

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

30 September 2009

REPORT ON REVIEW OF INTERIM CONDENSED 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 2009, comprising the interim consolidated statement of financial position as at 30 September 2009 and the related interim consolidated statements of income, 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 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.

15 October 2009
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2009 (Unaudited)

		<i>(Audited)</i>
	30 September	31 December
	2009	2008
	Notes	
	US\$ '000	US\$ '000
ASSETS		
Cash and balances with banks	4,904	5,809
Due from banks and financial institutions	32,629	60,531
Non-trading investments	4 41,583	51,317
Investments in leases	101,390	101,390
Net assets of disposal group classified as held for sale	5 126,118	125,394
Investment property	12,571	17,460
Other assets	4,074	3,301
Property and equipment	10,471	11,536
TOTAL ASSETS	333,740	376,738
LIABILITIES AND EQUITY		
Due to banks and financial institutions	27,557	57,917
Other liabilities	3,518	6,808
TOTAL LIABILITIES	31,075	64,725
EQUITY		
Share capital	291,286	291,286
Reserves	2,321	8,426
Accumulated losses	(6,009)	(2,693)
Equity attributable to shareholders of the parent	287,598	297,019
Minority interest	15,067	14,994
TOTAL EQUITY	302,665	312,013
TOTAL LIABILITIES AND EQUITY	333,740	376,738

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 15 October 2009.

Mr. Asaad Al Banwan
Chairman

Mr. Khalid Al Nasser
Board Member

Mr. 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)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended 30 September 2009 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	30 September 2009	<i>30 September 2008</i>	30 September 2009	<i>30 September 2008</i>
	US\$ '000	<i>US\$ '000</i>	US\$ '000	<i>US\$ '000</i>
Rental income from investments in leases	8,382	10,814	27,256	29,968
Rental expense on investments in leases	(6,282)	(8,320)	(19,298)	(22,724)
Management fees relating to leases	(377)	(415)	(1,133)	(1,348)
Net income from investments in leases	1,723	2,079	6,825	5,896
Profit on due from banks and financial institutions	78	1,387	679	4,616
Profit on due to banks and financial institutions	(110)	(1,444)	(1,132)	(4,168)
Net (cost) income on due from / to banks and financial institutions	(32)	(57)	(453)	448
Trading gains	-	-	-	2,894
(Loss) Income from non-trading investments	(2,092)	637	(1,298)	1,756
Gain on disposal of assets held for sale	-	172	-	6,167
Fee income	162	492	464	642
TOTAL INCOME	(239)	3,323	5,538	17,803
Expenses				
Staff expenses	1,588	2,092	4,504	6,493
General and administration expenses	483	1,977	2,292	3,542
Depreciation	430	156	1,269	429
TOTAL EXPENSES	2,501	4,225	8,065	10,464
NET (LOSS) INCOME FOR THE PERIOD BEFORE ADJUSTMENT FOR INVESTMENT PROPERTY	(2,740)	(902)	(2,527)	7,339
Unrealised loss on investment property	-	-	(4,889)	-
NET (LOSS) INCOME FOR THE PERIOD	(2,740)	(902)	(7,416)	7,339
Attributable to:				
Shareholders of the parent	(2,967)	(1,438)	(8,205)	6,588
Minority interest	227	536	789	751
	(2,740)	(902)	(7,416)	7,339

The attached explanatory notes 1 to 6 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 2009 (Unaudited)

	<i>Nine months ended</i>	
	30 September 2009 US\$ '000	<i>30 September 2008 US\$ '000</i>
OPERATING ACTIVITIES		
Net (loss) income for the period	(7,416)	7,339
Adjustments for:		
Provision for employees' end of service benefits	190	467
Depreciation	1,269	429
Loss on sale of property and equipment	-	13
Gain on disposal of assets held for sale	-	(6,167)
Loss on disposal of non-trading investments	1,900	-
Unrealized loss on investment property	4,889	-
Trading gains	-	(2,894)
	832	(813)
Changes in operating assets and liabilities:		
Due from banks and financial institutions	-	10,964
Unrestricted investment accounts	-	(10,000)
Due to banks and financial institutions	(32,487)	81,398
Other assets	(773)	(3,813)
Other liabilities	(3,480)	(2,688)
Net cash (used in) from operating activities	(35,908)	75,048
INVESTING ACTIVITIES		
Proceeds from sale of non-trading investments	8,021	10,000
Purchase of investments in leases	-	(34,316)
Investment in assets held for sale	-	(175,000)
Proceeds from sale of assets held for sale	-	65,678
Purchase of property and equipment	(204)	(1,773)
Disposal of property and equipment	-	61
Net cash from (used in) investing activities	7,817	(135,350)
FINANCING ACTIVITY		
Minority interest	(716)	9,746
Net cash (used in) from financing activity	(716)	9,746
DECREASE IN CASH AND CASH EQUIVALENTS	(28,807)	(50,556)
Cash and cash equivalents at beginning of the period	66,340	174,072
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	37,533	123,516

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

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2009 (Unaudited)

	<i>Equity attributable to shareholders of the parent</i>				<i>Total</i> <i>US\$ '000</i>	<i>Minority</i> <i>interest</i> <i>US\$ '000</i>	<i>Total</i> <i>equity</i> <i>US\$ '000</i>
	<i>Share</i> <i>capital</i> <i>US\$ '000</i>	<i>Statutory</i> <i>reserve</i> <i>US\$ '000</i>	<i>* Investment</i> <i>fair value</i> <i>reserve</i> <i>US\$ '000</i>	<i>(Accumulated</i> <i>losses) /</i> <i>retained</i> <i>earnings</i> <i>US\$ '000</i>			
Balance at 1 January 2009	291,286	2,002	6,424	(2,693)	297,019	14,994	312,013
Net (loss) income for the period	-	-	-	(8,205)	(8,205)	789	(7,416)
Dividends paid by subsidiaries	-	-	-	-	-	(716)	(716)
Unrealised losses on remeasurement to fair value	-	-	(6,105)	4,889	(1,216)	-	(1,216)
Balance at 30 September 2009	291,286	2,002	319	(6,009)	287,598	15,067	302,665
Balance at 1 January 2008	291,286	2,002	6,424	11,594	311,306	7,373	318,679
Net income for the period	-	-	-	6,588	6,588	751	7,339
Unrealised losses on remeasurement to fair value	-	-	(6,512)	-	(6,512)	-	(6,512)
Investment in subsidiaries	-	-	-	-	-	9,746	9,746
Balance at 30 September 2008	291,286	2,002	(88)	18,182	311,382	17,870	329,252

* This represents the net unrealised gain / loss on revaluation of investment property and available for sale investments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009 (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 a Wholesale Islamic Banking Licence issued by the Central Bank of Bahrain ["the CBB"].

The core business activities of the Bank and its 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.

The Bank changed its name from United International Bank B.S.C. (c) to Seera Investment Bank B.S.C. (c), as part of a rebranding exercise, effective from 22 November 2008.

2 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 FAS exists, including interim financial reporting, the Group uses the relevant International Financial Reporting Standard ["IFRS"] issued by the International Accounting Standards Board.

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 2008.

Results for the nine month period ended 30 September 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

3 CONSOLIDATED SUBSIDIARIES

The Group has an investment in the Falak structure and indirectly has the following significant subsidiaries as at 30 September 2009:

<i>Name of subsidiary</i>	<i>Country of incorporation</i>	<i>Equity interest 30 June 2009</i>
Falak Aviation Investment Fund	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%

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009 (Unaudited)

4 NON-TRADING INVESTMENTS

	30 September 2009			31 December 2008		
	<i>Available for sale</i>	<i>Held to maturity</i>	<i>Total</i>	<i>Available for sale</i>	<i>Held to maturity</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>
Quoted investments						
Equity investments	11,057	-	11,057	15,180	-	15,180
Unquoted investments						
Equity investments	22,526	-	22,526	21,123	-	21,123
Sukuk	-	8,000	8,000	-	15,014	15,014
	33,583	8,000	41,583	36,303	15,014	51,317

5 DISPOSAL GROUP

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 30 September 2009, the Group retained a 21.5% stake in this Danish company (total assets and liabilities amounted to US\$ 62,799 thousand and US\$ 42,002 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 30 September 2009, total assets and liabilities of this UK based company amounted to US\$ 217,944 thousand and US\$ 108,180 thousand respectively.

6 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>(Audited)</i>	
	30 September 2009	31 December 2008
	US\$ '000	US\$ '000
Assets		
Quoted investments managed by a shareholder - NIC	11,057	15,180

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2009 (Unaudited)

6 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Nine months ended</i>	
	30 September	30 September
	2009	2008
	US\$ '000	US\$ '000
Profit on amounts due from banks and financial institutions	48	7
Profit on amounts due to banks and financial institutions	-	(7)
Gain on disposal of assets held for sale	-	2,141
Fee income	82	204
Board of Directors and Committees meetings' expenses and attendance allowances	193	237
Shari'a Supervisory Board meetings' expenses and attendance allowances	54	108

Compensation of key management personnel is as follows:

	<i>Nine months ended</i>	
	30 September	30 September
	2009	2008
	US\$ '000	US\$ '000
Short term employee benefits	1,457	1,366
Termination benefits	165	945
Total compensation of key management personnel	<u>1,622</u>	<u>2,311</u>