



CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2010

Consolidated Statement of comprehensive income

(All amounts expressed in United States Dollars)

	Year ended 31 December	
	2010	2009
Income from financing activities and similar income	7,658,585	9,870,432
Profit on placements with banks	1,042,054	953,176
Finance cost and similar charges	(3,472,175)	(4,399,460)
	5,228,464	6,424,148
Fee and commission income	354,216	416,365
Income from investment activities	578,287	707,627
Other income	343,643	320,253
Total operating income	6,504,610	7,868,393
Staff costs	(2,903,406)	(2,876,965)
Other operating expenses	(1,643,262)	(1,792,895)
Loss on disposal of investment securities available for sale	-	(65,328)
Total operating expenses excluding provisions	(4,546,668)	(4,735,188)
Profit for the year prior to provision for impairment	1,957,942	3,133,205
Provision for impairment		
Finance lease receivables	(3,930,050)	(2,177,448)
Property and Equipment	(316,162)	-
Investment securities available-for-sale	-	(588,235)
	(4,246,212)	(2,765,683)
(Loss)/profit for the year after provision for impairment from continued operations	(2,288,270)	367,522
Loss for the year from discontinued operations	(1,219,390)	-
(Loss) / Profit for the year	(3,507,660)	367,522
Other comprehensive income for the year	-	-
Total comprehensive (loss)/income for the year	(3,507,660)	367,522

Consolidated Statement of financial position

(All amounts expressed in United States Dollars)

	As at 31 December	
	2010	2009
ASSETS		
Cash and balances with banks	8,150,460	1,230,514
Placements with banks	27,664,758	15,823,962
Finance lease receivables	86,941,431	116,606,303
Investment securities available-for-sale	20,796,950	20,121,950
Property and equipment	2,607,043	1,252,776
Other assets	1,303,150	552,368
	147,463,792	155,587,873
Assets of disposal group classified as held for sale	71,434	-
Total assets	147,535,226	155,587,873
LIABILITIES		
Due to banks	27,585,394	20,918,097
Due to related parties	18,080,410	29,693,577
Accounts payable and other liabilities	664,333	801,628
	46,330,137	51,413,302
Liabilities of disposal group classified as held for sale	538,178	-
Total liabilities	46,868,315	51,413,302
EQUITY		
Share capital	100,000,000	100,000,000
Statutory reserve	788,534	788,534
Accumulated earnings	(121,623)	3,386,037
Total equity	100,666,911	104,174,571
Total liabilities and equity	147,535,226	155,587,873

The financial statements for the year ended 31 December 2010 were audited by PricewaterhouseCoopers Bahrain Limited which have rendered unqualified Opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Bank may cease to exist as a legal entity as a result of a proposed change in its ownership structure. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern.

The financial statements were approved for issue by Board of Directors on 9th March 2011 and signed on its behalf:

Khalid Mohamed Kanoo
Chairman

Mohamed Hussain
Director

Consolidated Statement of cash flows

(All amounts expressed in United States Dollars)

	Year ended 31 December	
	2010	2009
Operating activities		
(Loss)/profit for the year	(3,507,660)	367,522
<u>Adjustments for:</u>		
Depreciation	414,522	189,334
Income from investment securities available-for-sale	(578,287)	(707,627)
(Gain)/Loss on disposal of property and equipment	(603)	2,515
Loss on disposal of investments	-	65,328
Provision for impairment	4,246,212	2,765,683
	574,184	2,682,755
<u>Changes in operating assets and liabilities:</u>		
Decrease in finance lease receivables	25,418,660	3,182,562
(Increase) / decrease in other assets	(750,782)	262,367
Decrease in accounts payable and other liabilities	(137,295)	(508,762)
Increase in amounts due to banks	312,778	594,008
Increase/(decrease) in other amounts due to related parties	688,736	(160,087)
Net cash provided by operating activities	26,106,281	6,052,843
Investing activities		
Purchase of property and equipment	(1,603,509)	(344,934)
Proceeds from sale of property and equipment	635	1,074
Acquisition of subsidiary classified as held for sale	(230,300)	-
Purchase of investment securities available-for-sale	(675,000)	(250,000)
Proceeds from investment securities available-for-sale	578,287	707,627
Net cash (used in) / provided by investing activities	(1,929,887)	113,767
Financing activities		
Proceeds from borrowed funds	40,000,000	17,957,500
Repayment of borrowed funds	(45,409,245)	(42,036,746)
Decrease in placements with bank	(7,436,642)	(10,236,031)
Net cash used in financing activities	(12,845,887)	(34,315,277)
Net increase/(decrease) in cash and cash equivalents	11,330,507	(28,148,667)
Cash and cash equivalents at the beginning of the year	6,818,445	34,967,112
Cash and cash equivalents at the end of the year	18,148,952	6,818,445
Cash and cash equivalents comprise:		
Placements with banks	27,664,758	5,587,931
Cash and balances with bank	8,150,460	1,230,514
Cash on held for sale and discontinued operations	6,407	-
	35,821,625	6,818,445
Less: Placements with banks maturing within 3 months	(17,672,673)	-
	18,148,952	6,818,445

INVITATION TO ATTEND THE ANNUAL GENERAL MEETING OF FIRST LEASING BANK B.S.C. (C)

The Board of Directors of First Leasing Bank B.S.C. (c) is pleased to invite the shareholders to attend the Annual General Meeting of the shareholders of the Company to be held on 24 March 2011 at 10:00 a.m. at L'Espace Ballroom at L'Hotel, Seef District, Kingdom of Bahrain. Should the meeting be adjourned due to lack of quorum, a second meeting will be held at the same date and same place and the meeting shall be valid by number of shareholders present after half an hour from the time fixed for the first meeting.

THE ANNUAL GENERAL MEETING AGENDA

1. To receive and approve the minutes of the Company's Annual General Meeting to be held on Thursday, 1st April 2010.
2. To receive and approve the Report of the Directors for the year ended 31 December 2010.
3. To receive and approve the Report of the Auditors for the year ended 31 December 2010.
4. To receive and approve the Audited Financial Statements of the Company for the year ended 31 December 2010.
5. To approve the transfer of losses for the year 2010 to Retained Earnings.
6. To approve the implementation of the new Corporate Governance Code of the Kingdom of Bahrain for the financial year ending 31 December 2011 as per CBB Directives.
7. To absolve the members of the Board of Directors of the Company from any liability for the financial year ended 31 December 2010.
8. To approve the re-appointment of the Auditors of the Company, PWC, for the financial year 2011, and authorize the Board of Directors of the Company to determine their remuneration.

Notes:

- > The appointed proxy shall neither be the Chairman, member of the Board of Directors or an employee of the Company and shall not represent as a proxy a number of votes exceeding 5% of the issued share capital of the Company.
- > The Proxy Form should be submitted at least 24 hours prior to the proposed date for holding the AGM to Mr. Mohamed AlOrayed at First Leasing Bank B.S.C. (c) Addax Tower, 12th Floor, Al Seef District, Tel: +973 17 563444, Fax: +973 17 582887 and e-mail: malorayed@flb.bh
Website : 1stleasingbank.com

Consolidated Statement of changes in equity

(All amounts expressed in United States Dollars)

	Share capital	Retained earnings	Statutory reserve	Total
At 1 January 2009	100,000,000	751,782	3,055,267	103,807,049
Total comprehensive income for the year	-	-	367,522	367,522
Transfer to statutory reserve	-	36,752	(36,752)	-
	100,000,000	788,534	3,386,037	104,174,571
At 1 January 2010	100,000,000	788,534	3,386,037	104,174,571
Total comprehensive loss for the year	-	-	(3,507,660)	(3,507,660)
At 31 December 2010	100,000,000	788,534	(121,623)	100,666,911