

Capinnova Investment Bank B.S.C. (c)
INTERIM CONDENSED FINANCIAL STATEMENTS
30 JUNE 2011 (UNAUDITED)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF
CAPINNOVA INVESTMENT BANK B.S.C. (c)

Introduction

We have reviewed the accompanying interim statement of financial position of Capinnova Investment Bank B.S.C. (c) [the Bank] as of 30 June 2011, and the related interim statements of income, cash flows, changes in equity, sources and uses of zakah and charity funds 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 financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed 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 financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



10 August 2011
Manama, Kingdom of Bahrain

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

INTERIM STATEMENT OF FINANCIAL POSITION

30 June 2011

	<i>Note</i>	<i>Unaudited</i> 30 June 2011 US\$	<i>Audited</i> 31 December 2010 US\$
ASSETS			
Bank balances		950,303	966,486
Due from bank	3	10,000,486	10,016,041
Murabaha receivables		71,171,018	70,320,608
Istisna'a contract		19,493,251	16,497,685
Investments in associate and joint venture	4	44,981,990	47,368,883
Equipment		662,667	796,308
Other assets		498,119	437,288
TOTAL ASSETS		147,757,834	146,403,299
LIABILITIES AND EQUITY			
Liabilities			
Other liabilities		868,467	1,594,308
Total liabilities		868,467	1,594,308
Equity			
Share capital		151,525,199	151,525,199
Statutory reserve		91,612	91,612
Accumulated losses		(5,262,916)	(7,273,487)
Foreign currency translation reserve		535,472	465,667
Total equity		146,889,367	144,808,991
TOTAL LIABILITIES AND EQUITY		147,757,834	146,403,299

A. Karim Bucheery
Chairman

Jamal Hijres
Chief Executive Officer

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

INTERIM STATEMENT OF INCOME

For the six-month period ended 30 June 2011 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2011	2010	2011	2010
		US\$	US\$	US\$	US\$
Profit on Murabaha receivables		773,054	429,694	1,543,818	955,752
Profit from Istisna'a contract		548,119	461,577	1,064,308	822,932
Profit on Mudaraba investment		-	53,715	-	104,479
Profit on balance due from bank		44,236	44,236	87,986	61,250
Share of results of associate and joint venture		864,415	901,842	1,822,329	1,678,014
Gain on acquisition of joint venture	4	-	-	-	1,638,011
Other income		10,918	3,256	23,269	3,256
		2,240,742	1,894,320	4,541,710	5,263,694
Fee and commission income		246,750	-	493,500	-
		2,487,492	1,894,320	5,035,210	5,263,694
Staff costs		(1,288,185)	(1,388,846)	(2,214,256)	(2,835,831)
General and administration expenses		(310,567)	(249,821)	(646,686)	(610,492)
Depreciation		(82,746)	(96,548)	(163,697)	(200,224)
		(1,681,498)	(1,735,215)	(3,024,639)	(3,646,547)
PROFIT FOR THE PERIOD		805,994	159,105	2,010,571	1,617,147

The attached explanatory notes 1 to 8 form part of these interim condensed financial statements

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

INTERIM STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2011 (Unaudited)

		<i>Six months ended 30 June</i>	
		2011	2010
		US\$	US\$
	<i>Note</i>		
OPERATING ACTIVITIES			
Profit for the period		2,010,571	1,617,147
Adjustments:			
Depreciation		163,697	200,224
Share of results of associate and joint venture	4	(1,822,329)	(1,678,014)
Gain on acquisition of joint venture		-	(1,638,011)
		351,939	(1,498,654)
Changes in:			
Murabaha receivables with original maturity of more than 90 days		(25,124,725)	36,306
Istisna'a contract		(2,995,566)	(5,983,402)
Other assets		(60,831)	(235,050)
Other liabilities		(725,841)	595,376
Net cash used in operating activities		(28,555,024)	(7,085,424)
INVESTING ACTIVITIES			
Purchase of equipment		(30,056)	(45,401)
Acquisition of associate		-	(20,122,353)
Dividend from an associate	4	2,426,829	1,888,426
Proceeds upon distribution of capital by an associate	4	1,852,198	-
Net cash from (used in) investing activities		4,248,971	(18,279,328)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(24,306,053)	(25,364,752)
Cash and cash equivalents at 1 January		59,623,166	99,525,454
CASH AND CASH EQUIVALENTS AT 30 JUNE		35,317,113	74,160,702
Cash and cash equivalents comprise of the following amounts:			
Bank balances		950,303	1,111,504
Due from bank		10,000,486	10,003,404
Murabaha receivables with original maturity of 90 days or less		24,366,324	63,045,794
		35,317,113	74,160,702
Non-cash financing activity			
Acquisition of joint venture by issuing share capital		-	26,525,199

The attached explanatory notes 1 to 8 form part of these interim condensed financial statements

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

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2011 (Unaudited)

	<i>Share capital US\$</i>	<i>Statutory reserve US\$</i>	<i>Accumulated losses US\$</i>	<i>Foreign currency translation reserve US\$</i>	<i>Total US\$</i>
At 1 January 2011	151,525,199	91,612	(7,273,487)	465,667	144,808,991
Foreign currency translation adjustment	-	-		69,805	69,805
Profit for the period	-	-	2,010,571	-	2,010,571
At 30 June 2011	151,525,199	91,612	(5,262,916)	535,472	146,889,367
At 1 January 2010	125,000,000	91,612	(7,070,063)	-	118,021,549
Issue of shares	26,525,199	-	-	-	26,525,199
Foreign currency translation adjustment	-	-	-	16,736	16,736
Profit for the period	-	-	1,617,147	-	1,617,147
At 30 June 2010	151,525,199	91,612	(5,452,916)	16,736	146,180,631

The attached explanatory notes 1 to 8 form part of these interim condensed financial statements

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

INTERIM STATEMENT OF SOURCES AND USES OF ZAKAH AND CHARITY FUNDS

For the six-month period ended 30 June 2011 (Unaudited)

	<i>Six months ended 30 June</i>	
	2011	2010
	US\$	US\$
Sources of zakah and charity funds		
Undistributed zakah and charity funds at the beginning of the period	-	77,137
Zakah due from the Bank for the period	-	-
Non-Islamic income	-	-
Total sources of funds during the period	-	77,137
Uses of zakah and charity funds		
Distribution to charities	-	-
Total uses of zakah and charity funds during the period	-	-
Undistributed zakah and charity funds at end of the period	-	77,137

* Zakah is calculated by the Bank at every year end.

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1 INCORPORATION AND ACTIVITIES

Capinnova Investment Bank B.S.C. (c) [the Bank] started its operations effective 14 January 2009. The Bank took the commercial registration of Al Khaleej Islamic Investment Bank which was registered on 6 June 1999 in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 43137. The Bank operates under an Islamic wholesale banking licence issued by the Central Bank of Bahrain [the CBB].

The Bank's registered office is Floor 38, West Tower, Bahrain Financial Harbour, P.O. Box 5507, Kingdom of Bahrain.

The principal activities of the Bank include providing investment banking services in conformity with Islamic Shari'a. The Bank is a wholly owned subsidiary of BBK B.S.C. [the Parent].

The interim condensed financial statements were authorised for issue by a resolution of the Board of Directors on 10 August 2011.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed 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 and financial accounting standards which became effective during the current reporting period, which were prepared in accordance with the Financial Accounting Standards [FAS] 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, in conformity with the Bahrain Commercial Companies Law and the Central Bank of Bahrain [the CBB] 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 Bank uses the International Financial Reporting Standards [IFRS].

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.

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 over form compared to the concept of form over substance. The framework states 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 SIGNIFICANT ACCOUNTING POLICIES

New and amended accounting standard and framework (continued)

Financial Accounting Standard - 25 "Investment in Sukuk, shares and similar instruments".

The Bank 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 impact on the accounting policies, financial position or performance of the Bank.

3 DUE FROM BANK

The amount represents a Wakala deposit with an Islamic bank maturing on 28 July 2011.

4 INVESTMENTS IN ASSOCIATE AND JOINT VENTURE

Associate

The Bank has an equity stake of 36.36% in EBLA Computer Consultancy K.S.C.C. [EBLA], a company incorporated in Kuwait and engaged in computer consultancy and trading activities.

Joint venture

The Bank has an equity stake of 50% in Sakana Holistic Housing Solutions B.S.C. (c) [Sakana]. Sakana is a jointly controlled company incorporated in the Kingdom of Bahrain and engaged in Islamic real estate financing.

The following tables illustrate summarised financial information of the Bank's interest in these entities:

	<i>Unaudited</i> 30 June 2011 US\$	<i>Audited</i> 2010 US\$
<i>Carrying amount of investment in associate and joint venture</i>		
Acquisition of associate and joint venture	48,285,563	48,285,563
Share of results of associate and joint venture	2,328,408	506,079
Dividend from an associate	(4,315,255)	(1,888,426)
Foreign currency translation adjustment	535,472	465,667
Proceeds upon distribution of capital by an associate	(1,852,198)	-
	44,981,990	47,368,883
<i>Statement of financial position</i>		
Current and non-current assets	118,442,614	139,303,389
Current and non-current liabilities	41,496,976	55,833,968
Net assets	76,945,638	83,469,421
<i>Memorandum items</i>		
Commitments and contingent liabilities	6,976,182	6,825,611
	6,976,182	6,825,611
	<i>Six months ended 30 June</i>	
	2011 US\$	2010 US\$
<i>Statement of income (Unaudited)</i>		
Revenue	8,654,905	8,184,616
Total expenses	3,396,791	3,855,441
Net profit	5,258,114	4,329,175

30 June 2011

5 OTHER LIABILITIES

Other liabilities include an advance income of US\$ 247 thousand (31 December 2010: US\$ 987 thousand) on Murabaha facility. This advance income will be amortised over the period of the Murabaha facility.

6 SEGMENTAL INFORMATION

The activities of the Bank are all related to investment banking activities.

The Bank's assets are distributed into two geographical segments which are the Middle East and Europe.

Segment assets

	<i>Middle East US\$</i>	<i>Europe US\$</i>	<i>Total US\$</i>
30 June 2011 (unaudited)			
Bank balances	950,303	-	950,303
Due from bank	10,000,486	-	10,000,486
Murabaha receivables *	54,721,017	16,450,001	71,171,018
Istisna'a contract	19,493,251	-	19,493,251
Investments in associate and joint venture	44,981,990	-	44,981,990
Equipment	662,667	-	662,667
Other assets	498,119	-	498,119
	<u>131,307,833</u>	<u>16,450,001</u>	<u>147,757,834</u>

* Murabaha receivable exposure to a Cayman Islands company (Europe) is collateralised by a real estate investment in Makkah, Kingdom of Saudi Arabia.

	<i>Middle East US\$</i>	<i>Europe US\$</i>	<i>Total US\$</i>
31 December 2010 (audited)			
Bank balances	966,486	-	966,486
Due from bank	10,016,041	-	10,016,041
Murabaha receivables	53,870,607	16,450,001	70,320,608
Istisna'a contract	16,497,685	-	16,497,685
Investments in associate and joint venture	47,368,883	-	47,368,883
Equipment	796,308	-	796,308
Other assets	437,288	-	437,288
	<u>129,953,298</u>	<u>16,450,001</u>	<u>146,403,299</u>

30 June 2011

6 SEGMENTAL INFORMATION (continued)**Segment revenue**

	<i>Middle East US\$</i>	<i>Europe US\$</i>	<i>Total US\$</i>
30 June 2011 (unaudited)			
Profit on Murabaha receivables	474,568	1,069,250	1,543,818
Profit from Istisna'a contract	1,064,308	-	1,064,308
Profit on balance due from an Islamic bank	87,986	-	87,986
Share of results of associate and joint venture	1,822,329	-	1,822,329
Other income	23,269	-	23,269
Fee and commission income	-	493,500	493,500
	<u>3,472,460</u>	<u>1,562,750</u>	<u>5,035,210</u>
	<i>Middle East US\$</i>	<i>Europe US\$</i>	<i>Total US\$</i>
30 June 2010 (unaudited)			
Profit on Murabaha receivables	233,232	722,520	955,752
Profit from Istisna'a contract	822,932	-	822,932
Profit on Mudaraba investments	104,479	-	104,479
Profit on balance due from an Islamic bank	61,250	-	61,250
Share of results of associate and joint venture	1,678,014	-	1,678,014
Gain on acquisition of joint venture	1,638,011	-	1,638,011
Other income	3,256	-	3,256
	<u>4,541,174</u>	<u>722,520</u>	<u>5,263,694</u>

7 RELATED PARTY TRANSACTIONS

Related parties comprise of the shareholder [the Parent], Directors of the Bank, 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 Bank.

	<i>Unaudited 30 June 2011 US\$</i>	<i>Audited 31 December 2010 US\$</i>
<i>Statement of financial position</i>		
Bank balances with the Parent	950,303	965,690
Murabaha receivables with the Parent	54,721,017	52,130,607
	<u>55,671,320</u>	<u>53,096,297</u>
	<i>Six months ended 30 June</i>	<i>2011</i>
	<i>US\$</i>	<i>2010</i>
	<i>US\$</i>	<i>US\$</i>
<i>Statement of income</i>		
Profit on Murabaha receivables	474,568	563,369
	<u>474,568</u>	<u>563,369</u>
Compensation of the key management personnel		
	<i>Six months ended 30 June</i>	<i>2011</i>
	<i>US\$</i>	<i>2010</i>
	<i>US\$</i>	<i>US\$</i>
Short term employee benefits	235,495	762,555
	<u>235,495</u>	<u>762,555</u>

30 June 2011

8 COMMITMENTS

The Bank has entered into an operating ljarah for office space. There are no restrictions placed upon the ljarah. The future minimum rentals are due as follows:

	<i>Unaudited</i> 30 June 2011 US\$	<i>Audited</i> 31 December 2010 US\$
Within one year	259,403	259,545
After one year but not more than five years	44,063	172,557
	303,466	432,102
Credit related commitment	-	4,410,229