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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2010

ERNST & YOUNG

P.O. Box 140
14th Floor - The Tower
Bahrain Commercial Complex
Manama, Kingdom of Bahrain
Tel: +973 1753 5455 Fax: +973 1753 5405
manama@bh.ey.com
www.ey.com/me
C.R. No. 6700

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 2010, comprising the interim consolidated statement of financial position as at 30 September 2010 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.

Ernst + Young

4 November 2010
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2010

	Notes	***(Unaudited)* 30 September 2010 US$ '000**	*(Audited) 31 December 2009 US$ '000*
ASSETS			
Cash and balances with banks		**22,498**	4,363
Due from banks and financial institutions		**33,104**	37,940
Non-trading investments	6	**22,203**	27,624
Investments in leases		**93,890**	93,390
Net assets of disposal group classified as held for sale	7	**15,408**	115,846
Investment property		**11,454**	11,454
Goodwill and intangible assets	8	**166,765**	-
Other assets	9	**52,381**	6,128
Property and equipment		**9,932**	10,044
TOTAL ASSETS		**427,635**	306,789
LIABILITIES AND EQUITY			
Due to banks and financial institutions		**105,365**	25,874
Other liabilities		**22,799**	4,903
TOTAL LIABILITIES		**128,164**	30,777
EQUITY			
Share capital		**291,286**	291,286
Reserves		**3,318**	2,420
Accumulated losses		**(27,319)**	(32,804)
Equity attributable to shareholders of the parent		**267,285**	260,902
Non-controlling interest		**32,186**	15,110
TOTAL EQUITY		**299,471**	276,012
TOTAL LIABILITIES AND EQUITY		**427,635**	306,789

Asaad Al Banwan

Khalid Al Nasser

Abdulla Janahi
Chief Executive Officer

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended 30 September 2010 (Unaudited)

	Three months ended		*Nine months ended*	
	30 September 2010	*30 September 2009*	***30 September 2010***	*30 September 2009*
	US$ '000	*US$ '000*	***US$ '000***	*US$ '000*
Rental income from investments in leases	**8,739**	8,382	**25,566**	27,256
Rental expense on investments in leases	**(7,226)**	(6,282)	**(19,578)**	(19,298)
Management fees relating to leases	**(349)**	(377)	**(1,046)**	(1,133)
Net income from investments in leases	**1,164**	1,723	**4,942**	6,825
Profit on amounts due from banks and financial institutions	**52**	78	**152**	679
Profit on amounts due to banks and financial institutions	**(50)**	(110)	**(160)**	(1,132)
Net income (cost) on due from / to banks and financial institutions	**2**	(32)	**(8)**	(453)
Net income from non-banking activities (Note 10)	**2,946**	-	**5,405**	-
Gain on disposal of non-trading investment	**63**	(2,092)	**2,400**	(1,298)
Fee income	**147**	162	**443**	464
TOTAL INCOME	**4,322**	(239)	**13,182**	5,538
Expenses				
Staff expenses	**1,853**	1,588	**4,775**	4,504
General and administration expenses	**639**	374	**2,010**	2,268
Foreign exchange (gain) / loss	**(2,381)**	109	**288**	24
Depreciation	**411**	430	**1,256**	1,269
TOTAL EXPENSES	**522**	2,501	**8,329**	8,065
Net profit (loss) for the period before provisions & unrealised losses	**3,800**	(2,740)	**4,853**	(2,527)
Write back of provisions	**-**	-	**1,950**	-
Unrealised loss on investment property	**-**	-	**-**	(4,889)
NET INCOME (LOSS) FOR THE PERIOD	**3,800**	(2,740)	**6,803**	(7,416)
Attributable to:				
Shareholders of the parent	**3,254**	(2,967)	**5,485**	(8,205)
Non-controlling interest	**546**	227	**1,318**	789
	3,800	(2,740)	**6,803**	(7,416)

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2010 (Unaudited)

	Nine months ended	
	30 September 2010	*30 September 2009*
	US$ '000	*US$ '000*
OPERATING ACTIVITIES		
Net income (loss) for the period	**6,803**	(7,416)
Adjustments for:		
Provision for employees' end of service benefits	**178**	190
Write back of provisions	**(1,950)**	-
Depreciation	**1,256**	1,269
(Gain) loss on disposal of non-trading investments	**(2,400)**	1,900
Unrealised loss on investment property	**-**	4,889
	3,887	832
Changes in operating assets and liabilities:		
Due to banks and financial institutions	**(12,746)**	(32,487)
Other assets	**(3,493)**	(773)
Other liabilities	**2,957**	(3,480)
Net cash used in operating activities	**(9,395)**	(35,908)
INVESTING ACTIVITIES		
Proceeds from sale of non-trading investments	**9,417**	8,021
Purchase of investments in leases	**(500)**	-
Purchase of property and equipment	**(28)**	(204)
Net cash from investing activities	**8,889**	7,817
FINANCING ACTIVITY		
Non-controlling interest	**(164)**	(716)
Net cash used in financing activity	**(164)**	(716)
DECREASE IN CASH AND CASH EQUIVALENTS	**(670)**	(28,807)
Cash and cash equivalents at beginning of the period	**42,303**	66,340
Cash and cash equivalents of subsidiary (Note 5)	**13,969**	-
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**55,602**	37,533

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2010 (Unaudited)

	Equity attributable to shareholders of the parent							
	Share capital US$ '000	*Statutory reserve US$ '000*	*Investment fair value reserve US$ '000*	*Foreign currency translation reserve US$ '000*	*Accumulated losses US$ '000*	*Total US$ '000*	*Non-controlling interest US$ '000*	*Total equity US$ '000*
Balance at 1 January 2010	291,286	2,002	418	-	(32,804)	260,902	15,110	276,012
Net income for the period	-	-	-	-	5,485	5,485	1,318	6,803
Dividends paid by subsidiaries	-	-	-	-	-	-	(164)	(164)
Acquisition of a subsidiary (note 5)	-	-	-	-	-	-	15,824	15,824
Exchange differences on translation of foreign operations	-	-	-	552	-	552	98	650
Unrealised gain on remeasurement to fair value	-	-	346	-	-	346	-	346
Balance at 30 September 2010	**291,286**	**2,002**	**764**	**552**	**(27,319)**	**267,285**	**32,186**	**299,471**
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

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements

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.

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 4 November 2010.

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 AAOIFI standards exist, including interim financial reporting, the Group uses the relevant International Financial Reporting Standard ["IFRS"] issued by the International Accounting Standards Board ["IASB"].

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 2009 and new accounting policies adopted as per note 3.

Results for the nine month period ended 30 September 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

3 NEW ACCOUNTING POLICIES APPLIED

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed. For acquisitions before 31 December 2008, transactions costs directly attributable to the acquisition formed part of the acquisition costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in the consolidated statement of income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3 NEW ACCOUNTING POLICIES APPLIED (continued)

Business combinations and goodwill (continued)
Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Inventories
Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Intangible assets
Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Profit rate swaps
The Group uses profit rate swaps to manage its profit rate risks. Such financial instruments are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value. Profit rate swaps are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value profit rate swaps are taken directly to the consolidated statement of income.

Revenue on sale of goods
Revenue from the sale of goods is recognised when the goods are physically delivered to the customer and is stated net of taxes and trade discounts.

Taxation
There is no taxation in the Kingdom of Bahrain. Taxation on foreign operations is provided in accordance with fiscal regulations of the respective countries in which the subsidiaries operate.

4 CONSOLIDATED SUBSIDIARIES

The following are the Group's significant subsidiaries as at 30 September 2010:

Name of subsidiary	*Country of incorporation*	*Equity interest*
Falak Aviation Fund Company	Kingdom of Bahrain	100%
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%
BWA Cayman Limited **	Cayman	98%
BWA Jersey Limited **	Jersey	85%
BWA Lux S.a.r.l **	Luxembourg	85%
BWA UK Acquisition Company Limited **	UK	85%
MCAW Group Limited **	United Kingdom	85%

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

** These subsidiaries are being consolidated from 1 April 2010.

5 BUSINESS COMBINATION

On 29 September 2008, the Group acquired 85% of McCaw Group Limited via BWA Cayman Ltd.This acquisition was treated as a subsidiary held for sale under IFRS 5. Since the criteria mention in paragraph 7 to 9 of IFRS 5 are no longer applicable, therefore, the Group has ceased to classify the asset as held for sale, hence all the companies under the McCaw Group Limited are being consolidated under FAS 23 from 1 April 2010.

The fair value of identifiable assets and liabilities as at the date of acquisition were:

	Fair value recognised on acquisition US$ '000
Assets	
Cash and balances with banks	13,969
Intangible assets	14,077
Other assets	38,583
Property and equipment	1,116
	67,745
Liabilities	
Due to banks and financial institutions	93,749
Other liabilities	14,762
	108,511
Total identifiable net liabilities at fair value	**(40,766)**
Non-controlling interests	(15,824)
Goodwill arising on acquisition	166,217
Purchase consideration transferred	**109,627**
Net cash flow on acquisition	**13,969**

6 NON-TRADING INVESTMENTS

	(Unaudited) 30 September 2010 US$ '000	*(Audited) 31 December 2009 US$ '000*
Available for sale - equity investments		
Quoted	**2,091**	8,761
Unquoted	**20,112**	18,863
	22,203	27,624

7 NET ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The disposal group 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 2010, the Group retained a 21.5% stake in this Danish company (total assets and liabilities amounted to US$ 48,214 thousand and US$ 32,402 thousand) through the Cayman Islands holding company. As at 31 December 2009, the disposal group also included a company incorporated in Cayman Islands which has a stake of 87.13% of a UK based company selling water treatment products. This disposal group is being consolidated as a

8 GOODWILL AND INTANGIBLE ASSETS

	(Unaudited) ***30 September 2010*** ***US$ '000***	*(Audited)* *31 December 2009* *US$ '000*
Goodwill	**156,217**	-
Intangible assets	**10,548**	-
	166,765	-

9 OTHER ASSETS

	(Unaudited) ***30 September 2010*** ***US$ '000***	*(Audited)* *31 December 2009* *US$ '000*
Trade receivables	**23,635**	-
Deferred tax asset	**7,196**	-
Inventories	**10,275**	-
Management fee receivable	**1,694**	1,297
Others	**9,581**	4,831
	52,381	6,128

10 NET INCOME FROM NON-BANKING ACTIVITIES

	Nine months ended	
	30 September 2010 ***US$ '000***	*30 September 2009* *US$ '000*
Revenue from sale of goods	**68,508**	-
Cost of goods sold	**(43,522)**	-
Gross Profit	**24,986**	-
Selling and distribution expenses	**(2,617)**	-
Administrative expenses	**(10,083)**	-
Finance cost	**(3,992)**	-
Taxation	**(2,889)**	-
Total expenses from non-banking activities	**(19,581)**	-
Net income from non-banking activities	**5,405**	-

11 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)	*(Audited)*
	30 September 2010	*31 December 2009*
	US$ '000	*US$ '000*
Assets		
Quoted investments managed by a shareholder - NIC	**2,091**	8,761
Other assets	**280**	342

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

	Nine months ended	
	30 September 2010	*30 September 2009*
	US$ '000	*US$ '000*
Income		
Profit on amounts due from banks and financial institutions	**-**	48
Fee income	**81**	82
Expenses		
Board of Directors and committees meetings' expenses and attendance allowances	**141**	193
Shari'a Supervisory Board meetings' expenses and attendance allowances	**58**	54
Fee expense	**20**	52

Staff costs attributable to key management personnel of the Group is as follows:

	Nine months ended	
	30 September 2010	*30 September 2009*
	US$ '000	*US$ '000*
Short term employee costs	**1,467**	1,457
Termination costs	**150**	165
Total compensation of key management personnel	**1,617**	1,622