260,597

6 TERM FINANCING

	<i>(Unaudited) 30 September 2012 US\$ '000</i>	<i>(Audited) 31 December 2011 US\$ '000</i>
Falak Fin One Limited	20,811	22,752
Falak Fin Two Limited	21,031	22,962
Falak Fin Three Limited	23,504	25,358
Falak Fin Four Limited	16,351	19,362
Falak Fin Seven Limited	21,954	23,837
Falak Fin Eight Limited	20,034	21,861
Falak Fin Nine Limited	2,563	3,013
Falak Fin Ten Limited	2,563	3,013
Falak Fin Eleven Limited	20,337	21,946
	149,148	164,104

7 RELATED PARTIES

Related parties comprise shareholders of the Group, directors of the Group, Shari'a Supervisory Board members, 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. Transactions with these related parties have been carried out on an arm's length basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2012 (Unaudited)

7 RELATED PARTIES (continued)

The transactions with related parties included in the interim consolidated statement of income are as follows:

	30 September 2012 (Unaudited)				<i>(Unaudited)</i> 30 September
	Shareholders <i>(US\$'000)</i>	Directors <i>(US\$'000)</i>	Others <i>(US\$'000)</i>	Total <i>(US\$'000)</i>	2011 US\$ '000
Income					
Fee income	79	-	-	79	87
Expenses					
Board of Directors and committees meetings' attendance allowance	-	77	-	77	52
Shari'a Supervisory Board meetings' expenses and attendance allowances	-	-	52	52	38
Fee expense	-	-	-	-	1

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

	<i>(Unaudited)</i> <i>Nine months ended</i>	
	30 September 2012 US\$ '000	30 September 2011 US\$ '000
Short term employee costs	893	986
Termination costs	144	152
	1,037	1,138

8 REDUCTION OF SHARE CAPITAL

At an Extraordinary General Meeting (EGM) dated 16 April 2012, the shareholders resolved to reduce the share capital of the Bank from US\$ 291,286 thousand to US\$ 145,643 thousand.