

Unicorn Investment Bank B.S.C. (c)
Interim Condensed Consolidated
Financial Statements

30 June 2010
(Unaudited)



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Report on Review of the Interim Condensed Consolidated Financial Statements

to the Board of Directors of Unicorn Investment Bank B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Unicorn Investment Bank B.S.C. (c) ("the Bank") and its subsidiaries ("the Group") as at 30 June 2010, comprising of the interim consolidated statements of financial position as at 30 June 2010 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows and restricted investment accounts for the six month period then ended and the explanatory notes. These interim condensed consolidated financial statements are the responsibility of the Bank's Board of Directors. 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 consolidated 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 presented fairly, in all material respects, in accordance with note 2.

Ernst & Young

17 August 2010
Manama, Kingdom of Bahrain

Interim Consolidated Statement of Financial Position

At 30 June 2010 (Unaudited)

(Amounts in United States Dollars thousands)

	30 June 2010	Audited 31 December 2009
ASSETS		
Cash and balances with banks	53,388	135,918
Due from financial and non-financial institutions	311,949	301,043
Investment securities	180,894	247,999
Investments in associates and joint ventures	123,844	151,348
Investment properties	26,664	29,164
Other assets	20,994	116,710
Premises and equipment	8,117	8,797
Assets held for sale	-	40,622
Goodwill	-	2,018
TOTAL ASSETS	725,850	1,033,619
LIABILITIES AND EQUITY		
LIABILITIES		
Due to financial and non-financial institutions	384,983	521,423
Subordinated Murabaha	51,225	50,000
Other liabilities	36,419	24,988
Liabilities relating to assets held for sale	-	13,556
TOTAL LIABILITIES	472,627	609,967
EQUITY		
Share capital	215,578	215,578
Share premium	141,708	141,708
Statutory reserve	15,580	15,580
Fair value reserve	(1,757)	10,280
Foreign currency translation reserve	(7,300)	(6,761)
(Accumulated losses)/retained earnings	(146,411)	3,324
Total equity attributable to the shareholders of the parent	217,398	379,709
Non-controlling interests	35,825	37,321
Non-controlling interests held for sale	-	6,622
TOTAL EQUITY	253,223	423,652
TOTAL LIABILITIES AND EQUITY	725,850	1,033,619

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 17 August 2010 and signed on their behalf by:



Yousef Abdullah Al-Shelash
Chairman



Iqbal Daredia
Acting Chief Executive Officer

The attached explanatory notes 1 to 5 form an integral part of these interim condensed consolidated financial statements.

Interim Consolidated Statement of Income

For the six months and three months ended 30 June 2010 (Unaudited)

(Amounts in United States Dollars thousands)

	Six months ended		Three months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Investment banking fees	21,745	8,194	1,517	7,160
Other investment banking income	7,050	2,405	6,134	(6,566)
Investment banking income	28,795	10,599	7,651	594
Net expense from financial and non-financial institutions	(3,429)	(4,199)	(1,084)	(2,290)
Net income from non-banking activities	-	11,026	-	8,173
Share of profit/(loss) of associates and joint ventures	4,262	(1,517)	2,801	(1,007)
Total income	29,628	15,909	9,368	5,470
Operating expenses	(40,385)	(35,184)	(20,142)	(19,787)
Loss before impairments and provisions & fair value movements	(10,757)	(19,275)	(10,774)	(14,317)
Impairments and provisions	(97,418)	(5,000)	(97,418)	(5,000)
Fair value movements on investment securities	(51,476)	28,279	(52,349)	21,812
(LOSS)/PROFIT BEFORE TAX	(159,651)	4,004	(160,541)	2,495
Income tax expense	-	(2,261)	-	(1,120)
NET (LOSS)/PROFIT	(159,651)	1,743	(160,541)	1,375
Attributable to:				
Shareholders of the parent	(158,197)	(1,260)	(159,698)	(1,266)
Non-controlling interests	(1,454)	3,003	(843)	2,641
	(159,651)	1,743	(160,541)	1,375

The attached explanatory notes 1 to 5 form an integral part of these interim condensed consolidated financial statements.

Interim Consolidated Statement of Comprehensive Income

For the six months and three months ended 30 June 2010 (Unaudited)

(Amounts in United States Dollars thousands)

	Six months ended		Three months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
Net (loss)/profit	(159,651)	1,743	(160,541)	1,375
Other comprehensive (loss)/income:				
Exchange differences on translating foreign operations	(572)	(616)	(741)	342
Changes in investment securities fair value	(3,221)	1,290	(3,936)	727
Share of other comprehensive (loss)/income of associates	(363)	195	30	139
Other comprehensive (loss)/income for the period	(4,156)	869	(4,647)	1,208
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(163,807)	2,612	(165,188)	2,583
Attributable to:				
Shareholders of the parent	(162,311)	(388)	(164,326)	(102)
Non-controlling interests	(1,496)	3,000	(862)	2,685
	(163,807)	2,612	(165,188)	2,583

The attached explanatory notes 1 to 5 form an integral part of these interim condensed consolidated financial statements.

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 (Unaudited)

(Amounts in United States Dollars thousands)

	Attributable to the shareholders of the parent							Advances for proposed increase in share capital	Non-controlling interests	Non-controlling interest held for sale	Total equity
	Share capital	Share premium	Statutory reserve	Fair value reserve	Foreign currency translation reserve	(Accumulated losses)/retained earnings	Total				
Balance at 1 January 2010	215,578	141,708	15,580	10,280	(6,761)	3,324	379,709	-	37,321	6,622	423,652
Net loss	-	-	-	-	-	(158,197)	(158,197)	-	(1,454)	-	(159,651)
Other comprehensive loss for the period	-	-	-	(3,575)	(539)	-	(4,114)	-	(42)	-	(4,156)
Transfer from fair value reserve	-	-	-	(8,462)	-	8,462	-	-	-	-	-
Disposal of controlling interests	-	-	-	-	-	-	-	-	-	(6,622)	(6,622)
Balance at 30 June 2010	215,578	141,708	15,580	(1,757)	(7,300)	(146,411)	217,398	-	35,825	-	253,223
Balance at 1 January 2009	183,740	71,216	15,580	61,765	(5,606)	2,945	329,640	110,059	7,901	6,311	453,911
Net (loss)/profit	-	-	-	-	-	(1,260)	(1,260)	-	2,755	248	1,743
Other comprehensive income/(loss) for the period	-	-	-	1,304	(432)	-	872	-	(3)	-	869
Transfer to fair value reserve	-	-	-	14,008	-	(14,008)	-	-	-	-	-
Business combination related movements	-	-	-	(46,008)	-	-	(46,008)	-	-	-	(46,008)
Issuance of additional shares	31,838	95,514	-	-	-	-	127,352	(110,059)	-	-	17,293
Equity transaction costs incurred	-	(25,022)	-	-	-	-	(25,022)	-	-	-	(25,022)
Employee share-based incentives scheme	-	-	-	-	-	621	621	-	-	-	621
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	-	66,252	-	66,252
Balance at 30 June 2009	215,578	141,708	15,580	31,069	(6,038)	(11,702)	386,195	-	76,905	6,559	469,659

The attached explanatory notes 1 to 5 form an integral part of these interim condensed consolidated financial statements.

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2010 (Unaudited)

(Amounts in United States Dollars thousands)

	30 June 2010	30 June 2009
OPERATING ACTIVITIES		
Net (loss)/profit	(159,651)	1,743
Adjustments for:		
Gain on sale of investment securities	(4,283)	(422)
Impairments and provisions	97,418	5,000
Fair value write-down on investment properties	2,500	9,374
Fair value movement on investment securities	51,476	(28,279)
Share of (profit)/loss of associates and joint ventures	(4,262)	1,517
Profit from assets held for sale	-	(988)
Share-based payments	-	1,841
Depreciation and amortisation	1,385	1,333
	(15,417)	(8,881)
Changes in:		
Due from financial and non-financial institutions	21	2,086
Other assets	70,153	7,509
Inventories	-	1,423
Due to financial and non-financial institutions	(136,440)	135,467
Subordinated Murabaha	1,225	-
Other liabilities	(5,604)	(90,394)
Proceeds from sale of investment securities	36,446	673
Purchase of investment securities	(28,195)	(92,050)
Net cash used in operating activities	(77,811)	(44,167)
INVESTING ACTIVITIES		
Purchase of premises and equipment	(337)	(4,800)
Disposal of assets held for sale	7,049	-
Investments in associates	-	(12,527)
Acquisition of subsidiaries, net of cash acquired	-	111,586
Net cash from investing activities	6,712	94,259
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(71,099)	50,092
Foreign currency translation adjustments	(504)	(39)
Cash and cash equivalents at the beginning of the period	433,855	420,174
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	362,252	470,227
Cash and cash equivalents comprise:		
Cash and balances with banks	53,388	112,607
Due from financial and non-financial institutions	308,864	357,620
	362,252	470,227

The attached explanatory notes 1 to 5 form an integral part of these interim condensed consolidated financial statements.

Interim Consolidated Statement of Restricted Investment Accounts

For the six months ended 30 June 2010 (Unaudited)

(Amounts in United States Dollars thousands)

	At 1 January 2010	Deposit	Gross Income	Wakil Fee	Withdrawals/ Distributions	At 30 June 2010
Wakala contract	240,132	78,929	3,923	(956)	(242,363)	79,665
	At 1 January 2009	Deposit	Gross Income	Wakil Fee	Withdrawals/ Distributions	At 31 December 2009 (Audited)
Wakala contract	-	240,000	188	(56)	-	240,132

The attached explanatory notes 1 to 5 form an integral part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (Unaudited)

1. CORPORATE INFORMATION

Unicorn Investment Bank B.S.C. (c) ("the Bank") was incorporated in the Kingdom of Bahrain by Amiri Decree No 12/1978, and registered with the Ministry of Industry and Commerce under Commercial Registration No. 53462 on 29 April 2004 and on 5 May 2004 was granted an Islamic investment banking licence by the Central Bank of Bahrain. In accordance with the revised banking regulations of the Central Bank of Bahrain, the Bank was granted a Wholesale Bank (Islamic Principles) Licence on 24 April 2007. The Bank's registered office is at the 3rd to 7th floors of Building No. 2304, Road No. 2830, Seef District 428, Kingdom of Bahrain.

The Bank and its subsidiaries (together referred to as "the Group") aim to provide a full range of investment banking products and services that are compliant with Shari'ah principles. The principal products and services offered by the Group are:

- financial advisory services;
- private equity, equity structuring, private placements and initial public offerings;
- facility structuring, restructuring and placement including project finance, securitisation and Sukuk;
- structuring and marketing of both open and closed end mutual funds as well as client portfolio management that meets specific investor driven return and asset criteria;
- advisory and investment services for takaful (Islamic insurance) and retakaful (Islamic reinsurance) providers;
- mergers and acquisitions, including deal sourcing, structuring, valuations and advisory; and
- developing and managing liquidity products and other treasury products and services.

The Group's Shari'ah Supervisory Board consists of seven Islamic scholars who review the Group's compliance with general Shari'ah principles and guidelines. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with these principles.

The number of Group employees as at 30 June 2010 was 197 (31 December 2009: 187).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six month period ended 30 June 2010 have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as at 31 December 2009.

The results for the six month period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

The following are the principal subsidiaries of the Bank that are consolidated:

Subsidiary	Ownership	Year of incorporation/ acquisition	Country of incorporation/ acquisition
UIB Capital Inc.	100%	2004	United States of America

The main activities of UIB Capital Inc. are to source investment opportunities in the USA and monitor the performance of the acquired companies on behalf of the Bank and investors.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (Unaudited)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Subsidiary	Ownership	Year of incorporation/ acquisition	Country of incorporation/ acquisition
Unicorn International Islamic Bank Malaysia Berhad	100%	2004	Malaysia
<p>Unicorn International Islamic Bank Malaysia Berhad was established in 2004 to source investment opportunities in the Far East and monitor the performance of the acquired companies on behalf of the Bank and investors and to establish distribution channels for the Group.</p> <p>Unicorn International Islamic Bank Malaysia Berhad was granted an investment banking licence in 2007 by the Ministry of Finance of Malaysia to carry out investment banking activity in currencies other than the Malaysian Ringgit.</p>			
Unicorn Capital Menkul Değerler A.Ş.	91.9%	2007	Turkey
<p>The main activities of Unicorn Capital Menkul Değerler A.Ş. are to provide investment consultancy, asset management, underwriting and brokerage services.</p>			
Unicorn Capital Saudi Arabia	53.4%	2009	Kingdom of Saudi Arabia

Unicorn Capital Saudi Arabia was granted a certificate of incorporation by the Saudi Arabia Capital Market Authority in March 2009. Its principal activities are investment banking.

2.2 Significant accounting policies

These interim condensed consolidated financial statements have been prepared using accounting policies, except noted below, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2009. For matters for which no AAOIFI standards exist, including "Interim Financial Reporting", the Bank uses the relevant International Financial Reporting Standards issued by the International Accounting Standards Board.

During the period, the Group has adopted the following standard, amendments and interpretation which are effective for the annual periods beginning on or after 1 January 2010.

IFRS 2 Share-based payments (Revised) - Cash-settled share-based transactions

The International Accounting Standards Board (IASB) issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The adoption of this amendment did not have a material impact on the financial position or performance of the Group.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, for future business combinations, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (Unaudited)

(Amounts in United States Dollars thousands)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Significant accounting policies (continued)

IFRIC 17 Distributions of non-cash assets to owners

This interpretation explains how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. The adoption of this interpretation did not have a material impact on the financial position or performance of the Group.

3. COMMITMENTS AND GUARANTEES

	30 June 2010	Audited 31 December 2009
Investment-related	6,933	24,493
Lease commitments	4,466	5,195
	11,399	29,688
Guarantees	3,357	3,863
	14,756	33,551

4. RELATED PARTY TRANSACTIONS

Compensation of senior management personnel

Senior management personnel are those that possess significant decision making and direction setting responsibilities within the Group.

	30 June 2010	30 June 2009
Short-term employee benefits	4,386	7,201
Post employment benefits	333	309
Share-based payments	-	1,841
	4,719	9,351

Transactions, arrangements and agreements involving related parties

Related parties comprise major shareholders, directors and senior management personnel of the Group, members of the Shari'ah Supervisory Board of the Group, close members of their families and entities owned or controlled by them. Pricing policies and terms of the transactions relating to these related parties are approved by management.

Related parties also comprise the Group's investment companies and funds that hold clients' investments. The Group manages its investment companies and funds on a fiduciary basis on behalf of its clients, who are third parties and are the beneficiaries of a majority of the economic interest of the underlying investments in the investment companies and funds. All transactions with these related parties arose from the ordinary course of business at normal commercial rates.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (Unaudited)

(Amounts in United States Dollars thousands)

4. RELATED PARTY TRANSACTIONS (continued)

Transactions, arrangements and agreements involving related parties (continued)

	30 June 2010			31 December 2009 (Audited)		
	Shareholders/ Directors	Senior management	Other entities	Shareholders/ Directors	Senior management	Other entities
Assets						
Due from financial and non-financial institutions	-	-	21,509	-	-	85,304
Investment securities	-	-	122,841	-	-	143,399
Investments in associates and joint ventures	-	-	123,844	-	-	151,348
Other assets	-	61	12,604	-	110	81,053
Liabilities						
Due to financial and non-financial institutions	-	-	41,521	-	-	47,422
Subordinated Murabaha	-	-	51,225	-	-	50,000
Other liabilities	1,149	2,497	7,922	1,040	1,032	8,242
Shareholders' equity						
Equity transaction costs	-	-	-	10,953	6,780	-
Statement of income						
(30 June 2010 and 30 June 2009)						
Investment banking fees	-	-	16,825	-	-	7,376
Other investment banking income	-	-	2,786	-	-	10,033
Net expense from financial and non-financial institutions	-	-	(1,213)	-	-	(486)
Share of profit/(loss) of associates and joint ventures	-	-	4,262	-	-	(1,517)
Impairments and provisions	-	-	(25,000)	-	-	(5,000)
Victron Inc. expenses	-	-	-	-	-	(121)
Directors' remuneration and expenses	(331)	-	-	(325)	-	-
Shari'ah Supervisory Board remuneration and expenses	-	-	(222)	-	-	(192)

Outstanding balances at the period-end arise in the normal course of business.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010 (Unaudited)

(Amounts in United States Dollars thousands)

5. SEGMENT INFORMATION

Operating segment information

	Six months ended 30 June 2010						
	Capital Markets & Treasury	Private Equity	Corporate Finance	Asset Management	Strategic M&A	Other	Total
Total income	21,429	6,777	(192)	1,895	613	(894)	29,628
Total expenses	(2,285)	(2,805)	(458)	(2,101)	(4,259)	(28,477)	(40,385)
Profit/(loss) before impairments and provisions & fair value movements	19,144	3,972	(650)	(206)	(3,646)	(29,371)	(10,757)
Impairments and provisions	(15,000)	(15,000)	-	(1,964)	(37,260)	(28,194)	(97,418)
Fair value movements on investment securities	(10,000)	(30,122)	(9,114)	10	(2,250)	-	(51,476)
Net Loss	(5,856)	(41,150)	(9,764)	(2,160)	(43,156)	(57,565)	(159,651)
Total Assets	405,948	135,269	10,141	41,176	119,934	13,382	725,850
Total Liabilities	170,491	148,302	20,623	15,770	28,205	89,236	472,627
	Six months ended 30 June 2009						
	Capital Markets & Treasury	Private Equity	Corporate Finance	Asset Management	Strategic M&A	Other	Total
Total income	7,213	2,485	36	223	18,867	36,498	65,322
Total expenses	(1,076)	(1,120)	(973)	(1,768)	(8,318)	(73,603)	(86,858)
Profit/(loss) before impairments and provisions & fair value movements	6,137	1,365	(937)	(1,545)	10,549	(37,105)	(21,536)
Impairments and provisions	-	-	-	-	-	(5,000)	(5,000)
Fair value movements on investment securities	9,951	12,910	-	907	4,511	-	28,279
Net Profit/(loss)	16,088	14,275	(937)	(638)	15,060	(42,105)	1,743
As at 31 December 2009 (Audited)							
Total Assets	478,572	219,333	19,154	39,679	147,825	129,056	1,033,619
Total Liabilities	171,248	202,042	19,259	15,242	127,189	74,987	609,967