

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

31 MARCH 2013

**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 2013, comprising the interim consolidated statement of financial position as at 31 March 2013 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 the accounting policies disclosed in note 2.



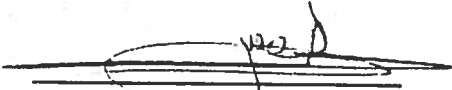
12 May 2013
Manama, Kingdom of Bahrain

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

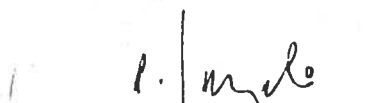
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013 (Unaudited)

		(Unaudited) 31 March 2013 US\$ '000	(Audited) 31 December 2012 US\$ '000
ASSETS			
Cash and balances with banks		10,185	8,242
Due from banks and financial institutions		21,404	45,255
Financing contracts	3	30,399	7,716
Non-trading investments	4	17,362	17,573
Investment in ijarah assets	5	240,589	244,590
Net assets of disposal group classified as held for sale		14,497	14,942
Investment in real estate		10,476	10,476
Other assets		4,648	5,093
Property and equipment		6,339	6,374
TOTAL ASSETS		355,899	360,261
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
Term financing	6	136,644	141,483
Other liabilities		19,965	14,424
TOTAL LIABILITIES		156,609	155,907
OWNERS' EQUITY			
Share capital		145,643	145,643
Reserves		9,547	9,908
Retained earnings		26,983	27,571
Proposed dividend	7	-	4,275
Equity attributable to shareholders of the parent		182,173	187,397
Non-controlling interest		17,117	16,957
TOTAL OWNERS' EQUITY		199,290	204,354
TOTAL LIABILITIES AND OWNERS' EQUITY		355,899	360,261


Sulaiman Al Sahli
Chairman


Mubarak Al Hemeiri
Board Member

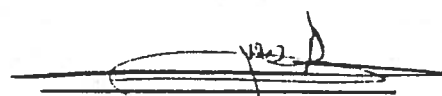

Abdulla Janahi
Chief Executive Officer

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

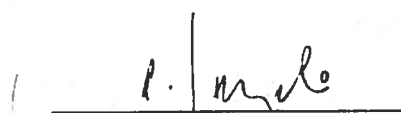
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three month period ended 31 March 2013 (Unaudited)

	Note	Three months ended	
		31 March 2013 US\$ '000	31 March 2012 US\$ '000
Rental income from investment in ijarah assets		7,599	8,960
Depreciation on investment in ijarah assets	5	(4,001)	(4,001)
Management fees relating to ijarah assets		(226)	(299)
Financing cost relating to term financing obtained to purchase ijarah assets		(1,487)	(1,823)
Other operating expenses relating to ijarah assets		(621)	(1,298)
Net income from investment in ijarah assets		1,264	1,539
Profit on amounts due from banks and financial institutions		42	539
Profit on financing contracts		131	-
Net funding income		173	539
Fee and other income		222	222
TOTAL INCOME		1,659	2,300
Expenses			
Staff expenses		960	941
Foreign exchange		407	-
General and administration expenses		276	267
Depreciation on property and equipment		149	179
TOTAL EXPENSES		1,792	1,387
NET (LOSS) / INCOME FOR THE PERIOD BEFORE UNREALISED LOSS		(133)	913
Net unrealised fair value loss on investment		(295)	-
NET (LOSS) / INCOME FOR THE PERIOD		(428)	913
Attributable to:			
Shareholders of the parent		(588)	722
Non-controlling interest		160	191
		(428)	913


Sulaiman Al Sahli
Chairman


Mubarak Al Hemeiri
Board Member


Abdulla Janahi
Chief Executive Officer

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2013 (Unaudited)

	Note	Three months ended	
		31 March 2013 US\$ '000	31 March 2012 US\$ '000
OPERATING ACTIVITIES			
Net (loss) / income for the period		(428)	913
Adjustments for:			
Depreciation on investment in ijarah assets	5	4,001	4,001
Depreciation on property and equipment		149	179
Gain on disposal of equipment		(10)	-
Net unrealised fair value loss on investment		295	-
		<u>4,007</u>	<u>5,093</u>
Changes in operating assets and liabilities:			
Financing contracts		(22,683)	-
Other assets		445	309
Other liabilities		1,266	178
Net cash (used in) / from operating activities		<u>(16,965)</u>	<u>5,580</u>
INVESTING ACTIVITIES			
Purchase of equipment		(114)	(2)
Proceeds from disposal of equipment		10	-
Net cash used in investing activities		<u>(104)</u>	<u>(2)</u>
FINANCING ACTIVITY			
Repayment of term financing		(4,839)	(4,981)
Net cash used in financing activity		<u>(4,839)</u>	<u>(4,981)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		<u>(21,908)</u>	<u>597</u>
Cash and cash equivalents at beginning of the period		<u>53,497</u>	<u>209,316</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<u><u>31,589</u></u>	<u><u>209,913</u></u>
Cash and cash equivalents comprise:			
Cash and balances with banks		10,185	7,889
Due from banks and financial institutions with original maturity of ninety days or less		21,404	202,024
		<u><u>31,589</u></u>	<u><u>209,913</u></u>

The attached explanatory notes 1 to 9 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 2013 (Unaudited)

	Equity attributable to shareholders of the parent							Total owners' equity US\$ '000
	Share capital US\$ '000	Statutory reserve US\$ '000	Investment fair value reserve US\$ '000	Retained earnings US\$ '000	Proposed dividend US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	
Balance at 1 January 2013	145,643	9,140	768	27,571	4,275	187,397	16,957	204,354
Net loss for the period	-	-	-	(588)	-	(588)	160	(428)
Unrealised loss on remeasurement to fair value	-	-	(361)	-	-	(361)	-	(361)
Dividends declared (note 7)	-	-	-	-	(4,275)	(4,275)	-	(4,275)
Balance at 31 March 2013	145,643	9,140	407	26,983	-	182,173	17,117	199,290
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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (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 12 May 2013.

2 ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements for the three month period ended 31 March 2013 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 2012. In addition, results for the three month period ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

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 "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 2012, (except for the adoption of a new accounting standard as of 1 January 2013), which were prepared in accordance with Financial Accounting Standards ("FAS") issued by the 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 ("IFRSs") issued by International Accounting Standards Board ("IASB").

2.4 Adoption of new and amended standard

During 2012, AAOIFI issued a new Financial Accounting Standard (FAS 26) "Investment in real estate", which is effective as of 1 January 2013.

FINANCIAL ACCOUNTING STANDARD (FAS 26) "INVESTMENT IN REAL ESTATE".

The Group has adopted FAS 26 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in real estate that is acquired for the purpose of earning periodical income or held for future capital appreciation, or both. Before the adoption of FAS 26, the Group followed FAS 17 'Investments' and measured its investment in real estate at fair value and this measurement continued to be followed under FAS 26.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

2 ACCOUNTING POLICIES (continued)**2.5 Investment in real estate**

Properties held for rental, or for capital appreciation purposes, or both, are classified as investment in real estate. Investment in real estate is initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investment in real estate is re-measured at fair value and changes in fair value (only gains) are recognised as property fair value reserve in the consolidated statement of changes in owners' equity.

Losses arising from changes in fair value of investment in real estate are firstly adjusted against the property fair value reserve to the extent of the available balance and then the remaining losses are recognised in the consolidated statement of income. If there are unrealised losses that have been recognised in the consolidated statement of income in the previous financial period, the current period unrealised gains shall be recognised in the consolidated statement of income to the extent of crediting back such previous losses in the consolidated statement of income. When the property is disposed of, the cumulative gains previously transferred to the property fair value reserve, are transferred to consolidated statement of income.

3 FINANCING CONTRACTS

		<i>(Unaudited)</i> 31 March 2013 US\$ '000	<i>(Audited)</i> 31 December 2012 US\$ '000
	Note		
Murabaha receivables	3.1	4,316	7,716
Tawarruq	3.2	26,083	-
		<u>30,399</u>	<u>7,716</u>

3.1 Murabaha receivables

Gross murabaha receivables	4,352	7,720
Deferred income	(36)	(4)
Net murabaha receivables	<u>4,316</u>	<u>7,716</u>

3.2 Tawarruq

Gross tawarruq	40,083	-
Deferred income	(14,000)	-
Net tawarruq	<u>26,083</u>	<u>-</u>

4 NON-TRADING INVESTMENTS

	<i>(Unaudited)</i> 31 March 2013 US\$ '000	<i>(Audited)</i> 31 December 2012 US\$ '000
Quoted investment designated at fair value through equity	1,586	1,502
Unquoted investments designated at fair value through equity	15,776	16,071
	<u>17,362</u>	<u>17,573</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

5 INVESTMENT IN IJARAH ASSETS

Investment 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 2013 US\$ '000</i>	<i>Accumulated Depreciation 1 January 2013 US\$ '000</i>	<i>Depreciation charge US\$ '000</i>	<i>Net book value at 31 March 2013 US\$ '000</i>	<i>Net book value at 31 December 2012 US\$ '000</i>
Falak Fin One Limited	39,739	2,968	371	36,400	36,771
Falak Fin Two Limited	40,042	2,808	351	36,883	37,234
Falak Fin Three Limited	41,965	3,496	437	38,032	38,469
Falak Fin Four Limited	36,599	3,238	405	32,956	33,361
Falak Fin Seven Limited	43,666	4,360	545	38,761	39,306
Falak Fin Eight Limited	34,269	6,154	769	27,346	28,115
Falak Fin Nine Limited	5,046	3,262	408	1,376	1,784
Falak Fin Ten Limited	5,526	2,876	359	2,291	2,650
Falak Fin Eleven Limited	37,752	2,852	356	34,544	34,900
	284,604	32,014	4,001	248,589	252,590
Provision				(8,000)	(8,000)
				240,589	244,590

6 TERM FINANCING

	<i>(Unaudited) 31 March 2013 US\$ '000</i>	<i>(Audited) 31 December 2012 US\$ '000</i>
Falak Fin One Limited	19,689	20,141
Falak Fin Two Limited	19,689	20,366
Falak Fin Three Limited	22,214	22,865
Falak Fin Four Limited	14,314	15,345
Falak Fin Seven Limited	20,656	21,310
Falak Fin Eight Limited	18,556	19,239
Falak Fin Ten Limited	2,293	2,428
Falak Fin Eleven Limited	19,233	19,789
	136,644	141,483

7 PROPOSED DIVIDEND

A proposed dividend of US\$ 4,275 thousand (US\$ 0.01467 per share) for the year ended 31 December 2012, was approved by the Bank's shareholders for payment at the Annual General Meeting held on 4 March 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

8 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 in manner similar to transactions with third parties. For the period ended 31 March 2013, the Bank has not made any provision related to the amounts owed by related parties (31 December 2012: Nil).

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

	31 March 2013 (Unaudited)				(Audited) 31 December 2012
	Shareholders US\$'000	Directors US\$'000	Others US\$'000	Total US\$'000	US\$ '000

Consolidated statement of financial position

Assets

Other assets	554	-	-	554	544
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	31 March 2013 (Unaudited)				(Unaudited) 31 March 2012
	Shareholders (US\$'000)	Directors (US\$'000)	Others (US\$'000)	Total (US\$'000)	US\$ '000

Consolidated statement of income

Income

Fee income	40	-	-	40	27
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Expenses

Board of Directors and Board committees attendance allowance	-	29	-	29	26
Shari'a Supervisory Board attendance allowances	-	-	27	27	14

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 are as follows:

	(Unaudited) Three months ended	
	31 March 2013 US\$ '000	31 March 2012 US\$ '000
Short term employee expenses	305	329
Termination expenses	53	53
	358	382

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2013 (Unaudited)

9 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Group as at 31 March 2013:

	<i>Amortised Cost US\$ '000</i>	<i>Fair value through equity US\$ '000</i>
Financial assets:		
Financing contracts	30,399	-
Non-trading investments	-	17,362
Other assets (excluding prepayments)	4,211	-
Total	34,610	17,362
Financial liabilities:		
Term financing	136,644	-
Other liabilities	19,965	-
Total	156,609	-

The fair values of all financial instruments are not materially different from their carrying values as at the statement of financial position date.

Fair value hierarchy

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 31 March 2013:

	<i>Level 1 US\$ '000</i>	<i>Level 2 US\$ '000</i>	<i>Level 3 US\$ '000</i>	<i>Total US\$ '000</i>
Non-trading investments	1,586	-	4,638	6,224

The other investment with a carrying value of US\$ 11,138 thousand is carried at cost less impairment.

Transfers between Level 1, Level 2 and Level 3

During the three month period ended 31 March 2013 there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurement.