

International Investment Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

30 JUNE 2011 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS TO THE BOARD OF DIRECTORS OF
INTERNATIONAL INVESTMENT BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of International Investment Bank B.S.C. (c) ["the Bank"] and its subsidiaries ["the Group"] as at 30 June 2011, comprising of the interim consolidated statement of financial position as at 30 June 2011 and the related interim consolidated statements of income, cash flows and changes in equity for the six 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.



11 August 2011
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2011 (Unaudited)

	Note	Three months ended		Six months ended	
		30 June	30 June	30 June	30 June
		2011	2010	2011	2010
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income					
Investment banking fees		164	161	325	324
Income on due from financial and other institutions		411	279	908	762
Income from investment in real estate, net		66	101	128	101
Dividend income		-	285	-	327
Other income		220	220	440	478
TOTAL INCOME		861	1,046	1,801	1,992
Expenses					
Corporate expenses		477	419	943	930
Deal acquisition expenses		134	256	377	563
Selling expenses		182	285	374	539
Asset management expenses		79	152	207	311
General and administration expenses		621	599	1,091	1,101
TOTAL EXPENSES		1,493	1,711	2,992	3,444
OPERATING LOSS		(632)	(665)	(1,191)	(1,452)
Share of loss from associates	6	(1,303)	-	(1,987)	-
NET LOSS BEFORE IMPAIRMENT					
LOSSES, PROVISIONS AND GAIN / (LOSSES) ON FOREIGN EXCHANGE		(1,935)	(665)	(3,178)	(1,452)
Impairment losses and provisions		(134)	(5,739)	(434)	(6,708)
Gain / (loss) on foreign exchange		57	(281)	254	(441)
NET LOSS FOR THE PERIOD		(2,012)	(6,685)	(3,358)	(8,601)
Attributable to:					
Equity holders of the parent		(1,963)	(6,685)	(3,295)	(8,601)
Non controlling interest		(49)	-	(63)	-
		(2,012)	(6,685)	(3,358)	(8,601)

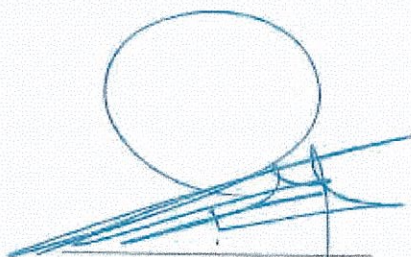
The attached explanatory notes 1 to 10 form part of these financial statements.

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


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

		(Unaudited) 30 June 2011 US\$ '000	(Audited) 31 December 2010 US\$ '000
ASSETS			
Cash and balances with banks		1,035	1,781
Due from financial institutions		59,114	31,623
Receivables	4	13,642	41,208
Investments		20,385	22,800
Investment in real estate		4,533	4,533
Assets classified as held for sale	5	-	52,591
Investment in associates	6	58,103	3,956
Other assets		1,509	1,680
TOTAL ASSETS		158,321	160,172
LIABILITIES AND EQUITY			
Other liabilities		1,573	1,904
TOTAL LIABILITIES		1,573	1,904
EQUITY			
Share capital		109,996	109,996
Treasury shares		(6,798)	(6,798)
Share premium		72,050	72,050
Reserves		7,077	7,027
Accumulated deficit		(27,302)	(24,007)
Non controlling interest		1,725	-
TOTAL EQUITY		156,748	158,268
TOTAL LIABILITIES AND EQUITY		158,321	160,172



Saeed Abdul Jalil Al Fahim
Chairman



Aabed Al Zeera
Chief Executive Officer

The attached explanatory notes 1 to 10 form part of these financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011 (Unaudited)

	Note	30 June 2011 US\$ '000	30 June 2010 US\$ '000
OPERATING ACTIVITIES			
Net loss for the period		(3,358)	(8,601)
Adjustments for:			
Depreciation		371	348
Share of loss from associates		1,987	-
Impairment losses and provisions		434	6,708
		<u>(566)</u>	<u>(1,545)</u>
Changes in operating assets and liabilities:			
Receivables		1,774	(20,723)
Other assets		(15)	143
Other liabilities		(330)	(1,469)
Purchase of Investment		-	(213)
Proceeds from disposal of investments		295	-
		<u>1,158</u>	<u>(23,807)</u>
INVESTING ACTIVITIES			
Purchase of equipment		(185)	(166)
Purchase of Investment property		-	(4,754)
		<u>(185)</u>	<u>(4,920)</u>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			
		973	(28,727)
Cash and cash equivalents at beginning of the period		33,404	57,676
Cash and cash equivalents on conversion to a subsidiary	5.3	25,772	-
		<u>60,149</u>	<u>28,949</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD			
Cash and cash equivalents comprise:			
Cash and balances with banks		1,035	1,402
Due from financial institutions		59,114	27,547
		<u>60,149</u>	<u>28,949</u>

The attached explanatory notes 1 to 10 form part of these financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 (Unaudited)

	Share capital US\$ '000	Treasury shares US\$ '000	Share premium US\$ '000	Reserves					Total reserves US\$ '000	Accumulated deficit US\$ '000	Non controlling interest US\$ '000	Total US\$ '000
				Statutory reserve US\$ '000	Cumulative changes in fair value reserve US\$ '000	Foreign currency translation reserve US\$ '000	Total reserves US\$ '000	Accumulated deficit US\$ '000				
Balance at 1 January 2011	109,996	(6,798)	72,050	5,588	2,661	(1,222)	7,027	(24,007)	-	158,268		
Impact of conversion of assets held for sale into a subsidiary	-	-	-	-	-	-	-	-	1,652	1,652		
Unrealised loss on re-measurement to fair value	-	-	-	(1,986)	-	-	(1,986)	-	-	(1,986)		
Net loss for the period	-	-	-	-	-	-	-	(3,295)	(63)	(3,358)		
Exchange differences on translation of foreign operations	-	-	-	-	-	2,036	2,036	-	136	2,172		
Balance at 30 June 2011	109,996	(6,798)	72,050	5,588	675	814	7,077	(27,302)	1,725	156,748		
Balance at 1 January 2010	109,996	(6,798)	72,050	5,588	(1,953)	856	4,491	(3,257)	-	176,482		
Unrealised loss on re-measurement to fair value	-	-	-	-	(1,421)	-	(1,421)	-	-	(1,421)		
Unrealised translation loss on assets classified as held for sale	-	-	-	-	-	(3,967)	(3,967)	-	-	(3,967)		
Net loss for the period	-	-	-	-	-	-	-	(8,601)	-	(8,601)		
Balance at 30 June 2010	109,996	(6,798)	72,050	5,588	(3,374)	(3,111)	(897)	(11,858)	-	162,493		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

1 CORPORATE INFORMATION

International Investment Bank B.S.C. (c) (the "Bank") operates under a Wholesale Islamic Banking License issued by the Central Bank of Bahrain. The core business activities of the Bank include investing on its own account and investment, underwriting and placements in real estate and private equity and corporate finance in conformity with Islamic Shari'a.

The Bank was incorporated on 6 October 2003, under commercial registration number 51867 as a Bahrain Joint Stock Company (closed). The Bank's registered office is at Al Moayyed Tower, PO Box 11616, Manama, Kingdom of Bahrain. 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 by the Board of Directors of the Bank on 11 August 2011.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months period ended 30 June 2011 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2010. In addition, results for the six months period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

2.8 Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at each reporting date. A subsidiary is an entity over which the Group has power to control, which is other than fiduciary in nature. The financial information of the subsidiaries (including special purpose entities that the Group controls) is prepared using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Group has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate.

All intra-group balances, transactions, income and expenses have been eliminated in full.

Non-controlling interest represents the portion of net income and net assets not held, directly or indirectly, by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

The following are the Group's significant subsidiaries as at 30 June 2011:

<i>Name of subsidiary</i>	<i>Notes</i>	<i>Country of incorporation</i>	<i>Year of incorporation</i>	<i>Equity interest</i>	<i>Industry</i>
Istethmary Sarajevo City Centre-I Limited	5.1	Cayman Island	2009	93.77%	Real estate
Istethmary Al Fareedha Company B.S.C (c)	5.2	Bahrain	2009	100%	Real estate

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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 "available for sale" 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's operations. All values are rounded to nearest thousand dollars, except when otherwise indicated.

2.3 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2010 except for the new and amended conceptual framework financial accounting standards, which were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial 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, the CBB's regulations (as contained in Volume II of the CBB rulebook) and directives. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards [the "IFRSs"].

2.4 Financial Accounting Standard No. 23 - Consolidation

During the year, the Group has adopted Financial Accounting Standard [FAS 23] "Consolidation", issued by the AAOIFI which sets out the principles for determining entities that are subject to be included in the consolidated financial statements of a parent and prescribes the accounting for investment in subsidiaries by parent. The adoption of this standard is effective for financial periods commencing on or after 1 January 2010.

2.5 New and amended accounting standard and framework

During 2010, AAOIFI amended its conceptual framework and issued new Financial Accounting Standard [FAS 25] "Investment in sukuk, shares and similar instruments", which are effective as of 1 January 2011.

2.6 Statement of Financial Accounting No.1: Conceptual Framework for the Financial Reporting by Islamic Financial Institutions

The amended conceptual framework provides the basis for the financial accounting standards issued by AAOIFI. The amended framework introduces the concept of substance and form compared to the concept of form over substance. The framework state that it is necessary that information, transaction and other events are accounted for and presented in accordance with its substance and economic reality as well as the legal form.

2.7 Financial Accounting Standard [FAS 25] "Investment in sukuk, shares and similar

The Group has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic financial institutions.

The adoption of this standard did not have any material impact on the accounting policies, financial position or performance of the Group.

3 CYCLICALITY OF OPERATIONS

Operations of the Group follow the investment cycle, commencing from investment sourcing to acquisition and ultimately exiting. Reported results of the Group are affected by the cyclicity of its operations, and hence acquisition, placement and exit income, management fee and some of the staff benefits for the interim period is not indicative of the Group's financial performance for the whole of the financial period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

4 RECEIVABLES

		<i>(Unaudited)</i> 30 June 2011 US\$ '000	<i>(Audited)</i> 31 December 2010 US\$ '000
Receivables and prepayments	4.1	5,486	7,220
Due from investee companies	4.2	8,156	33,988
		<u>13,642</u>	<u>41,208</u>

4.1 Receivables and prepayments

		<i>(Unaudited)</i> 30 June 2011 US\$ '000	<i>(Audited)</i> 31 December 2010 US\$ '000
Management fee receivables		1,862	1,493
Receivable from investee companies		1,186	1,060
Other receivables		2,535	4,764
		<u>5,583</u>	<u>7,317</u>
Provisions	4.3	(97)	(97)
		<u>5,486</u>	<u>7,220</u>

Included in "Other receivables" is an amount of US\$ 2,535 thousand (2010: US\$ 4,764 thousand) due on account of an abandoned real estate investment project in Kingdom of Saudi Arabia. During 2010, the Group has entered into a restructuring agreement for the remaining principal of US\$ 10,345 thousand over a period of eighteen months starting from 25 February 2010 at 8.5% profit rate per annum.

4.2 Due from investee companies

		<i>(Unaudited)</i> 30 June 2011 US\$ '000	<i>(Audited)</i> 31 December 2010 US\$ '000
Commodity murabaha receivables		12,145	37,966
Deferred profit		(498)	(1,124)
		<u>11,647</u>	<u>36,842</u>
Provision	4.3	(3,491)	(2,854)
		<u>8,156</u>	<u>33,988</u>

4.3 Movement in provisions

	<i>(Unaudited)</i>			<i>(Audited)</i>
	<i>Receivables and prepayments</i>	<i>Due from investee companies</i>	<i>Total</i>	<i>Total</i>
	30 June 2011 US\$ '000	30 June 2011 US\$ '000	30 June 2011 US\$ '000	31 December 2010 US\$ '000
Opening	97	2,854	2,951	2,000
Charge during the period / suspended profit	-	637	637	951
	<u>97</u>	<u>3,491</u>	<u>3,588</u>	<u>2,951</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

5 ASSETS HELD FOR SALE

	Notes	2011 US\$ '000	2010 US\$ '000
Istethmary Sarajevo City Centre-I Limited	5.1	-	24,854
Istethmary Al Fareedha Company B.S.C (c)	5.2	-	27,737
		-	52,591

5.1 During 2009, the Group established Istethmary Sarajevo City Centre-I Limited ["the Company-I"], a special purpose vehicle incorporated in Cayman Islands, which holds 100% equity stake in Istethmary Sarajevo City Centre-II Limited ["the Company-II"], a special purpose vehicle incorporated in Cayman Islands. The Company-II owns 32.98% equity stake in Al Shiddi International incorporated in the Kingdom of Saudi Arabia, which owns 85.82% equity stake in Magros Veletrgovia d.d. ["Magros"]. Magros is involved in the construction of various real estate related projects comprising of five star hotels, commercial offices, international standard shopping mall and entertainment centre in Sarajevo under the brand name of "Sarajevo City Centre".

Istethmary Sarajevo City Centre-I Limited previously classified under IFRS 5 as "subsidiary held for sale". Effective 1 January 2011, the Group revised its plan to sell this investment, and in line with the requirements of FAS 23 has consolidated all the assets and liabilities, and the net loss for the period up to 30 June 2011.

5.2 The Group established Istethmary Al Fareedha Company B.S.C. (c) ["the Company"], a special purpose vehicle incorporated in the Kingdom of Bahrain which owns an equity stake of 26.96% in Ewaan Al Fareedha Company, a limited liability company incorporated in the Kingdom of Saudi Arabia. Ewaan Al Fareedha is engaged in purchasing and selling of lands, developments and maintenance of real estate properties and investment in related entities.

Istethmary Al Fareedha Company B.S.C (c) previously classified under IFRS 5 as "subsidiary held for sale". Effective 1 January 2011, the Group revised its plan to sell this investment, and in line with the requirements of FAS 23 has consolidated all the assets and liabilities, and the net loss for the period up to 30 June 2011.

5.3 The management estimate that the fair value of identifiable assets and liabilities of consolidated subsidiaries as at 1 January 2011 were not materially different from its carrying value as disclosed below:

	<i>Istethmary Sarajevo City Centre- I Limited</i>	<i>Istethmary Al Fareedha Company B.S.C (c)</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Assets			
Cash and cash equivalent	8	25,764	25,772
Investment in associate	24,854	27,456	52,310
	24,862	53,220	78,082
Liabilities			
Due to financial institution	-	25,483	25,483
Other liabilities	8	-	8
	8	25,483	25,491
Total net assets	24,854	27,737	52,591
Non controlling interest	1,652	-	1,652

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

6 INVESTMENT IN ASSOCIATE

	Notes	(Unaudited) 30 June 2011 US\$ '000	(Audited) 31 December 2010 US\$ '000
Al Shiddi International	5.1	26,506	-
Ewaan Al Fareedha	5.2	27,456	-
IIB UAE Investment Limited		5,728	5,759
Exchange difference		2,172	-
Share of loss from associate		(1,987)	(31)
		59,875	5,728
Provision			
Opening		(1,772)	(1,772)
		58,103	3,956

The following table summarises financial information of the Group's investment in associates based on management accounts as at 30 June 2011:

	(Unaudited) 30 June 2011			(Audited) 31 December 2010	
	Al Shiddi International US\$ '000	Ewaan Al Fareedha US\$ '000	IIB UAE Investment Limited US\$ '000	Total US\$ '000	Total US\$ '000
Total assets	96,357	102,894	32,353	231,604	32,353
Total liabilities	(7,446)	(4,776)	(17)	(12,239)	(17)
Net assets	88,911	98,118	32,336	219,365	32,336
Total income	563	11	-	574	18
Total expenses	(752)	(974)	-	(1,726)	(193)
Share of loss from associate	(983)	(1,004)	-	(1,987)	(31)
Ownership	32.98%	26.96%	27.32%		27.32%

IIB UAE Investment Limited

The Group holds an investment in IIB UAE Investment Limited ("IIB-UAE"), a special purpose vehicle incorporated in Cayman Islands with limited liability. IIB Bay Tower Investment Limited, a subsidiary of IIB UAE Investment Limited, was established to own 65% of Bay Development Properties Limited.

During 2007, Bay Development Properties Limited ("the Company"), in which IIB UAE Investments Limited owns approximately 65% equity, had entered into a conditional sale/purchase agreement with a buyer to sell the investment property. Later on the Company had terminated this sale/purchase agreement on the basis that the buyer had failed to fulfill his contractual obligation. The buyer has commenced a court action against the Company for specific performance of the sale/purchase agreement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

6 INVESTMENT IN ASSOCIATE (continued)**IIB UAE Investment Limited (continued)**

At the reporting date, Court proceedings are ongoing. The legal title of the land is held in the name of the buyer but the sale and transfer of investment property is restricted by the Dubai Land Department. The Board of Directors and management of the Group are confident on favourable outcome of legal proceedings and therefore no further provision has been made in 2011.

7 TRANSACTION WITH RELATED PARTIES

Related parties comprise major shareholders, directors, key management personnel and Shari'a Supervisory Board of the Group and the entities controlled, jointly controlled or significantly influenced by them.

The significant balances with related parties were as follows:

			<i>(Unaudited)</i>	<i>(Audited)</i>
			<i>Total</i>	<i>Total</i>
			<i>30 June</i>	<i>31 December</i>
			<i>2011</i>	<i>2010</i>
	<i>Shareholders/ directors</i>	<i>Others</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>		
Assets				
Investments	-	965	965	1,333
Assets classified as held for sale	-	-	-	52,591
Investment in associate	-	58,604	58,604	3,956
Receivables	-	-	-	25,625
Liabilities				
Payable to a shareholder	1,091	-	1,091	1,088

Transactions with related parties included in the statement of income were as follows:

Income

Investment banking fees	-	-	-	91
Share of loss from associate	-	-	(1,987)	(31)
Dividend Income	-	-	-	14

Expense

Shari'a Supervisory Board remuneration	-	55	55	106
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Investments amounting to US\$ 8,941 thousand (31 December 2010: US\$ 11,704 thousand) are held in the name of related parties on behalf of the Group.

8 COMMITMENTS

		<i>(Unaudited)</i>	<i>(Audited)</i>
		<i>30 June</i>	<i>31 December</i>
		<i>2011</i>	<i>2010</i>
		<i>US\$ '000</i>	<i>US\$ '000</i>
Operating lease			
Expiring within one year		-	202
Expiring in one to three years		660	105

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2011

9 DIVIDEND

At the annual general meeting of the shareholders held on 30 March 2011, no cash dividend was approved for the year ended 31 December 2010 (31 December 2009: Nil), as the Bank had reported an operating loss in that year.

10 SEGMENTAL INFORMATION

The activities of the Bank are all related to investment banking activities. The Bank operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.