

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

31 MARCH 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 31 March 2012, comprising the interim consolidated statement of financial position as at 31 March 2012 and the related interim consolidated statements of income, cash flows and changes in owners' 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 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.

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 March 2012

		<i>(Unaudited)</i> 31 March 2012 US\$ '000	<i>(Audited)</i> 31 December 2011 US\$ '000
	<i>Notes</i>		
ASSETS			
Cash and balances with banks		7,889	12,045
Due from banks and financial institutions		202,024	197,271
Non-trading investments	3	19,385	18,752
Investments in ijarah assets	4	256,596	260,597
Net assets of disposal group classified as held for sale		15,059	14,630
Investment property		10,476	10,476
Other assets		5,708	6,017
Property and equipment		6,831	7,008
TOTAL ASSETS		523,968	526,796
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
Term financing	5	159,123	164,104
Other liabilities		19,822	19,644
TOTAL LIABILITIES		178,945	183,748
OWNERS' EQUITY			
Share capital	7	291,286	291,286
Reserves		10,071	9,009
Retained earnings		27,618	26,896
Equity attributable to shareholders of the parent		328,975	327,191
Non-controlling interest		16,048	15,857
TOTAL OWNERS' EQUITY		345,023	343,048
TOTAL LIABILITIES AND OWNERS' EQUITY		523,968	526,796

Khalid Al Nasser
Chairman

Mubarak Al Hemeiri
Board Member

Abdulla Janahi
Chief Executive Officer

The attached explanatory notes 1 to 7 form part of these interim condensed consolidated financial statements

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three month period ended 31 March 2012 (Unaudited)

	<i>Three months ended</i>	
	31 March	<i>31 March</i>
	2012	<i>2011</i>
	US\$ '000	<i>US\$ '000</i>
Rental income from investment in ijarah assets	8,960	8,190
Depreciation on investment in ijarah assets	(4,001)	(4,008)
Management fees relating to ijarah	(299)	(343)
Financing cost relating to term financing obtained to purchase ijarah assets	(1,823)	(2,042)
Other operating expenses relating to ijarah	(1,298)	(265)
Net income from investment in ijarah assets	1,539	1,532
Profit on amounts due from banks and financial institutions	539	51
Profit on amounts due to banks and financial institutions	-	(58)
Net funding income / (cost)	539	(7)
Net income from non-banking activities	-	1,335
Fee and other income	222	1,426
TOTAL INCOME	2,300	4,286
Expenses		
Staff expenses	941	1,055
General and administration expenses	267	278
Depreciation on property and equipment	179	380
TOTAL EXPENSES	1,387	1,713
NET INCOME FOR THE PERIOD	913	2,573
Attributable to:		
Shareholders of the parent	722	2,184
Non-controlling interest	191	389
	913	2,573

The attached explanatory notes 1 to 7 form part of these interim condensed consolidated financial statements

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2012 (Unaudited)

	<i>Three months ended</i>	
	31 March 2012	31 March 2011
	US\$ '000	US\$ '000
OPERATING ACTIVITIES		
Net income for the period	913	2,573
Adjustments for:		-
Depreciation on investment in ijarah assets	4,001	4,008
Depreciation on property and equipment	179	380
Amortisation of intangibles	-	1,223
	5,093	8,184
Changes in operating assets and liabilities:		
Due to banks and financial institutions	-	(6,138)
Other assets	309	(2,347)
Other liabilities	178	2,525
Net cash from operating activities	5,580	2,224
INVESTING ACTIVITIES		
Proceeds from disposal of non-trading investments	-	504
Purchase of property and equipment	(2)	(22)
Net cash (used in) / from investing activities	(2)	482
FINANCING ACTIVITY		
Term financing	(4,981)	(4,211)
Cash used in financing activity	(4,981)	(4,211)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	597	(1,505)
Cash and cash equivalents at beginning of the period	209,316	52,772
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	209,913	51,267

The attached explanatory notes 1 to 7 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 three month period ended 31 March 2012 (Unaudited)

	<i>Equity attributable to shareholders of the parent</i>							<i>Total owners' 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>Retained earnings / (Accumulated losses)</i> US\$ '000	<i>Total</i> US\$ '000	<i>Non-controlling interest</i> US\$ '000	
Balance at 1 January 2012	291,286	8,590	419	-	26,896	327,191	15,857	343,048
Net income for the period	-	-	-	-	722	722	191	913
Unrealised gain on remeasurement to fair value	-	-	1,062	-	-	1,062	-	1,062
Balance at 31 March 2012	291,286	8,590	1,481	-	27,618	328,975	16,048	345,023
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	-	-	-	-	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

The attached explanatory notes 1 to 7 form part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2012 (Unaudited)

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 9 May 2012.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements for the three month period ended 31 March 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 three month period ended 31 March 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").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2012 (Unaudited)

3 NON-TRADING INVESTMENTS

	<i>(Unaudited)</i> 31 March 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 (note 3.1)	1,600	1,465
Unquoted investments designated at fair value through equity	21,131	20,633
Provision	(3,346)	(3,346)
Unquoted investments designated at fair value through equity	17,785	17,287
	19,385	18,752

3.1 This represents an investment quoted on the Kuwait Stock Exchange.

4 INVESTMENTS IN IJARAH ASSETS

	Cost at 1 January 2011 US\$ '000	Accumulated Depreciation 1 January 2012 US\$ '000	Depreciation charge US\$ '000	Net book value at 31 March 2012 US\$ '000	Net book value at 31 December 2011 US\$ '000
Falak Fin One Limited	39,739	1,484	371	37,884	38,255
Falak Fin Two Limited	40,042	1,404	351	38,287	38,638
Falak Fin Three Limited	42,693	1,748	437	40,508	40,945
Falak Fin Four Limited	36,599	1,619	405	34,575	34,980
Falak Fin Seven Limited	44,359	2,180	545	41,634	42,179
Falak Fin Eight Limited	32,848	3,077	769	29,002	29,771
Falak Fin Nine Limited	5,046	1,631	408	3,007	3,415
Falak Fin Ten Limited	5,526	1,438	359	3,729	4,088
Falak Fin Eleven Limited	37,752	1,426	356	35,970	36,326
	284,604	16,007	4,001	264,596	268,597
Provision				(8,000)	(8,000)
				256,596	260,597

5 TERM FINANCING

	<i>(Unaudited)</i> 31 March 2012 US\$ '000	<i>(Audited)</i> 31 December 2011 US\$ '000
Falak Fin One Limited	22,116	22,752
Falak Fin Two Limited	22,329	22,962
Falak Fin Three Limited	24,751	25,358
Falak Fin Four Limited	18,369	19,362
Falak Fin Seven Limited	23,215	23,837
Falak Fin Eight Limited	21,217	21,861
Falak Fin Nine Limited	2,833	3,013
Falak Fin Ten Limited	2,878	3,013
Falak Fin Eleven Limited	21,415	21,946
	159,123	164,104

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three month period ended 31 March 2012 (Unaudited)

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

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

	31 March 2012 (Unaudited)			<i>(Unaudited)</i> 31 March 2011 US\$ '000
	Shareholders <i>(US\$'000)</i>	Directors <i>(US\$'000)</i>	Total <i>(US\$'000)</i>	
Income				
Fee income	27	-	27	28
Expenses				
Board of Directors and committees meetings' expenses and attendance allowances	-	26	26	17
Shari'a Supervisory Board meetings' expenses and attendance allowances	-	14	14	13
Fee expense	-	-	-	2

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>Three months ended</i>	
	31 March 2012 US\$ '000	31 March 2011 US\$ '000
Short term employee costs	329	329
Termination costs	53	49
	382	378

7 REDUCTION OF SHARE CAPITAL

At an Extraordinary General Meeting (EGM) dated 16 April 2012, the shareholders have resolved to reduce the share capital of the Bank from US\$ 291,286 thousands to US\$ 145,643 thousands. The Bank has obtained an initial approval from the CBB and is in process of finalising other regulatory requirements.