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Application will be made for the Ordinary Shares, both issued and to be issued, to be admitted to trading on the Alternative Investment Market of the London Stock Exchange (“AIM”). It is expected that dealings in the Ordinary Shares will commence on 12 October 2004. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (the “Official List”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Further it is emphasised that no application is being made for the admission of the Ordinary Shares to the Official List. London Stock Exchange plc has not itself examined or approved the contents of this document.

The New Ordinary Shares will also be offered in a Private Placement to investors in selected countries outside the United Kingdom. ABC Islamic Bank (E.C.), Gulf Bank K.S.C. and Qatar International Islamic Bank (Q.S.C.) will act as Lead Managers of the Private Placement. For details of the Private Placement, please see Part 6 of this document. **An application to subscribe for shares through the Private Placement should be made on the application form at Appendix II. An application to subscribe to the Offering should be made on the application form at www.offer.islamic-bank.com.**

The Directors of the Company, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document and/or the invitation contained in it no person is authorised to give any information or make any representation other than as contained in this document.



ISLAMIC BANK OF BRITAIN PLC

البنك الإسلامي البريطاني بي.إل.سي

(incorporated in England and Wales under the Companies Act 1985 (as amended) with Registered Number 4483430)

**Offering of up to 160,000,000 New Ordinary Shares
at 25p per share,**

**Private Placement in selected countries outside the UK
and Admission to trading on the Alternative Investment Market**

**Nominated Adviser
Grant Thornton Corporate Finance**

**Broker
Keith, Bayley, Rogers & Co. Limited**

Share Capital

(immediately following the Offering and Private Placement, assuming full subscription)

<i>Authorised</i>		<i>Ordinary Shares</i>	<i>Issued and Fully Paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£5,000,000	500,000,000		£4,190,000	419,000,000

The New Ordinary Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all respects with all other Ordinary Shares which will be in issue on completion of the Offering and the Private Placement. Each Ordinary Share has a nominal value of 1p.

Grant Thornton Corporate Finance is regulated by the Financial Services Authority and is acting exclusively for the Company and no one else in connection with the Offering, the Private Placement and Admission. Grant Thornton Corporate Finance will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Grant Thornton Corporate Finance nor for providing advice in relation to the transactions and arrangements detailed in this document. Grant Thornton Corporate Finance is not making any representations or warranty, express or implied, as to the contents of this document.

Grant Thornton Corporate Finance has been appointed as nominated adviser to the Company. Grant Thornton Corporate Finance’s responsibilities as the Company’s nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. In accordance with the AIM Rules

Grant Thornton Corporate Finance has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received advice and guidance as to the nature of their responsibilities and obligations to ensure compliance by the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with. No liability whatsoever is accepted by Grant Thornton Corporate Finance for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

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This document, which comprises a prospectus, has been drawn up in accordance with the AIM Rules and the Public Offers of Securities Regulations 1995 (as amended) ("POS Regulations"). A copy of this document has been delivered to the Registrar of Companies in England and Wales in accordance with regulation 4(2) of the POS Regulations.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays and public holidays) at the offices of Grant Thornton Corporate Finance, Grant Thornton House, Melton Street, London NW1 2EP or at the offices of Keith, Bayley, Rogers & Co. Limited, Sophia House, 76/80 City Road, London EC1 2EQ from the date of this document for the period of one month from Admission.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Abdul Rahman Abdul Malik, <i>Chairman, Non-Executive Director</i> Dr Hussain Ali Al Abdulla, <i>Non-Executive Director</i> AbdulMagid Breish, <i>Non-Executive Director</i> Christopher Davis, <i>Non-Executive Director</i> Shabir Ahmed Randeree, <i>Non-Executive Director</i> Ahmad Salam, <i>Non-Executive Director</i> Adnan Ahmed Yousif, <i>Non-Executive Director</i> Michael Robert Hanlon, <i>Managing Director</i> David Gates, <i>Executive Director</i>
Alternate Director (for Dr. Hussain Ali Al Abdulla)	AbdulBasit Al Shaibei
Company Secretary	Stephen Hinds
Registered Office	Edgbaston House 3 Duchess Place Birmingham B16 8NH
Nominated Adviser to the Company	Grant Thornton Corporate Finance Grant Thornton House Melton Street Euston Square London NW1 2EP
Broker to the Company	Keith, Bayley, Rogers & Co. Limited Sophia House 76/80 City Road London EC1 2EQ
Adviser to the Company	Islamic Joint Venture Partners BSC(c) P.O. Box 26677 Manama, Kingdom of Bahrain
Solicitors to the Company	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ
Auditors and Reporting Accountants	KPMG Audit Plc PO Box 695 8 Salisbury Square London EC4Y 8BB
Solicitors to the Broker	Campbell Hooper 35 Old Queen Street London SW1H 9JD
Receiving Agents	Capita IRG Plc Corporate Actions PO Box 166 The Registry 34 Beckenham Road Beckenham Kent BR3 4TH
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Bankers

Lloyds TSB
25 Gresham Street
London EC2V 7HN

**Lead Managers for the Private
Placement**

Qatar International Islamic Bank (Q.S.C.)
P.O. Box 664
Doha, Qatar

ABC Islamic Bank (E.C.)
ABC Tower
Diplomatic Area
P.O. Box 2808
Manama, Kingdom of Bahrain

Gulf Bank K.S.C.
Mubarak Alkabir Street
P.O. Box 3200
Safat 13032
Kuwait

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the entire ordinary share capital of the Company, issued and to be issued, to trading on AIM becoming effective as provided in Rule 6 of the AIM Rules
“Admission Document” or “Prospectus”	this document
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules for AIM companies and their nominated advisors issued by the London Stock Exchange governing admission to and the operation of AIM
“Articles of Association”	the articles of association of the Company
“Bank”, “Company” or “IBB”	Islamic Bank of Britain PLC
“Board”	the board of directors of the Company for the time being, including a duly constituted committee of the directors
“Broker’s Agreement”	the agreement dated 24 August 2004 between the Company and Keith, Bayley, Rogers
“Capita IRG”	Capita IRG Plc (operating under its trading name, Capita Registrars)
“Committee”	the Company’s Sharia’a Supervisory Committee as described in paragraph 12 of Part 1 of this document
“CREST”	the system for the paperless settlement of trades and the holding of uncertificated shares operated by CRESTCo Limited
“Directors”	the directors of the Company being Abdul Rahman Abdul Malik, Dr Hussain Ali Al Abdulla, AbdulMagid Breish, Christopher Davis, Shabir Randeree, Ahmad Salam, Adnan Ahmed Yousif, Michael Hanlon and David Gates and “Director” shall mean any one of them
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000
“Grant Thornton Corporate Finance”	the corporate finance division of Grant Thornton UK LLP which is authorised and regulated by the Financial Services Authority to carry on investment business in the UK
“IHB”	Islamic House of Britain PLC
“IJVP”	Islamic Joint Venture Partners BSC(c)
“Keith, Bayley, Rogers”	Keith Bayley Rogers & Co. Limited
“KPMG”	KPMG Audit Plc
“KYB”	know your business
“KYC”	know your customer
“London Metal Exchange”	London Metal Exchange Limited
“London Stock Exchange”	London Stock Exchange plc
“Managing Director”	Michael Hanlon
“Memorandum of Association”	the memorandum of association of the Company
“New Ordinary Shares”	up to 160,000,000 Ordinary Shares to be allotted pursuant to the Offering and the Private Placement, such allotment being conditional on Admission

<i>“Offering”</i>	the offer of New Ordinary Shares to the public and institutional investors in the UK pursuant to the relevant terms of this document
<i>“Offering Accounts”</i>	the accounts to be operated and maintained by Capita IRG and Keith, Bayley, Rogers for the purpose of receiving application monies from the Offering
<i>“Offering Application Form”</i>	the application form to participate in the Offering which can be downloaded from www.offer.islamic-bank.com
<i>“Official List”</i>	the official list of the UK Listing Authority
<i>“Ordinary Shares”</i>	ordinary shares of 1p each in the capital of the Company
<i>“Offering Price”</i>	25p per New Ordinary Share
<i>“POS Regulations”</i>	the Public Offer of Securities Regulations 1995 (as amended)
<i>“Private Placement”</i>	the placing of New Ordinary Shares with investors located in selected countries outside the UK in accordance with the applicable terms of this document
<i>“Private Placement Accounts”</i>	the accounts maintained by QIIB for the purpose of receiving application monies from the Private Placement
<i>“Private Placement Application Form”</i>	the application form to participate in the Private Placement at Appendix II to this document
<i>“Pound Sterling”</i>	the lawful currency of the United Kingdom
<i>“Profit-Sharing Accounts”</i>	any savings or term account facilities offered by the Company recognising Sharia’a
<i>“QIIB”</i>	Qatar International Islamic Bank (Q.S.C.)
<i>“Sharia’a”</i>	Sharia’a principles
<i>“Tribunal”</i>	the Financial Services and Markets Tribunal
<i>“UK” or “United Kingdom”</i>	the United Kingdom of Great Britain and Northern Ireland
<i>“UK Listing Authority”</i>	the FSA in its capacity as the competent authority for the purposes of Part IV of FSMA
<i>“US” or “USA” or “United States”</i>	the United States of America

GLOSSARY OF TECHNICAL TERMS

<i>“Diminishing Musharaka”</i>	mortgage by way of joint ownership of the property by the bank and the customer with the customer paying rent for occupying the property
<i>“Ijara”</i>	purchase of an asset by a bank and lease to a customer with a promise to resell at end of lease term
<i>“Ijara Mawsufa fi'l-Dhimma”</i>	a forward lease
<i>“Istisna”</i>	a contract for works between the customer and his bank
<i>“LME Murabaha”</i>	finance raised by way of one or more commodity trade transactions entered into through the market facilities of the London Metal Exchange
<i>“Modarib”</i>	manager of an account
<i>“Murabaha”</i>	purchase by a bank of an asset at cost price and resale to the customer with a mark-up on a deferred payment basis
<i>“Parallel Istisna”</i>	a contract for works between the bank and a contractor parallel to Istisna
<i>“Qard”</i>	a loan without interest from the customer to his bank
<i>“Riba”</i>	interest
<i>“Sukuk Al Ijara”</i>	Certificate of investment based on securitised Islamic lease
<i>“Tawarruq”</i>	Cash advance provided to customer through commodity transactions

OFFERING STATISTICS

Offering Price	25p
Number of Ordinary Shares in issue prior to the Offering and the Private Placement	259,000,000
Number of New Ordinary Shares	160,000,000
Estimated net proceeds of Offering and Private Placement	£38.5 million
Proportion of enlarged issued Ordinary Share capital being placed	38.19 per cent
Market capitalisation at the Offering Price on Admission (assuming full subscription)	£104.75 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	26 August 2004
Dates to apply for Shares	1 September 2004 to 29 September 2004
Subscription list for the Offering opens	8.00 am on 1 September 2004
Closing date for the Offering (unless closed earlier by the Directors)	3.00 pm on 29 September 2004
Allotment of Shares	11 October 2004
Admission and commencement of dealings in Ordinary Shares on AIM	12 October 2004
CREST accounts to be credited in respect of Ordinary Shares	12 October 2004
Despatch of definitive share certificates in respect of Ordinary Shares and (where applicable) cheques in respect of any return application monies.	18 October 2004

PART 1

INFORMATION ON THE COMPANY

1. Introduction

Islamic Bank of Britain PLC was incorporated in England and Wales on 11 July 2002. IBB was created by its founding shareholders with the intention that it should become the first independent Islamic bank in the UK which is established and managed on a wholly Sharia'a compliant basis. IBB received its authorisation (permission under Part IV of FSMA) from the FSA on 6 August 2004 to carry on the regulated activities listed at Appendix III.

2. History

The Company was incorporated on 11 July 2002 and, apart from incurring professional costs in respect of submitting the application for authorisation to the FSA, together with initial set up costs in respect of systems and delivery channels, it has not yet begun trading operations.

Financial information on the Company for the period from incorporation to 30 June 2004 is included in Part 4 of this document. The financial information is based on the audited financial statements of the Company for the discrete periods from 11 July 2002 to 31 July 2003 and from 1 August 2003 to 30 June 2004.

The Company anticipates that it will commence operations in September 2004 and is expected to be fully functional by December 2004.

3. Business Objectives

IBB will focus on three core business objectives which will be achieved through the rigorous adherence to Sharia'a and to the highest standards of professional conduct, corporate governance and ethics, including a thorough understanding of, and compliance with, FSA rules and regulations, as well as those of other regulatory bodies as appropriate. These three core business objectives are:

- To provide Sharia'a compliant retail banking products and services to customers based in the UK, Europe and internationally, using modern management systems and the latest information technology and delivery channels to ensure customers receive a state of the art level of service, and can be offered Islamic banking and other Islamic financial services which are at least as competitive as those provided by conventional banks;
- To provide employees with long term career opportunities and fulfilment, allowing individuals to grow with the success of the Company, confident in their future. IBB will invest through training and human resources development in ensuring employees increasingly progress over time, and therefore are appropriately rewarded for their efforts;
- To provide shareholders with a return on their investment which is comparable to the returns investors in conventional UK retail banks receive, in terms of return on equity or dividends where appropriate.

4. Strategy

The Company has analysed socio-economic information about the UK Muslim population, including analysing published research on the UK market for conventional banking products, UK retail banking profitability as well as the potential profitability of a UK Islamic retail bank. Although no primary research was undertaken, the publicly available information provided sufficient information and analysis to allow the Board to make a judgement on the viability of establishing a small UK retail bank to service this market niche, with the longer-term objective of expanding into Europe and beyond, which would be feasible and potentially sufficiently profitable. Further, Sir Howard Davies, in a speech given to the Seminar on Islamic Finance in September 2002 said "(the FSA) sees no objection in principle to the establishment of an Islamic bank in the UK. Indeed, (the FSA) would welcome a soundly financed and prudently managed Islamic financial institution in this country, which would be good for Muslim consumers, good for innovation and diversity in our markets, and good for London as an international financial centre".

The viability of a UK Islamic retail bank hinges upon three main factors:

- IBB should benefit from first mover advantage since there are currently no Islamic UK retail banks offering banking products and services in a wholly Sharia'a compliant manner, whilst in addition the number of Sharia'a compliant retail products on offer in the UK to date have been highly limited.

- A large Muslim market has been identified in the UK which should support the demand for IBB Sharia'a compliant banking products. The Directors of IBB have also been able to draw upon the Islamic banking experience at ABC Islamic Bank (E.C.), Abu Dhabi Islamic Bank and Bahrain Islamic Bank BSC when estimating the likely demand for retail Islamic banking products in the UK.
- UK banking services in general are considered the most profitable in Europe. IBB believes that it will be able to generate returns on its Sharia'a compliant banking products which are at least equivalent to those enjoyed by conventional banks. Since there is currently little competition for Sharia'a compliant retail banking services in the UK, the Board believes that returns may in fact be higher. Furthermore, IBB's spread will be increased due to lower operating costs when compared to most competitors, due to the physical location of its head office in the Midlands and the use of Internet and telephone banking services to attract customers.

IBB will offer its customers, both domestic and overseas, products which will be wholly Sharia'a compliant. Whilst the majority of customers will be followers of Islam, the Bank will be open to attract non-Muslim clients based on the overall attractiveness of its proposition and service quality.

IBB's business model is an integrated multi-delivery channel capability offering choice and convenience to customers in the way they access the Bank and their accounts. This model is based on modern technology which offers not only opportunities for lowering the cost of delivery but also provides the potential for a higher level of customer service reliability.

Products to be offered will include current, savings, and term deposit accounts, consumer finance, debit/credit cards and mortgages.

The Bank will offer a premier service to high net worth clients. It will also target small businesses and professionals having a turnover of up to £1 million with a specific proposition tailored to meet the needs of this type of customer.

Initially, IBB's retail distribution network will comprise a head quarters based in Birmingham, housing centralised functions. The first branch will be in London, to be followed by branches in areas which have been identified as having large Muslim populations.

IBB's headquarters will initially employ circa 35 members of staff, whilst each branch will have a complement of up to 10 staff. A wider customer base will be reached through non face-to-face banking facilities. Telephone and postal banking will be made available with a call centre supporting these services. It is intended that, subject to regulatory approval, Internet banking and mobile telephone banking will be available within 2 years.

Following the injection of additional capital from the Offering and the Private Placement, IBB will seek to accelerate the building of its target branch network achieving a total of 13 units within 2 years. It is intended that the branches will offer a full range of retail banking services and products. The branches will be based in areas which have been identified as having a highly concentrated Muslim population. IBB recognises the money laundering risks associated with cash collection and will have specific controls in place to address these. These are reflected in the Bank's anti-money laundering procedures manual.

IBB will seek to provide UK correspondent banking services to other Islamic banks worldwide. In light of recent pronouncements made by both the Wolfsberg Group and the FATF (Financial Action Task Force on Money Laundering), IBB is fully aware of its responsibilities when establishing correspondent banking relationships and will ensure that all regulatory requirements are met. The Bank has anti-money laundering procedures in place which outline the transaction monitoring methods which will be used, and the KYC/KYB information which will be required from these banks.

IBB will offer trade finance facilities primarily to its customer base comprising small businesses and other professionals. Services offered will include advising, confirming and negotiating letters of credit, sterling payments and remittances. These facilities will be offered initially on a limited basis.

IBB may also seek to offer additional services, or expand into new areas once its initial operating capability has become soundly established. The services/activities which may be considered by the Board in the light of the initial performance of the Bank are listed below, together with a possible timescale of when they might be introduced. IBB would, however, seek to undertake a feasibility study prior to commencing any such activities and would also discuss any proposed actions with the FSA.

The timescale for the proposed activities is as follows:

Proposed activity

Internet banking

Mobile phone banking

Seeking separate authorisation to offer investment and insurance products, possibly through the establishment of a UK subsidiary

Establishing physical European branches

Possible timescale

Within 1 year of commencing operations

Within 2 years of commencing operations

Within 2 – 3 years of commencing operations

Within 3 – 5 years of commencing operations

5. Muslim banking requirements

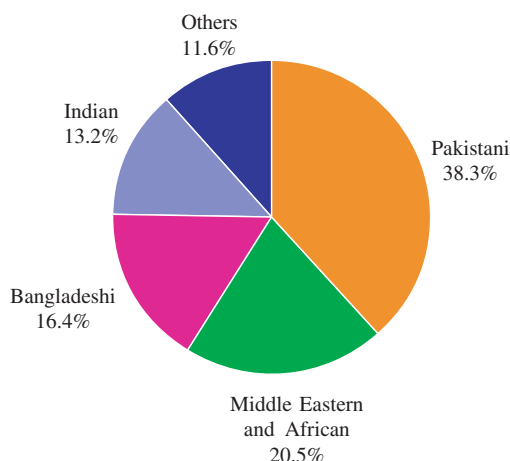
Practising Muslims are required as a matter of faith to avoid paying or receiving interest (“Riba”) in any form.

Only in cases of necessity may a Muslim pay or receive interest, and if there is a Sharia’a compliant alternative available, a practising Muslim in theory must use the alternative.

6. Muslim customer base

As at 2003 there are approximately 1.8 million Muslims permanently resident in the UK. One million are estimated to be resident in London of which 76 per cent regard themselves as practising Muslims. Besides London, the Muslim population is concentrated in Birmingham, Bradford, Leeds, Leicester and Manchester. IBB would seek to establish branches in these target areas.

Breakdown of UK Muslim Population in 2003



The overall pool of Muslim savings in the UK was estimated to total £1 billion from approximately 340,000 households.

As at 2003 an estimated 100,000 Muslims had conventional mortgages in the UK, representing a potential refinancing market of £8.9 billion if they were to convert to a Sharia’a compliant alternative. United Bank of Kuwait launched its Manzil Murabaha Islamic mortgage in 1997 and it is believed that it currently has more than 600 customers for this product. These mortgages are now also being offered to customers of the West Bromwich Building Society. ABC International Bank PLC in London have also recently launched Islamic mortgages and other banking products. HSBC provides Islamic current accounts and mortgages through selected UK branches.

In terms of offering banking services to expatriates, in 2003 587,000 visitors from the Middle East, Pakistan and India arrived in the UK, spending approximately £700 million.

Besides the UK, in 2003 there were an additional 12.12 million Muslims permanently resident in other EU countries, principally Germany, France and Italy. Demand from this potential customer base supports the idea of establishing European branches of IBB in the future. The tables below show the breakdown of the Muslim population in a number of EU members states and other significant countries in the European region.

Table 1 — EU member states (as at 2003)

<i>Country</i>	<i>Population (millions)</i>	<i>Muslim Population (millions)</i>	<i>Percentage</i>
France	59.80	5.98	10.00%
Germany	82.60	3.06	3.70%
Italy	57.20	1.37	2.40%
Spain	41.30	0.50	1.20%
Belgium	10.40	0.37	3.60%
Sweden	9.00	0.28	3.10%
Austria	8.20	0.18	2.23%
Denmark	5.40	0.16	3.02%
Greece	11.00	0.17	1.50%
Portugal	10.40	0.05	0.50%

Table 2 — other significant countries in the European Region

Cyprus	0.90	0.21	23.00%
Turkey	71.20	71.06	99.80%
Switzerland	7.30	0.23	3.10%
Norway	4.60	0.05	1.04%

7. UK banking industry

The UK retail banking industry is one of the most profitable in Europe, with an average return on equity ranging from 15.4 per cent to 23.5 per cent over the last 5 years.

The UK retail banking market, although highly competitive, enjoys attractive margins, especially in credit cards where the UK is the largest market in Europe, and the average spread over base rate — using data from a number of different credit card providers — has ranged from 10.55 per cent to 13.27 per cent during the last 3 years.

Smaller, more regional UK banks who limit their product range to focus on retail banking can enjoy higher gross margins relative to traditional high street banks.

8. Target Markets

IBB intends to position its Sharia'a compliant retail banking proposition as an alternative to conventional offerings on the market. By its very nature the proposition will primarily be attractive to UK Muslims and therefore initial marketing efforts will be focused on the communities residing in cities in the UK which have a high Muslim population such as London, Birmingham, Bradford, Leicester, Leeds and Manchester.

Within the target market, IBB plans to identify strategic customer segments such as high net worth customers and the small business and professional segments with the intention of developing and promoting to these segments propositions specifically tailored to meet requirements.

As referred to above, the estimated total pool of Muslim savings in the UK in 2003 is £1 billion. Secondary research undertaken by a number of different sources suggests that if the Gulf experience can be used as a benchmark, IBB should be successful in attracting a large number of customers although it is accepted that the attitude of UK Muslims may differ from that of Gulf Muslims.

9. Distribution channels

Initially IBB plans to open with three branches plus a central call centre which will offer postal banking services. The functionality of the latter will be extended to provide a full telephone banking service within three months of commencing operations. Subject to raising sufficient funding under the Offering and the Private Placement, IBB would seek to accelerate the building of its target branch network by the end of its second year following Admission. IBB's branch network would offer a full range of retail banking facilities to its customers.

A concerted marketing campaign is planned with the parallel objectives of building brand awareness and recruiting customers. The Board expects word of mouth to be a major contributor to potential customer awareness.

IBB also proposes to offer UK banking services to Muslims resident in Europe, initially through Internet and telephone/postal banking, but in due course through the opening of physical offices where appropriate. Details of how to verify the identity and address of non face-to-face non-resident customers will be set out in IBB's anti-money laundering procedures.

10. Corporation Tax

At the time of publication of this Admission Document the Company has been informed by the Inland Revenue that, under current tax law, the return paid on customers' deposits and savings accounts is not deductible for Corporation Tax purposes. The Company is therefore pressing for changes to legislation in this area to align the tax treatment of the return with the conventional banking equivalents.

11. The Board of Directors of IBB

The Board currently comprises nine directors and one alternate director, of which seven are non-executives. The directors have a mix of relevant skills including senior management banking experience in the UK and in the Gulf region. For past and current directorships of the Directors please see Appendix I.

Non-Executive Directors

Abdul Rahman Abdul Malik (aged 52) is Chairman of IBB. He has over 22 years banking experience covering wholesale, retail, investment, corporate and Islamic banking.

Dr Hussain Ali Al Abdulla (aged 47) is the General Manager of the Qatar Supreme Council for Economic Affairs & Investment, where he oversees the management and evaluation of the Government of Qatar's Investment Fund in the international and local markets.

AbdulMagid Breish (aged 52) is Deputy Group Chief Executive and Chief Banking Officer of ABC Group worldwide. He has 27 years experience in international, merchant and Islamic banking.

Christopher Hayward Davis (aged 56 years) was previously Executive Vice President, Retail Banking International, Raiffeisen Zentralbank Austria AG. He has more than 30 years experience in international and corporate banking.

Shabir Ahmed Randeree (aged 42) is the Managing Director of DCD London & Mutual PLC. He has held this appointment for the past 12 years and holds a number of other Directorships, including a Directorship of Albaraka Bank Limited, South Africa.

Ahmad Salam (aged 44) has nearly 20 years experience as an investment banker having worked at Chase Investment Bank, BNP Paribas, Credit Suisse First Boston and most recently headed up UK and Middle East business for investment bank Crosby Ltd.

Adnan Ahmed Yousif (aged 49) is Chairman of IJVP, Chairman of AlBaraka Bank Lebanon and Banque Al Baraka D'Algerie and was Chief Executive Officer of Bahrain Islamic Bank BSC. He has over 25 years international banking experience.

Executive Directors

Michael Robert Hanlon (aged 59) is the Managing Director of IBB. He has a total of 38 years commercial banking experience, most of this being in the retail area, and acquired both in the UK and in Central and Eastern Europe. Previous senior executive positions have been with Barclays Bank PLC and as the Managing Director, Retail Banking with Raiffeisen Bank Polska SA.

David Gates (aged 68) is an Executive Director of IBB and a Director of Jordan International Bank. He has worked in the banking sector for over 40 years and has held posts at Gulf International Bank BSC and Continental Bank NA.

IBB is currently in the process of recruiting a finance director.

Alternate Director

AbdulBasit Al Shaibei (aged 43) is the Alternate Director for Dr. Hussain Ali Al Abdullah. He has served the Qatar Central Bank in various capacities and is currently General Manager of Qatar International Islamic Bank (Q.S.C.).

Company Secretary

Stephen G. Hinds (aged 57) is Company Secretary. He has considerable banking experience having worked with Arab Banking Corporation Group, ABC International Bank PLC and Arab Banking Corporation (BSC). As Assistant General Manager, Operations, he also has responsibility for the bank's central delivery and information technology functions. He is a specialist in the banking operations area and has considerable experience of regulatory compliance within the industry.

Management

Waheed Qaiser, Assistant General Manager — Retail Banking

Waheed Qaiser has held various senior management positions at Citibank NA, HSBC, Islamic Investment Banking Unit and as Director of UBS AG. He was the course director at the executive development program at the Institute of Islamic Banking and Insurance and has held various associations with bodies promoting Islamic Banking including being a member of the Bank of England committee on Islamic mortgages. He is the first British Muslim to be involved in the offering of Islamic (Ijara based) mortgages in the West. He is Assistant General Manager Retail Banking at IBB and is responsible for retail banking development.

Paul Schafer, Assistant General Manager — Credit Risk Management

Paul Schafer is an experienced credit risk professional who has wide industry experience having previously worked in banking at Alliance & Leicester, Egg and Provident Financial and also having worked with many other financial organizations while consulting at Experian and Fair Isaac. Paul Schafer was appointed as Assistant General Manager — Credit Risk at IBB in April 2004. He is responsible for all aspects of credit risk.

Tom Toolis, Chief Dealer — Treasury

Tom Toolis has worked in the international banking sector for the past 25 years. For the past 17 years he has worked in the London financial money markets within the treasury area for Banca Intesa Spa, London Branch. He attained the position of Senior Dealer, Treasury. Before that he worked for Midland Bank PLC covering most areas of general banking. He was appointed Chief Dealer, Treasury at IBB on 20 April 2004.

Alun Williams, Head of Marketing

Alun Williams is a highly experienced financial services marketer with 17 years' experience in the industry, in both the private and public sectors. He spent 15 years with Barclays followed by stints at National Savings & Investments and Coventry Building Society. He has an MBA from Loughborough University as well as the Chartered Institute of Marketing Post-Graduate Diploma, and is a Member of the Institute of Direct Marketing. He was appointed as Head of Marketing at IBB on 12 July 2004.

Mansur Mannan, Head of Internal Audit and Sharia'a compliance

Mansur Mannan holds a degree from Lancaster University and is a fellow of the Institute of Chartered Accountants in England and Wales. He has nearly 30 years' experience in professional audit, internal audit and financial consultancy of which 20 years were with Deloitte and Touche both in the UK and in the Middle East. In the nine years preceding his employment with IBB, he headed the internal audit section of Shamil Bank of Bahrain, part of a global Islamic financial group and a leading Islamic institution in the Gulf states. For a year he also headed the financial control function of that Bank. He now heads the internal audit and Sharia's compliance function at IBB.

12. Sharia'a Supervisory Committee

The Sharia'a Supervisory Committee is responsible for assisting IBB in ensuring the Company's activities will abide with Sharia'a. The Committee comprises 3 members appointed by the Board. Its responsibilities include considering, at least annually, IBB's compliance with Sharia'a including reviewing all forms of contracts and agreements relating to the Company's transactions.

The Committee is responsible to the Board and will submit an annual report for their consideration. The current members of the Committee include:

Sheikh Muhammad Taqi Usmani was a member of the Sharia'a Cassation Board at the Supreme Court in Pakistan from 1982 – 2002; has been Vice President of Dar Al Uloom University, Karachi since 1974, and Chairman of Islamic Economy Centre in Pakistan and chairman of Sharia'a Board of the Accounting and

Auditing Organisation for Islamic Financial Institutions and a member of the Sharia'a boards of many leading Islamic institutions.

Dr Abdul Sattar Abdul Karim Abu Ghuddeh has taught at various different institutes including at Imam Al Da'awa Institute, Riyadh, Religious Institute, Kuwait, and at the Sharia'a College and Law faculty in Kuwait University. He is Secretary General of the Unified Sharia'a Supervisory Board of Dallah Albaraka Group, Jeddah and a member of the Sharia boards of many Islamic institutions.

Sheikh Nizam Mohammad Seleh Yaqubi is a member of a number of Sharia'a supervisory boards including the Dow Jones Islamic Index, Bahrain Islamic Bank and the Citi Islamic Investment Bank. Previously he has been a visiting lecturer at Harvard University.

13. Corporate Governance

The Company intends, where practicable for a company of its size and nature, to comply with the main provisions of the Principles of Good Governance and Code of Best Practice (the "Combined Code"), which apply to listed companies. The Company has employed non-executive Directors since 11 July 2002 to bring an independent view to the Board, and to provide a balance to the executive directors.

Audit Committee

An Audit Committee was established on 21 April 2004. It currently consists of Christopher Davis (Chairman), Adnan Yousif and Ahmad Salam. It will meet at quarterly intervals. It will be responsible for ensuring that the appropriate financial reporting procedures are properly maintained and reported on and for meeting the auditors and reviewing their reports relating to the accounts and internal control systems.

The Board has also considered the guidance published by the Institute of Chartered Accountants in England and Wales concerning the internal control requirements of the Combined Code. In line with this guidance, the Board intends regularly to review key business risks in addition to the financial risks facing the Company in the operation of its Business.

Remuneration Committee

A Remuneration Committee consisting of Dr. Hussain Ali Al Abdulla, Shabir Randeree and Christopher Davis was established in July 2004. The Remuneration Committee is chaired by Shabir Randeree and will be responsible for reviewing the performance of executive directors and other senior executives and for determining appropriate levels of remuneration with due regard to the interests of shareholders. It will meet as required.

Nominations Committee

The Nominations Committee was established in July 2004 and comprises Abdul Rahman Abdul Malik as chairman, Ahmad Salam and Christopher Davies, non-executive directors. It is responsible for considering all potential appointments at board, executive and senior management level and to make suitable proposals to the Board in relation to potential appointments.

14. Reasons for Admission

The Company was established in 2002 to provide Sharia'a compliant products to consumers in the UK. The Directors believe that the Company is fully capable of becoming the market leader in providing Sharia'a compliant banking products in the UK. The Directors believe that the Company having received authorisation from the FSA, has reached a stage in its development where it is appropriate to seek admission of its share capital to AIM, a market on which the shares of a number of other fledgling companies are quoted. Admission to AIM will also provide the Company with access to capital markets in the future, provide a market for its shares and increase the profile of the Company.

15. Details of the Offering, the Private Placement and order of allocation of New Ordinary Shares

The Company is offering up to 160,000,000 New Ordinary Shares pursuant to the Offering and the Private Placement at the Offering Price, which will raise approximately £38.5 million (net of expenses) and will represent approximately 38.19 per cent of the enlarged issued share capital following the Offering and the Private Placement (assuming full subscription). The proceeds of the Offering will be deposited in the Offering Accounts. The proceeds of the Private Placement will be deposited in the Private Placement Accounts.

New Ordinary Shares will be issued fully paid and will, on issue, rank *pari passu* with the Ordinary Shares already in issue, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid.

The existing shareholders will be given the opportunity to maintain their current percentage shareholdings by subscribing for the requisite number of New Ordinary Shares. Existing shareholders have the right but not the obligation to subscribe for New Ordinary Shares.

An existing shareholder may make an arrangement with a potential new investor to subscribe for the additional shares on behalf of new investors. However, the allocation will be to the existing shareholder and will be subject to any restrictions imposed by Rule 7 of the AIM Rules (if applicable). An existing shareholder can apply for more shares than are required to maintain his existing percentage holding. Such excess applications will not be given priority.

The Board may, in consultation with Grant Thornton Corporate Finance and Keith, Bayley, Rogers, use its discretion to allocate New Ordinary Shares to some or all applicants in such amounts and proportion of applications to subscribe as it sees fit. The Directors reserve the right to reduce the allotments in whole or in part. In no circumstances will the Directors allot shares where an investor's interest in the Company would equal or exceed 30 per cent of the Company's issued share capital.

16. Procedure for application to the Offering

An application to participate in the Offering (except in the case of institutional investors) may only be made by downloading and completing the application form which is available at www.offer.islamic-bank.com. Prospective investors must first register at www.offer.islamic-bank.com in order to download this Admission Document. After registration has been completed and the Admission Document has been downloaded, prospective investors may download the Offering Application Form. Prospective investors applying for New Ordinary Shares through the Offering shall be bound by the terms and conditions at Part 7.

If you wish to apply for New Ordinary Shares under the Offering, you should complete the Offering Application Form and return it together with a cheque or bankers' draft by post or (during normal business hours only) by hand to Capita IRG, Corporate Actions, PO Box 166, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH as soon as possible but by no later than 3 p.m. on 29 September 2004. The Offering Application Form must not be altered in any way as this may result in the application being rejected in whole or in part.

Application may be made for a minimum of 4,000 New Ordinary Shares, which at the Offering Price equates to £1,000, and thereafter in multiples of 1,000 New Ordinary Shares up to 10,000 New Ordinary Shares, in multiples of 5,000 New Ordinary Shares up to 50,000 New Ordinary Shares, in multiples of 10,000 New Ordinary Shares up to 100,000 New Ordinary Shares and in multiples of 50,000 New Ordinary Shares thereafter.

The subscription list will open at 8.00 a.m. on 1 September 2004, and may be closed at any time at the discretion of the Directors, but in any event not later than 3.00 p.m. on 29 September 2004 (unless extended to a time and date not later than 3.00 p.m. on 29 October 2004).

Further details of the Offering can be found in Part 7 of this document and in the Offering Application Form and related guidance notes.

17. Declaration of Shareholdings and approval requirements

(a) AIM Rules

Under the AIM Rules, the Company must announce changes in the holding of any significant shareholders. A shareholder of the Company must notify the Company if his shareholdings exceed 3 per cent or if his shareholdings are already in excess of 3 per cent and any change to his shareholding occurs through any single percentage.

(b) FSMA

Under FSMA, a person "acquires control" over a "UK authorised person" when the acquirer holds 10 per cent or more of the shares in such UK authorised person (the Company is a UK authorised person). A person who acquires such control is under an obligation to notify the FSA, for the purposes of obtaining its approval, within 14 days beginning with the day on which he first becomes aware that he has acquired it.

A shareholder of the Company must also notify the FSA where his shareholdings increase from:

- (i) below 20 per cent to 20 per cent or more (but less than 33 per cent);
- (ii) below 33 per cent to 33 per cent or more (but less than 50 per cent); and
- (iii) below 50 per cent to 50 per cent or more.

Procedure for approval

A written notice of control must be given to the FSA before a person either acquires control or increases control in a UK authorised person. The FSA must determine, before the end of three months beginning with the date on which it receives the notice of control, whether:

- (a) to approve the person concerned having the control to which the notice relates; or
- (b) to serve a notice of objection or a warning notice of imposition of conditions before grant of approval.

If an approval or a notice is not received within three months, approval is deemed to have been granted.

The approval remains effective only if the person to whom it relates acquires the control in question:

- (a) before the end of such period as may be specified in the notice; or
- (b) if no period is specified, before the end of the period of one year beginning with the date:
 - (i) of the notice of approval;
 - (ii) on which the FSA is treated as having given approval; or
 - (iii) of a decision on a reference to the Tribunal which results in the person concerned receiving approval.

The FSA may attach conditions to the grant of approval. In imposing any conditions, the FSA must have due regard to the threshold conditions listed in schedule 6 of FSMA. If the FSA proposes to impose any conditions, it must give the person a warning notice. If conditions are imposed, the FSA must give a decision notice. A person on whom conditions are imposed may apply to the FSA to have the conditions varied or cancelled. If the FSA grants approval to a person subject to a condition, he may refer to the Tribunal (a) the imposition of the condition; or (b) the FSA's decision to refuse an application made by him to have the conditions varied or cancelled.

The approval requirements are that the person acquiring or increasing control is a fit and proper person to have the control over the authorised person and the interests of consumers would not be threatened by the acquirer's control or by his acquiring that control.

(c) City Takeover Code

Under the City Takeover Code, when any person acquires,

- (i) whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30 per cent or more of the voting rights of a company; or
- (ii) together with persons acting in concert with him, holds not less than 30 per cent but not more than 50 per cent of the voting rights and such person, or any person acting in concert with him, acquires additional shares which increase his percentage of the voting rights,

such person must extend offers to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any class of voting non-equity share capital in which such person or persons acting in concert with him hold shares.

Any person who acquires shares should consider whether the provisions of the City Takeover Code may apply.

18. Use of Proceeds and Future Funding

The Company intends to use the net proceeds of the Offering and the Private Placement, estimated at £38.5 million, to finance:

- The building of the target branch network and accelerate its development with a view to completion by the end of the second year from Admission.
- The introduction of internet banking by the end of the first year from Admission.

- The advancement of plans for accelerated customer recruitment.
- The development of new products, services and customer propositions.

19. Lock-in

In accordance with Rule 7 of the AIM Rules, directors and applicable employees (as defined in the AIM Rules) have agreed not to dispose of any interests in the Company's shares for a period of twelve months from Admission.

In accordance with Rule 7 of the AIM Rules, substantial shareholders (as defined in the AIM Rules) will agree not to dispose of any shares for a period of twelve months from the date of Admission.

20. Shares to Employees

Following completion of the Offering and the Private Placement, the Board may in its discretion in due course issue shares in favour of employees on such terms as it sees fit.

21. Dividend Policy

The declaration and payment by the Company of any dividends and the amount thereof will depend on the results of the Company's operations, its financial position, cash requirements, prospects, profits available for distribution and other factors deemed to be relevant at the time.

22. CREST

CREST is the paperless settlement system that enables title to securities to be evidenced otherwise than by a share certificate and transferred otherwise than by a written instrument in accordance with the Uncertificated Securities Regulation 2001. The articles of association of the Company permit the holding of Ordinary Shares under the CREST system. All the Ordinary Shares will be in registered form and no temporary documents of title will be issued. The Company will apply for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in Ordinary Shares will commence on 12 October 2004. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes.

CREST is a voluntary system and holders of the Ordinary Shares who wish to receive and retain share certificates will be able to do so.

23. Tradeable Instrument Display Mnemonic ("TIDM")

The tradeable instrument display mnemonic "IBB" has been reserved by the London Stock Exchange in favour of the Company.

PART 2

ISLAMIC BANKING PRODUCTS

1. The Company's Products — Personal Banking Products and Services

IBB will offer Sharia'a compliant products and services, to compete primarily with the basic banking products offered by conventional banks and building societies. Thus, the range of products and services will be similar, including the following:

- Current, Demand Savings and Term Deposit Accounts;
- Consumer Finance;
- Credit Cards; and
- Mortgages.

1.1 Current and Deposit Accounts

Current Accounts

IBB will offer current account facilities which will be very similar to those offered by conventional banks and building societies, including issuing cheque books, cheque guarantee and debit cards and offering direct debit and standing order facilities. The principal difference with a Sharia'a compliant bank is that it cannot pay interest on current accounts. Overdrafts will not be allowed. Current account facilities are based on the concept of a loan without interest from the customer to the bank ("Qard"). Hence, no interest can be paid by the bank but the bank must repay the amount borrowed from the customer. However, IBB can charge an administrative fee for returned cheques and letters of notification. IBB will therefore ensure that customers' accounts are conducted in a proper manner, and will reserve the right to close those current accounts which are inappropriately conducted, for example, where cheques are repeatedly issued despite the lack of sufficient funds in a customer's account. Since IBB is unable to charge penalty interest it will close those accounts which are poorly managed more quickly than a conventional bank typically would.

Deposit Accounts

IBB will initially offer customers three types of deposit accounts:

- a demand savings account from which funds can be withdrawn on demand;
- a term deposit account that is for a fixed period of time of up to 12 months;
- a reverse LME Murabaha account for larger depositors with funds of £100,000 or more.

Savings Accounts

These accounts will be managed by the Bank acting as a manager ("Modarib") of the account and, as the Modarib, the Bank will be liable for any losses to the account resulting from the Bank's negligence or misconduct. The terms of the accounts provide for any profits generated by the balance of the account to be shared on a pre-agreed percentage basis between the Bank (for its management services) and the customer.

Profit rates on the savings accounts are generated by the underlying profits of the bank on its earning assets (e.g., consumer finance and mortgages) which are allocated to the depositors after transfer to or from a profit stabilisation reserve and a Modarib fee has been deducted on a monthly basis. The profit stabilisation reserve is variable to ensure that depositors do not benefit unduly from exceptional profits on a one off basis and conversely do not suffer a drop in profits during an adverse month. Profit rates received by customers will be based upon market conditions, competition and base rates and should track closely the interest rates paid by competing conventional banks for similar deposits. Indicative profit rates are notified a month in advance but actual profit rates are determined each month end. If a loss is incurred then, consistent with Sharia'a principles, the customer should share in the loss. However, to ensure compliance with UK legislation relating to UK bank deposits, should the Bank make a loss in respect of the investment of the funds referable to such deposits, the customer will be offered an option by IBB to make good the loss. The customer may choose to ignore this option in order to ensure observance with Sharia'a principles.

Reverse LME Murabaha Account

With this type of account, typically for deposits of £100,000 or more, the Bank will be the buyer of commodities from the customer on a deferred payment basis (as opposed to the customer being the buyer from the Bank).

Deposit Protection Scheme

IBB is a member of the Financial Services Compensation Scheme, which, in the event of the Bank going out of business, would guarantee deposits of each retail depositor and current account balances up to a maximum of £31,700 (comprising 100 per cent of the first £2000 and 90 per cent of the next £33,000). The compensation limit applies to each retail depositor and covers the total of all their deposits held within the Bank.

Taxation Treatment of Deposit and Savings Accounts

The Company has held discussions with the Inland Revenue in order to establish whether the return on deposit and savings accounts paid to customers should be treated for UK tax purposes as a distribution or as a payment constituting, under UK tax law, interest. The Company has agreed with the Inland Revenue that under current tax law such returns should be treated as a distribution. However, the Company is pressing for change in this area to align the tax treatment of this payment with the conventional banking equivalent which would treat the return paid to an account holder, for UK tax purposes, as a payment equivalent to the payment of interest on non-Sharia'a compliant bank accounts.

1.2 Consumer Finance

Sharia'a compliant financing of consumer goods is a relatively straightforward process. The Bank will purchase the asset or goods identified by the customer and resell them to the customer on a deferred payment basis (Murabaha) or lease basis (Ijara). The tenor of the financing can be adjusted to suit the needs of the customer and the nature of the goods being purchased.

Consumer Finance will form a major part of the asset portfolio of the Bank, which will target Muslims to offer them an alternative to in-store credit cards and extended financing through conventional credit cards. Car financing will also be promoted, at pricing competitive with the conventional alternatives. Rates will be generally fixed at the outset.

The Tawarruq involves the bank buying commodities, the cost price of which is the amount of finance sought by the customer, and selling the same commodities immediately to the customer on a deferred payment basis with a mark up (the mark up being the bank's fixed profit). The customer then (usually through an independent agent) sells the commodities to a third party buyer immediately on a cash basis. This generates cash for the customer and a deferred payment liability of the customer to the bank.

1.3 Credit Cards

The credit card to be issued by IBB would adopt a method that is convenient to use by customers and acceptable to the Sharia'a supervisory committee.

1.4 Islamic Mortgages

Mortgages — potential demand

It was estimated in 2003 that Muslim households in the UK had approximately £8.9 billion in conventional mortgages outstanding. United Bank of Kuwait was regarded as the original provider of Islamic mortgages in the UK, having launched the Manzil Murabaha Islamic mortgage in 1997, which is priced at a slight premium to conventional mortgages. ABC International Bank PLC in London has now launched Islamic mortgage products. HSBC offers Islamic mortgages through selected branches. Relative to the size of capital of IBB, the potential market is therefore very substantial. From a proprietary exposure perspective, however, IBB would intend to limit its exposure to mortgage assets.

The Bank shall respond to potential customer demand by exploring the Islamic options.

The Directors believe that there will be demand from Islamic banks for securitised UK mortgages ("Sukuk AI Ijara") over time, and this may prove to be an important area of potential revenue in the future. These types of securities are essentially securities backed by UK mortgages (virtually identical to conventional mortgage backed securities). Should it appear that there is a genuine demand for such products, and subject both to FSA approval for an expansion into such business areas and meeting the FSA requirements on securitisation, IBB would examine whether to sell these mortgages from its own books to a special purpose vehicle funded by an "Islamic" debt issue. This development will only be considered once the Islamic mortgage product has become more widely known and utilised in the UK.

PART 3

RISK FACTORS

The Board believes that an investment in the Ordinary Shares may be subject to a number of risks. Before deciding whether to invest in the Ordinary Shares, prospective Investors should carefully consider and evaluate the risks inherent in IBB's proposed business, including the risks described below, together with all other information contained in this document. Such risks could have an adverse effect on IBB's proposed business and anticipated financial condition and/or results. In such case, an Investor could lose all or part of his investment. Additional risks and uncertainties not currently known to the Board may also have an adverse effect on IBB's proposed business. The information set out below does not purport to be an exhaustive summary of the risks affecting IBB. Investors should consider carefully whether investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

1. Competition

Whilst the Board is currently not aware of any independent Islamic retail bank in the UK or other person who is proposing to establish such a bank, as highlighted in Part 1 of this document, there are a number of persons in the UK and overseas who are presently active, participate, or have shown an interest, in Islamic retail banking in the UK and who could become direct competitors of IBB for a share of this market. Direct competitors could decrease IBB's anticipated customer base and/or its expected revenue earning potential.

2. Early Stage Business

The Company does not have an established trading record and does not presently carry on any trading activities. The Company's prospects should be considered in the light of the risks associated with companies in their early growth stage.

3. Lack of Liquidity in Ordinary Shares

Whilst it is intended that the Ordinary Shares be admitted to trading on AIM, there will be no committed market in the Ordinary Shares or the formal means of attempting to create a liquid market in the Ordinary Shares. The market for the Ordinary Shares may be and may remain relatively illiquid.

4. Corporation Tax

At the time of publication of this Admission Document the Company has been informed by the Inland Revenue that, under current tax law, the return paid on customers' deposits and savings accounts is not deductible for Corporation Tax purposes. The treatment of the return as non-tax deductible would have a detrimental effect on the Company's future profitability. The Company is therefore pressing for changes to legislation in this area to align the tax treatment of the return with the conventional banking equivalents.

5. Investor perception and price volatility

Investor perception of the Ordinary Shares and/or securities relating to IBB's sector may change in response to a number of events and factors including announcements of new banks or services by IBB's competitors and the general market perception of companies in the same sector and, accordingly, the market for the Ordinary Shares and their perceived value may fluctuate or decline.

6. Additional requirement for capital

Although the Board has confidence in the future revenue-earning potential of IBB, there is no certainty that IBB will achieve or sustain profitability or positive cash flow from its operating activities.

7. Dependence on Key Personnel

The success of IBB depends heavily on the expertise of the Board and senior management and the loss of a key individual or IBB's inability to attract suitably qualified persons in the future could have a detrimental effect on IBB's proposed business.

8. Lock-In Arrangements

Following admission to trading on AIM, investors with a 10 per cent or more shareholding are prohibited by AIM rules from disposing of any interest in Ordinary Shares which they may hold as at the date of admission

to trading on AIM for a period of 12 months, although this is subject to limited exceptions. If IBB's Ordinary Shares are listed and/or admitted to trading on any other investment exchange there may be equivalent provisions, which could be more or less restrictive.

9. Taxation

Investors should consider, in relation to any proposed investment in Ordinary Shares, the taxes of any jurisdiction or governmental or regulatory authority, including without limitation, the extent to which they may be subject to any state or local taxes or other assessment or charges that may be applicable to any payment to them in respect of any investment. Neither IBB nor any other person will pay any additional amounts to any Investor to reimburse such Investor for any tax, assessment or charge required to be withheld or deducted from payments in respect of any investment in Ordinary Shares. Any Investor who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately.

10. Timetable

Any timetable proposed by the Board in this document in relation to the proposed listing on AIM of Ordinary Shares may be subject to delay for any number of reasons, and the Board reserve the right to change any proposed timetable set out in this document in their absolute discretion.

11. Licences

The Company has obtained a banking licence from the FSA to carry on the regulated activities listed at Appendix III. Suspension or cancellation of this licence would result in the Company becoming incapable of carrying on its activities within the UK.

12. Litigation

While the Company has no material outstanding litigation, there can be no guarantee that the current or future actions of the Company will not result in litigation since the banking industry, as with all industries, is subject to legal claims, both with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's financial position or results of operations.

THE INVESTMENT DESCRIBED IN THIS DOCUMENT IS SPECULATIVE AND MAY NOT BE SUITABLE FOR ALL RECIPIENTS OF THIS DOCUMENT. POTENTIAL INVESTORS ARE ACCORDINGLY ADVISED TO CONSULT AN APPROPRIATELY QUALIFIED PERSON WHO SPECIALISES IN ADVISING IN INVESTMENTS OF THIS KIND BEFORE MAKING ANY INVESTMENT DECISIONS. A PROSPECTIVE INVESTOR SHOULD CONSIDER CAREFULLY WHETHER AN INVESTMENT IN IBB IS SUITABLE IN THE LIGHT OF HIS PERSONAL CIRCUMSTANCES AND THE FINANCIAL RESOURCES AVAILABLE TO HIM.

PART 4

ACCOUNTANTS' REPORT ON THE COMPANY

Section A



KPMG Audit Plc

PO Box 695
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EC4Y 8BB

The Directors

Islamic Bank of Britain Plc (formerly known as Islamic House of Britain Plc)
Edgbaston House
3 Duchess Place
Hagley Road
Birmingham
B16 8NH

Grant Thornton UK LLP
Melton Street
Euston Square
London
NW1 2EP

26 August 2004

Dear Sirs

Islamic Bank of Britain Plc (formerly known as Islamic House of Britain Plc)

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM Admission Document dated 26 August 2004 of Islamic Bank of Britain Plc (formerly known as Islamic House of Britain Plc) ('the Company').

Basis of preparation

The financial information set out in paragraphs A to E is based on the audited financial statements of the Company for the period from 11 July 2002 to 31 July 2003 prepared on the basis described in note E (a) after making such adjustments as we consider necessary.

Responsibility

Such financial statements are the responsibility of the directors of the Company who approved their issue.

The Directors of the Company are responsible for the contents of the AIM Admission Document dated 26 August 2004 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board of the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the listing particulars, a true and fair view of the state of affairs of Islamic Bank of Britain Plc (formerly known as Islamic House of Britain Plc) as at the date stated and of its result and cash flows for the period then ended. We consent to the inclusion in the AIM Admission Document dated 26 August 2004 of this report and accept responsibility for this report for the purposes of paragraph 45 (1) (b) (iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

A. Profit and loss account

		<i>For the period from 11 July 2002 to 31 July 2003</i>
	<i>Note</i>	<i>£</i>
Operating charges		
Administrative expenses	2	(475,588)
Depreciation	7	(3,346)
Other operating charges	3	(397,175)
Operating loss		<u>(876,109)</u>
Income from Murabaha and Wakala receivables		<u>245,822</u>
Loss on ordinary activities before tax	4	<u>(630,287)</u>
Tax on ordinary activities	6	<u>—</u>
Loss on ordinary activities after tax		<u>(630,287)</u>
Retained loss for the period		<u><u>(630,287)</u></u>

There is no difference between the retained loss for the period and the retained losses on an historical cost basis.

The result for the period is derived entirely from continuing activities.

There were no recognised gains or losses in the period other than the loss set out above.

B. Balance sheet

	<i>Note</i>	<i>2003</i>	<i>£</i>
Fixed assets			
Tangible assets	7		97,231
Current assets			
Debtors	8	28,015	
Murabaha and Wakala receivables	9	13,645,629	
Cash at bank		<u>67,386</u>	
		13,741,030	
Creditors: amounts falling due within one year		<u>(15,350)</u>	
Net current assets			<u>13,725,680</u>
Net assets			<u><u>13,822,911</u></u>
Capital and reserves			
Called up share capital	11	2,590,000	
Share premium		11,636,398	
Profit and loss account	12	<u>(403,487)</u>	
Shareholders' funds			<u><u>13,822,911</u></u>

C. Cash flow statement

		2003
	Note	£
Net cash outflow from operating activities	14	(568,628)
Return on investments and servicing of finance	15	245,822
Taxation		—
Capital expenditure	15	(100,577)
Financing	15	14,136,398
Increase in cash in the period	16	<u>13,713,015</u>

D. Reconciliation of movements in shareholders' funds

	Share capital £	Share premium account £	Profit and loss account £	Total £
Balance at 11 July 2002	—	—	—	—
Loss for the financial period	—	—	(630,287)	(630,287)
New share capital subscribed (net of issue costs)	2,590,000	11,636,398	—	14,226,398
Amounts added back in respect of UITF 17 charges (re awards to directors and employees)	—	—	226,800	226,800
Balance at 31 July 2003	<u>2,590,000</u>	<u>11,636,398</u>	<u>(403,487)</u>	<u>13,822,911</u>

E. Notes

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial information:

(a) Basis of preparation

The financial information has been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

KPMG Audit Plc of 8 Salisbury Square, London EC4Y 8BB were auditors of the Company throughout this period.

(b) Fixed assets and depreciation

Depreciation of tangible fixed assets is provided on a straight-line basis over their estimated useful economic lives as follows:

Computer software	5 years
Office equipment	4 years

(c) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are converted into sterling at the rate prevailing at the date of the transaction.

(d) Murabaha and Wakala receivables

Murabaha is an Islamic financing transaction, which represents an agreement whereby the Company buys a commodity and sells it to a customer based on a promise received from the customer to buy the commodity according to specific terms and conditions. The selling price comprises of the cost of the commodity and a pre-agreed upon profit margin.

Wakala is an Islamic financing transaction, which represents an agreement whereby the Company provides a certain sum of money to an agent, who invests it according to specific conditions in order to achieve a certain specified return. The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

Income, on both Murabaha and Wakala receivables, is recognised on a time-apportioned basis over the period of the contract based on the principal amounts outstanding. Murabaha and Wakala receivables are stated at cost less any provision for impairment.

(e) Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

(f) Share awards to directors and employees

The cost of awards to employees and directors that take the form of shares or rights to shares are recognised over the period of the director's or employee's related performance. Where there are no performance criteria, the cost is recognised when the director or employee becomes unconditionally entitled to the shares.

(g) Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(h) Cash

Cash, for the purpose of the cash flow statement, comprises of cash at bank and Murabaha and Wakala receivables.

2. Administrative expenses

	2003 £
Salaries	59,599
Sharia'a Supervisory Committee meeting fees	7,135
Sharia'a Supervisory Committee signing fees	133,400
Directors' meeting fees	27,008
Directors' signing fees	183,400
Recruitment costs	32,192
Other administrative expenses	32,854
	<u>475,588</u>

The average number of persons employed by the Company during the period was 5.

3. Other operating charges

	2003 £
Legal and professional	238,166
Consultancy	96,000
Travel	43,848
Other	19,161
	<u>397,175</u>

4. Loss on ordinary activities before tax

	2003 £
<i>Loss on ordinary activities before taxation is stated after charging</i>	
Auditor's remuneration:	
Audit	8,494
Other services — fees paid to the auditor and its associates	187,485
Depreciation	3,346
Rentals paid under operating leases: Buildings	6,000
	<u></u>

5. Directors' emoluments

	2003 £
Directors' emoluments	210,408

The total remuneration and benefits of the highest paid director was £67,700.

6. Taxation

(a) Analysis of charge in the period

There were no taxable profits or recoverable losses for the period ended 31 July 2003 and, accordingly, the company has not provided for a tax charge or a tax debtor.

(b) Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the rate of corporation tax applicable to the Company in the UK (30 per cent). The differences are explained below:

	2003 £
<i>Current tax reconciliation</i>	
Loss on ordinary activities before tax	(630,287)
Current tax at 30 per cent	(189,086)
<i>Add effects of:</i>	
Expenses not deductible for tax purposes	193,017
Depreciation for period in excess of capital allowances	(6,862)
Unutilised tax losses	2,931
	—

Due to reconsidering the computation of the Company's corporation tax liability in the 11 month period ended 30 June 2004, the above figures have been restated.

As at 31 July 2003, the Company had deferred tax assets in respect of tax losses carried forward of £2,931. The Directors have considered it prudent not to recognise this deferred tax asset at this stage in the Company's development.

(c) Factors that may affect future tax charges

Management of the Company are not aware of any factors which will have a material effect upon future tax charges other than the tax losses carried forward as noted above, the future levels of the Company's profitability and the basis on which the Company's business is to be taxed by the Inland Revenue. In particular, the Inland Revenue have yet to agree that the return paid on deposit and savings accounts is tax deductible.

7. Tangible fixed assets

	Computer Software £	Office Equipment £	Total £
<i>Cost or valuation</i>			
At 11 July 2002	—	—	—
Additions	100,000	577	100,577
At 31 July 2003	100,000	577	100,577
<i>Accumulated depreciation</i>			
At 11 July 2002	—	—	—
Charge for the period	3,334	12	3,346
At 31 July 2003	3,334	12	3,346
<i>Net book value</i>			
At 31 July 2003	96,666	565	97,231
At 11 July 2002	—	—	—

8. Debtors

	2003
	£
Prepayments and accrued income	27,250
Other assets receivable from related party (refer note 13)	765
	<u>28,015</u>

9. Murabaha and Wakala receivables

	2003
	£
Murabaha receivables	7,800,000
Wakala receivables	5,845,629
	<u>13,645,629</u>

As at 31 July 2003, all Murabaha and Wakala receivables are due from banks and mature within 3 months from the balance sheet date.

10. Commitments under operating leases

The commitment at the year end under non cancellable operating leases expiring within the following periods is as follows:

	2003
	£
Buildings: expiring in less than one year	<u>6,000</u>

11. Called up share capital

	2003
	£
<i>Authorised</i>	
Equity : 500,000,000 ordinary shares of £0.01 each	<u>5,000,000</u>
<i>Allotted, called up and fully paid</i>	
250,000,000 shares issued and paid up for £0.01 each	2,500,000
9,000,000 shares issued for consideration other than cash for £0.01 each	90,000
	<u>2,590,000</u>

During the period, the company allotted 250,000,000 ordinary shares of £0.01 each for a cash consideration of £14,750,000.

12. Profit and loss account

	2003
	£
Retained profit/(loss) brought forward	—
Retained loss for the period	(630,287)
Amounts added back in respect of UITF 17 charges (re awards to directors and employees)	226,800
Retained loss carried forward	<u>(403,487)</u>

13. Related party disclosures

During the period the company has undertaken transactions with Islamic Joint Venture Partners BSC (IJVP), a related party of the company by virtue of the fact that the three directors of IJVP also serve on the board of the company. Details of these transactions are as follows:

	2003 £
Consultancy fees paid to IJVP	96,000
Share capital issues costs (placement fees) paid to IJVP	157,843
Share capital issues costs (arrangement fees) paid to IJVP	400,000
As at 31 July 2003, there was an amount outstanding from IJVP of £765 (refer note 8), comprising the following:	
VAT paid and reclaimed by IJVP on behalf of the company	3,513
Expenses paid by IJVP on behalf of the company	(2,748)
	<u>765</u>

14. Reconciliation of operating loss to net cash outflow from operating activities

	2003 £
Operating loss	(876,109)
Depreciation charges	3,346
Increase in debtors	(28,015)
Increase in creditors	15,350
Costs associated with the issue of shares for non-cash consideration (i.e. awards to directors and employees)	316,800
	<u>(568,628)</u>

15. Gross cash flows

	2003 £	2003 £
Returns on investments and servicing of finance:		
Income from Murabaha and Wakala receivables		245,822
Capital expenditure:		
Purchase of tangible fixed assets		(100,577)
Financing		
Issue of ordinary share capital	14,750,000	
Expenses paid in connection with share issue	(613,602)	
		<u>14,136,398</u>
		<u>14,281,643</u>

16. Analysis of changes in net funds

	Cash £
Balance at 11 July 2002	—
Cash inflows	13,713,015
Balance at 31 July 2003	<u>13,713,015</u>

Yours faithfully

KPMG Audit Plc

Section B



KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB

The Directors

Islamic Bank of Britain Plc (formerly known as Islamic House of Britain Plc).

Edgbaston House
3 Duchess Place
Hagley Road
Birmingham
B16 8NH

Grant Thornton UK LLP
Melton Street
Euston Square
London
NW1 2EP

26 August 2004

Dear Sirs

Islamic Bank of Britain Plc (formerly known as Islamic House of Britain Plc)

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM Admission Document dated 26 August 2004 of Islamic Bank of Britain Plc (formerly known as Islamic House of Britain Plc) (“the Company”).

Basis of preparation

The financial information set out in paragraphs A to E is based on the audited non statutory financial statements of the Company for the period from 1 August 2003 to 30 June 2004 prepared on the basis described in note E (a) to which no adjustments were considered necessary.

Responsibility

Such non statutory financial statements are the responsibility of the directors of the Company who approved their issue.

The Directors of the Company are responsible for the contents of the AIM Admission Document dated 26 August 2004 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the non statutory financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board of the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the non statutory financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the non statutory financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the listing particulars, a true and fair view of the state of affairs of Islamic Bank of Britain Plc (formerly known as Islamic House of Britain Plc) as at the date stated and of its result and cash flows for the period then ended. We consent to the inclusion in the AIM Admission Document dated 26 August 2004 of this report and accept responsibility for this report for the purposes of paragraph 45 (10) (b) of Schedule 1 of the Public Offers of Securities Regulations 1995.

A. Profit and loss account

		<i>For the period from 1 August 2003 to 30 June 2004</i>
	<i>Note</i>	<i>£</i>
Operating charges		
Administrative expenses	2	(872,571)
Depreciation	7	(143,475)
Other operating charges	3	(1,508,450)
Operating loss		<u>(2,524,496)</u>
Income from Murabaha and Wakala receivables		452,324
Loss on ordinary activities before tax	4	<u>(2,072,172)</u>
Tax on ordinary activities	6	—
Loss on ordinary activities after tax		<u>(2,072,172)</u>
Retained loss for the period		<u><u>(2,072,172)</u></u>

There is no difference between the retained loss for the period and the retained losses on an historical cost basis.

The result for the period is derived entirely from continuing activities.

There were no recognised gains or losses in the period other than the loss set out above.

B. Balance sheet

	<i>Note</i>	<i>2004</i>
		<i>£</i>
Fixed assets		
Tangible assets	7	1,430,390
Current assets		
Debtors	8	1,053,824
Murabaha and Wakala receivables	9	10,755,130
Cash at bank		118,056
		<u>11,927,010</u>
Creditors: amounts falling due within one year	10	<u>(1,606,661)</u>
Net current assets		<u>10,320,349</u>
Net assets		<u><u>11,750,739</u></u>
Capital and reserves		
Called up share capital	12	2,590,000
Share premium		11,636,398
Profit and loss account	13	<u>(2,475,659)</u>
Shareholders' funds		<u><u>11,750,739</u></u>

C. Cash flow statement

		2004
	Note	£
Net cash outflow from operating activities	16	(1,815,519)
Return on investments and servicing of finance	17	452,324
Taxation		—
Capital expenditure	17	(1,476,634)
Financing	17	—
(Decrease)/Increase in cash in the period	18	<u>(2,839,829)</u>

D. Reconciliation of movements in shareholders' funds

	Share capital £	Share premium account £	Profit and loss account £	Total £
Balance at 1 August 2003	2,590,000	11,636,398	(403,487)	13,822,911
Loss for the financial period	—	—	(2,072,172)	(2,072,172)
Balance at 30 June 2004	<u>2,590,000</u>	<u>11,636,398</u>	<u>(2,475,659)</u>	<u>11,750,739</u>

E. Notes

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial information:

(a) Basis of preparation

The financial information has been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

KPMG Audit Plc of 8 Salisbury Square EC4Y 8BB, London were auditors of the Company throughout this period.

(b) Fixed assets and depreciation

Depreciation of tangible fixed assets is provided on a straight-line basis over their estimated useful economic lives as follows:

Computer equipment, software and licenses	3 years
Fixtures and fittings, Office equipment	5 years

(c) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are converted into sterling at the rate prevailing at the date of the transaction.

(d) Murabaha and Wakala receivables

Murabaha is an Islamic financing transaction, which represents an agreement whereby the Company buys a commodity and sells it to a customer based on a promise received from the customer to buy the commodity according to specific terms and conditions. The selling price comprises of the cost of the commodity and a pre-agreed upon profit margin.

Wakala is an Islamic financing transaction, which represents an agreement whereby the Company provides a certain sum of money to an agent, who invests it according to specific conditions in order to achieve a certain specified return. The agent is obliged to return the invested amount in case of default, negligence or violation of any of the terms and conditions of the Wakala.

Income, on both Murabaha and Wakala receivables, is recognised on a time-apportioned basis over the period of the contract based on the principal amounts outstanding. Murabaha and Wakala receivables are stated at cost less any provision for impairment.

(e) Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

(f) Share awards to directors and employees

The cost of awards to employees and directors that take the form of shares or rights to shares are recognised over the period of the director's or employee's related performance. Where there are no performance criteria, the cost is recognised when the director or employee becomes unconditionally entitled to the shares.

(g) Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(h) Cash

Cash, for the purpose of the cash flow statement, comprises of cash at bank and Murabaha and Wakala receivables.

(i) Pension Costs

The Company participates in a defined stakeholder contribution pension scheme. The cost of the defined stakeholder contribution scheme is equal to the contributions payable to the scheme for the accounting period and is recognised within operating profit in the profit and loss account.

2. Administrative expenses

	2004 £
Salaries	532,938
Sharia'a Supervisory Committee meeting fees	15,775
Directors' meeting fees	45,727
Recruitment costs	187,467
Other administrative expenses	90,664
	872,571

The average number of persons employed by the Company during the period was 11. The number of employees as at 30 June 2004 was 37.

3. Other operating charges

	2004 £
Legal and professional	469,006
Consultancy	332,472
Travel and accommodation	99,348
IT and web development costs	90,295
Marketing and promotion costs	364,821
Stationery	40,755
Other	111,753
	1,508,450

4. Loss on ordinary activities before tax

	2004 £
<i>Loss on ordinary activities before taxation is stated after charging</i>	
Auditor's remuneration:	
Audit	9,000
Other services — fees paid to the auditor and its associates	145,371
Depreciation	143,475
Rentals paid under operating leases: Buildings	56,450

5. Directors' emoluments

	2004 £
Directors' emoluments	158,394

The total remuneration and benefits of the highest paid Director was £91,667.

6. Taxation

(a) Analysis of charge in the year

There were no taxable profits or recoverable losses for the period ended 30 June 2004 and, accordingly, the company has not provided for a tax charge or a tax debtor.

(b) Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the rate of corporation tax which is expected to be applicable to the company in the UK (30 per cent 2003: 30 per cent) when it begins to generate taxable profits. The differences are explained below:

	2004 £
<i>Current tax reconciliation</i>	
Loss on ordinary activities before tax	(2,072,172)
Current tax at 30 per cent	(621,652)
<i>Add effects of:</i>	
Expenses not deductible for tax purposes	510,641
Depreciation for period in excess of capital allowances	43,043
Unutilised tax losses	67,968

Due to reconsidering the computation of the Company's corporation tax liability in the current and prior period, the prior year comparatives have been restated.

As at 30 June 2004, the Company had deferred tax assets in respect of tax losses carried forward of £67,968 and timing differences on capital allowances of £43,043. The Directors have considered it prudent not to recognise these deferred tax assets at this stage in the Company's development.

(c) Factors that may affect future tax charges

Management of the Company are not aware of any factors which will have a material effect upon future tax charges other than the tax losses carried forward as noted above, the future levels of the Company's profitability and the basis on which the Company's business is to be taxed by the Inland Revenue. In particular, the Inland Revenue have yet to agree that the return paid on deposit and savings accounts is tax deductible.

7. Tangible fixed assets

	<i>Computer Equipment Software and Licenses £</i>	<i>Fixtures, Fittings and Office Equipment £</i>	<i>Total £</i>
<i>Cost or valuation</i>			
At 1 August 2003	100,000	577	100,577
Additions	1,119,391	357,243	1,476,634
At 30 June 2004	1,219,391	357,820	1,577,211
<i>Accumulated depreciation</i>			
At 1 August 2003	3,334	12	3,346
Charge for the period	132,151	11,324	143,475
At 30 June 2004	135,485	11,336	146,821
<i>Net book value</i>			
At 30 June 2004	1,083,906	346,484	1,430,390
At 1 August 2003	96,666	565	97,231

As at 30 June 2004, Islamic Bank of Britain Plc (formerly known as Islamic House of Britain Plc) had a retention payable to Misys International Banking Systems Limited amounting to £120,720. This relates to the development of the Equation banking system and is payable upon acceptance of the system following the granting of the Company's banking licence by the Financial Services Authority.

8. Debtors

	<i>2004 £</i>
Prepayments and accrued income	56,248
VAT Recoverable	67,421
Costs incurred in connection with the initial public offering which will be set off against the proceeds of this offering	930,155
	1,053,824

9. Murabaha and Wakala receivables

	<i>2004 £</i>
Murabaha receivables	9,005,130
Wakala receivables	1,750,000
	10,755,130

As at 30 June 2004, all Murabaha and Wakala receivables are due from banks and mature within 3 months from the balance sheet date.

10. Creditors: amounts falling due within one year

	<i>2004 £</i>
Accruals and deferred income	431,925
Retentions payable	120,720
Social security and income tax	34,772
Other creditors	1,019,244
	1,606,661

11. Commitments under operating leases

The Company's annual commitments at the period end under non cancellable operating leases expiring within the following periods are as follows:

	2004 £
Buildings: expiring in less than one year.	—
Buildings: expiring in more than five years	177,855
Other: expiring between one and five years	9,209
	<u>187,064</u>

12. Called up share capital

	2004 £
<i>Authorised</i>	
Equity : 500,000,000 ordinary shares of £0.01 each	<u>5,000,000</u>
<i>Allotted, called up and fully paid</i>	
250,000,000 shares issued and paid up for £0.01 each	2,500,000
9,000,000 shares issued for consideration other than cash for £0.01 each	90,000
	<u>2,590,000</u>

13. Profit and loss account

	2004 £
Retained loss brought forward	(403,487)
Retained loss for the period	<u>(2,072,172)</u>
Retained loss carried forward	<u>(2,475,659)</u>

14. Pension costs

The Company participates in a defined stakeholder contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £4,541. There were no amounts payable to the fund as at 30 June 2004.

15. Related party disclosures

During the period the company has undertaken transactions with Islamic Joint Venture Partners BSC (IJVP), a related party of the company by virtue of the fact that the three directors of IJVP also serve on the board of the company. Details of these transactions are as follows:

	2004 £
Consultancy fees paid to IJVP	176,000
IPO advisory and success fee payable to IJVP	150,000

As at 31 July 2003, there were no amounts outstanding from IJVP.

During the period, the Company has paid consultancy fees amounting to £15,000 to Mr Ahmad Salam, a related party by virtue of the fact that Mr Ahmad Salam also serves on the board of the Company.

The Company has undertaken transactions with Pelham Incorporated Limited and The Support Store Limited, related parties by virtue of the fact that Mr Shabir Randeree is a Director of Pelham Incorporated Limited and The Support Store Limited and also serves on the board of the Company. Details of these transactions are as follows:

	<i>2004</i>
	<i>£</i>
Pelham Incorporated Limited	
Property rental	25,850
Other	1,582
The Support Store Limited	
Capital expenditure	23,185
IT expenses	40,123
Other	4,962

16. Reconciliation of operating loss to net cash outflow from operating activities

	<i>2004</i>
	<i>£</i>
Operating loss	(2,524,496)
Depreciation charges	143,475
Increase in debtors	(1,025,809)
Increase in creditors	1,591,311
	<u>(1,815,519)</u>

17. Gross cash flows

	<i>2004</i>
	<i>£</i>
Returns on investments and servicing of finance:	
Income from Murabaha and Wakala receivables	452,324
Capital expenditure:	
Purchase of tangible fixed assets	(1,476,634)
Financing	
Issue of ordinary share capital	—
Expenses paid in connection with share issue	—
	<u>(1,024,310)</u>

18. Analysis of changes in net funds

	<i>Cash</i>
	<i>£</i>
Balance at 1 August 2003	13,713,015
Cash (outflows)/ inflows	(2,839,829)
Balance at 30 June 2004	<u>10,873,186</u>

19. Post- balance sheet event

On 6 August 2004, the Company was granted permission under Part IV of the Financial Services and Markets Act 2000 (“FSMA”) by the Financial Services Authority (FSA) which will allow it to act as an authorised person under the regulation of the FSA.

Yours faithfully

KPMG Audit Plc

PART 5

ADDITIONAL INFORMATION

1. Responsibility

The Directors accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Directors (who have taken all possible care to ensure that such is the case) the information contained in this document is in accordance with the facts and there is no omission likely to affect the import of such information.

2. The Company

The Company was incorporated and registered in England and Wales on 11 July 2002 with registered number 4483430 under the Companies Acts 1985 and 1989 as a public limited company limited by shares with the name Islamic House of Britain PLC. The Company's name was changed to Islamic Bank of Britain PLC by resolution dated 21 May 2004, which came into effect on 6 August 2004, upon the Company receiving authorisation from the FSA.

The Company's registered office is Edgbaston House, 3 Duchess Place, Birmingham B16 8NH.

3. Share Capital

The Company's authorised share capital is £5,000,000 divided into 500,000,000 Ordinary Shares of £0.01 each.

Pursuant to the Articles of Association, the Directors are unconditionally authorised to allot shares up to the nominal amount of the authorised share capital of the Company within a period of five years from 11 July 2002 and section 89 of the Act (which confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) is not applicable to any such allotments pursuant to a special resolution of the Company dated 23 October 2003.

Pursuant to the Offering and the Private Placement, it is proposed to allot the New Ordinary Shares at a price of £0.25 each, representing a premium of £0.24 each. The Directors retain absolute discretion to refuse to allot Ordinary Shares to any applicant.

The Company's authorised and issued share capital is as follows:

	<i>Ordinary Shares of £0.01 each</i>		<i>Issued</i>	
	<i>Number</i>	<i>Authorised</i> £	<i>Number</i>	£
Pre-Offering and Private Placement	500,000,000	5,000,000	259,000,000	2,590,000

Immediately following the Offering and Private Placement, the Company's authorised and issued share capital will be as follows:*

	<i>Ordinary Shares of £0.01 each</i>		<i>Issued</i>	
	<i>Number</i>	<i>Authorised</i> £	<i>Number</i>	£
Post-Offering and Private Placement	500,000,000	5,000,000	419,000,000	4,190,000

* On the assumption that 160,000,000 Ordinary Shares are issued and allotted pursuant to the Offering and the Private Placement.

4. Principal Shareholders

The following table sets forth certain information regarding the beneficial ownership of the Company's issued Ordinary Shares. The Company has no share capital other than the Ordinary Shares.

The following shareholders have shareholdings in excess of 3 per cent.

<i>Name</i>	<i>Number of Shares</i>	<i>% of issued Shares before Offering and Private Placement</i>	<i>% of issued Shares after Offering and Private Placement*</i>
HRH Sheikh Hamad Bin Khelifa Bin Hamad al Thani	45,000,000	17.37	10.74
Qatar International Islamic Bank (Q.S.C.)	45,000,000	17.37	10.74
Christophe J. Balet	25,000,000	9.65	5.97
H E Sheikh Thani Bin Abdulla Bin Thani Jasim Al Thani	22,500,000	8.69	5.37
DCD London & Mutual PLC	18,580,000	7.17	4.43
Al Baraka Banking Group	15,000,000	5.79	3.58
H E Sheikh Hamad Bin Jassim Bin Jaber Al Thani	15,000,000	5.79	3.58
Michael I. Carter	15,000,000	5.79	3.58

* Assuming the shareholders do not subscribe to any New Ordinary Shares and the Offering and the Private Placement are fully subscribed.

5. Directors and other interests

The interests of the Directors, and of persons connected with them in accordance with section 346 of the Act, in the Ordinary Shares as at 9 August 2004 (the latest practicable date prior to the publication of this document) which have been notified to the Company and are shown in the register of Directors' interests, are as follows:

<i>Director</i>	<i>Ordinary Shares</i>	<i>Percentage of the issued share capital immediately before Admission</i>	<i>Percentage of the issued share capital immediately after Admission*</i>
Abdul Rahman Abdul Malik	1,000,000	0.39	0.24
Hussain Ali Al-Abdulla	1,000,000	0.39	0.24
AbdulMagid Breish	2,500,000	0.97	0.60
David Gates	1,000,000	0.39	0.24
Ahmad Salam	1,000,000	0.39	0.24
Adnan Ahmed Yousif	1,000,000	0.39	0.24
DCD London & Mutual PLC (associate of Shabir Randeree)	18,580,000	7.17	4.43

* Assuming the Directors do not subscribe to any New Ordinary Shares and the Offering and the Private Placement are fully subscribed.

6. Description of arrangements with Directors

A summary of the main terms of the service contracts with the Managing Director, Executive Director (David Gates) and the Non-Executive Directors is set out below:

Managing Director

The contract requires the Managing Director to devote his full attention to the business and affairs of the Company.

Either party may terminate the employment at any time by giving not less than 3 months' written notice. The contract can be terminated by the Company with immediate effect at any time on payment of money in lieu of notice.

The contract shall terminate on the Managing Director's 65th birthday.

The Company may terminate the employment at any time by giving not less than 3 months' written notice in the event that the Managing Director has been absent from work by reason of sickness or injury for a period of 6 months in aggregate in any period of 52 weeks.

The gross salary is £100,000 per annum subject to statutory deductions. Following the admission of shares to trading on the London Stock Exchange, the salary shall increase to £120,000 per annum.

The Company does not at present operate a bonus scheme. The Managing Director will however be entitled to participate in any bonus arrangements which the Company implements at its discretion in the future.

The Managing Director is entitled to 25 days holiday per year of employment, calculated at a rate of 2.1 days for each complete month of employment.

The Managing Director is entitled to sick pay in accordance with the relevant statutory rules.

The Managing Director is subject to contractual duties of confidentiality.

Non-solicitation clause for a period of 6 months from the date of termination of employment of the Managing Director relating to all persons who have been employed by the Company for a period of 12 months from the date of such termination.

Non-compete clause for a period of 6 months after termination of employment of the Managing Director.

David Gates, Executive Director

The contract requires the Executive Director to devote his full attention five days per month to the business and affairs of the Company.

Either party may terminate the employment at any time by giving not less than 3 months' written notice. The contract can be terminated by the Company with immediate effect at any time on payment of money in lieu of notice.

The gross salary is £42,000 per annum subject to statutory deductions.

The Company does not at present operate a bonus scheme. The Executive Director will however be entitled to participate in any bonus arrangements which the Company implements at its discretion in the future.

The Executive Director is entitled to 5½ days holiday per year of employment.

The Executive Director is entitled to sick pay in accordance with the relevant statutory rules.

The Executive Director is subject to contractual duties of confidentiality.

Non-solicitation clause for a period of 6 months from the date of termination of employment of the Executive Director relating to all persons who have been employed by the Company for a period of 12 months from the date of such termination.

Non-compete clause for a period of 6 months after termination of employment of the Executive Director.

Non-Executive Directors

The term of each of the Non-Executive Directors is for a period of three years, subject to re-election by the Company in general meeting. Unless the term is renewed on or prior to that date, the Non-Executive Director must resign.

The Board and the Company are entitled to terminate the agreement at any time by giving three months notice of termination.

Non-Executive Directors (with the exception of Christopher Davis who was appointed on 22 July 2004) received a fee of £10,000 on signing of their service contracts, satisfied by the issue of 1,000,000 Ordinary Shares. Christopher Davis is entitled to a salary of £16,000 p.a.

Non-Executive Directors are also entitled to a fee of £1,000 for every Board meeting they attend.

Non-Executive Directors are under a duty of confidentiality to the Company.

For the period ended 31 July 2003 the aggregate remuneration paid to the Directors by the Company was £210,408. It is estimated that the aggregate remuneration and benefits in respect of the current financial year under arrangements in force at the date of this Document will be approximately £170,000.

Additional information on the Directors

Included at Appendix I are the names of the companies and partnerships of which each Director has been a director or partner at any time in the previous five years, indicating whether or not the Director is still a director or partner.

Save as disclosed in Appendix I none of the Directors has:

- (i) any unspent convictions in relation to indictable offences;
- (ii) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (iii) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (v) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

7. Memorandum and Articles of Association

7.1 The Memorandum of Association of IBB provides that IBB's principal objects are, *inter alia*, to carry on the business of Sharia'a compliant banking in all its aspects, including but not limited to the transaction of all financial, monetary and other business commonly carried on by Islamic banks and financial institutions.

7.2 The Articles of Association contain provisions to the following effect:

(i) **Sharia'a Compliance**

It is intended that the business affairs of IBB shall be conducted in compliance with the Sharia'a. Activities of IBB will at all times be supervised by a Sharia'a Supervisory Committee comprised of eminent scholars. The Directors of the Company are obliged to ensure that the Company's business is carried on in a Sharia'a compliant manner at all times.

(ii) **Voting Rights**

Subject to any rights or restrictions attached to the shares (as to which there are none at present), on a show of hands every member who is present by a representative, has one vote and on a poll every member has one vote for each share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.

(iii) **Alteration of Capital**

The Board has authority to allot securities but on a pre-emptive basis. Pre-emption rights were disapplied in relation to the remaining authorised but unissued and unallotted share capital of the Company by special resolution dated 23 October 2003.

IBB may by ordinary resolution (1) increase its share capital by new shares of such amount as the resolution prescribes, (2) consolidate and divide all or any of its share capital into shares of a larger amount, (3) subject to the Act, sub-divide all or any of its shares into shares of a smaller amount and may by resolution decide that the shares resulting from the sub-division have amongst themselves a preference or other advantage and (4) cancel any shares which, at the date of passing the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount so cancelled.

Subject to the Act, IBB may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

(iv) **Purchase of Own Shares**

Subject to the Act, IBB may purchase its own shares (including any redeemable shares).

(v) Transfer of shares

The instrument of transfer of a share may be in any usual form or in any other form which the directors may approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

The Articles of Association allow free transfer of shares in accordance with Rule 30 of the AIM Rules.

(vi) Directors

- (a) There is no age limit for Directors.
- (b) Unless otherwise determined by an ordinary resolution, the number of directors (other than alternate directors) is not subject to any maximum but may not be less than two.
- (c) The directors are entitled to such remuneration as IBB may by ordinary resolution determine and, unless the resolution provides otherwise, the remuneration shall be deemed to accrue from day to day.
- (d) The directors may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of directors or committees of directors or general meetings or separate meetings of the holders of any class of shares or of debentures of IBB or otherwise in connection with the discharge of their duties.
- (e) The Directors may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any director who has held but no longer holds any executive office or employment with IBB or with any body corporate which is or has been a subsidiary of IBB or a predecessor in business of IBB or of any such, subsidiary, and for any member of his family or any person who is or was dependent on him, and may (before as well as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase of provision of such benefit.
- (f) At the first annual general meeting of IBB all the directors shall retire from office, and at every subsequent annual general meeting one-third of the directors who are subject to retirement by rotation (being those directors who have been longest in office since their last appointment or reappointment) or, if the number is not three or a multiple of three, the number nearest to one-third shall retire from office; but, if there is only one director who is subject to retirement by rotation, he shall retire.

Directors may be appointed by ordinary resolution of the shareholders or by the board. A director appointed by the board holds office only until the next following annual general meeting and is not taken into account in determining the directors who are to retire by rotation at the meeting. If he is not reappointed at such annual general meeting, he shall vacate office at the conclusion thereof.

- (g) Subject to the Act, and provided that he has disclosed to the board the nature and extent of any material interest of this, a director notwithstanding his office: (1) may be a party to, or otherwise interested in, any transaction or arrangement with IBB or in which IBB is otherwise interested, (2) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by IBB or in which IBB is otherwise interested and (3) shall not, by reason of his office, be accountable to IBB for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.
- (h) Provided that he shall declare his interest in any contract or transaction a director may vote as a director in regard to any such contract or transaction in which he is interested or in respect of his appointment to any office or place of profit or upon any matter arising thereat and if he shall so vote his vote shall be counted.
- (i) Save as otherwise provided in the articles, a director may not vote at a meeting of directors or of a committee of directors on any resolution concerning a matter in which he has directly or indirectly, an interest or duty which is material and which conflicts or may

conflict with the interests of IBB unless his interest or duty arises only because the case falls within one or more of the following paragraphs:

- (i) the resolution relates to the giving to him of a guarantee, security or indemnity in respect of money lent to, or an obligation incurred by him for the benefit of IBB or any of its subsidiary undertakings;
- (ii) the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of an obligation of IBB or any of its subsidiary undertakings for which the director has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (iii) his interest arises by virtue of his subscribing or agreeing to subscribe for any shares, debentures or other securities of IBB or any of its subsidiaries, or by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures, or other securities by IBB or any of its subsidiaries for subscription, purchase or exchange; or
- (iv) the resolution relates in any way to a retirement benefits scheme which has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes.

An interest of a person who is, for any purpose of the Act, connected with a director shall be treated as an interest of the director and, in relation to an alternate director, an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

- (j) The directors may exercise all the powers of IBB to raise finance in a Sharia'a compliant manner without limit as to amount and upon such terms and in such manner as they think fit, and subject (in the case of any security convertible into shares) to Section 80 of the Act to grant any mortgage, charge or standard security over its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and any other securities whether outright or as security for liability or obligation of IBB or of any third party.
- (k) Any director may participate in a meeting of the directors or a committee of the directors of which he is a member by means of a conference telephone or similar communication equipment whereby all persons participating in the meeting can hear each other. A person so participating is deemed to be present in person at such meeting and is entitled to vote or be counted in a quorum accordingly. Such a meeting is deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the chairman of the meeting is.
- (l) Subject to the Act, but without prejudice to any indemnity to which a director may otherwise be entitled, every director or other officer or auditor of IBB shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of IBB. In addition, every director, officer or official of IBB shall be entitled to be indemnified out of the assets of IBB against all losses or liabilities incurred by him in or about the execution and discharge of the duties of his office.

(vii) Dividends

Except as otherwise provided by the rights attached to shares (as to which there are none at present), dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

The Directors shall not declare a dividend in circumstances where there is, or the Directors have reasonable notice that there may be, a shortfall in meeting the claims of the Profit-Sharing

Accounts, unless the Directors are satisfied that any such shortfall shall have been fully removed prior to payment of any dividend declared by the Directors.

Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by IBB.

(viii) Winding-up

If IBB is wound up, the liquidator may, with the sanction of an extraordinary resolution of IBB and any other sanction required by the Act, divide among the members *in specie* the whole or any part of the assets of IBB and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members; provided that such division shall take account of any amounts paid up or credited as paid up in respect of his shares which shall include for this purpose the amount of any share premium. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

If IBB is wound up, the members shall not receive assets from the Company until all claims by holders of Profit-Sharing Accounts are satisfied.

(ix) Notices

A notice may be given by IBB to any member either personally or by sending it by post or by telegraph, telex or facsimile or other electronic means to his registered address or by leaving it at that address or, by way of delivery to an alternative non-postal address as confirmed by the member and which is retained by IBB or its Registrars/agent in electronic form. Where a notice is sent by post, or, other means, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of 24 hours after the letter containing the same is posted, and in any other case at the time at which the letter would be delivered in the ordinary course of the post.

8. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company within 12 months prior to the date hereof, or contain obligations on the Company which are outstanding and are, or may be, material:

- 8.1 an agreement dated 1 February 2003 with IJVP seconding Michael Carter (Managing Director of IJVP) on a part time basis to IHB, for a fee of £16,000 per month. Advisory services include Sharia'a supervisory committee liaison, treasury services, financial control and reporting (outsourced to KPMG LLP), investor liaison, marketing and company secretarial duties. The agreement expired on 31 July 2004;
- 8.2 a mandate for IJVP dated 11 February 2004 to act as advisor on the Private Placement;
- 8.3 on 27 April 2004 the Company entered into an agreement with Grant Thornton Corporate Finance under which Grant Thornton Corporate Finance agreed to act as the Company's Nominated Adviser and to advise and assist the Company in respect of the AIM Rules unless terminated by 7 days' written notice by either party ("The Nominated Adviser Agreement"). The Nominated Adviser Agreement also contains indemnities from the Company to Grant Thornton Corporate Finance;
- 8.4 an agreement dated 17 August 2004 with Capita IRG. A fee of £50,000, subject to reduction based on applications processed, for the offering to be followed by a minimum fee of £30,000 per annum to act as registrar on an ongoing basis, depending on the number of subscribers/shareholders;
- 8.5 an agreement dated 22 July 2004 with QIIB to act as receiving bank for the private placement for a fee of £10,000 plus a Modarib fee of 15 per cent of the profit earned on subscription balances held in the Private Placement Accounts until allotment;
- 8.6 the engagement of Clifford Chance LLP for legal services in connection with the Offering and the Private Placement;
- 8.7 an agreement dated January 2004 with Ahmad Salam. Consulting fee of £5,000 per month from 1 January 2004 for three months to assist in marketing and public relations on behalf of IHB;

- 8.8 an engagement letter dated 2 July 2004 and placing agreement dated 25 August 2004 with Keith, Bayley, Rogers & Co. Limited for Keith, Bayley, Rogers' services as broker to the Offering for a fee of £25,000 plus VAT at the time of Admission, an annual fee of £25,000 plus VAT thereafter and a commission of 2.5 per cent of the funds raised by them in the Offering; and
- 8.9 a placing agreement dated 22 July 2004 between the Company, ABC Islamic Bank (E.C.), Gulf Bank KSC and QIIB (as lead managers) in respect of the lead managers' services as placing agents for the Private Placement. Each lead manager is entitled to a commission of 2.5 per cent of the proceeds raised by the Company through that lead manager in the Private Placement, payable on the allotted amount only.

9. Litigation and Arbitration

There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have had, during the twelve months prior to the publication of this document, a significant effect on the financial position of the Company.

10. Working Capital

In the opinion of the Company, having made due and careful enquiry and taking into account the Company's bank facilities and net proceeds of the Offering and the Private Placement receivable by the Company, the working capital available to the Company is sufficient for its present requirements, being twelve months from the date of Admission.

11. UK Taxation

The following statements are intended only as a general guide to current UK tax legislation and to the current practice of the UK Inland Revenue (the "**Inland Revenue**") and may not apply to certain shareholders, such as dealers in securities. They relate only to persons who are the absolute beneficial owners of Ordinary Shares, are resident (or, if individuals) ordinarily resident in the UK for UK tax purposes (except where stated otherwise) and who hold Ordinary Shares as investments and not as trading stock. Different rules may apply in other cases. Any person who is in any doubt as to his tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult their professional advisers immediately.

11.1 Dividends

The following statements relate only to the tax treatment, under existing law, of dividends paid on the Ordinary Shares on or after 6 April 1999:

- (i) Under current UK tax legislation the Company is not required to withhold tax at source from dividend payments it makes.
- (ii) Individual shareholders resident for tax purposes in the UK should generally be entitled to a tax credit in respect of any dividend received equal to one-ninth of the amount of the dividend. Such an individual shareholder's liability to UK income tax is calculated on the sum of the dividend and the tax credit (the "**gross dividend**") which, with certain other investment income, will be regarded as the top slice of the individual's income and which will be subject to UK income tax at special rates of tax as described below. The tax credit therefore equals 10 per cent of the gross dividend. The tax credit will be available to offset such shareholder's liability (if any) to income tax on the gross dividend.

Individual shareholders liable to tax at a rate equal to or lower than the basic rate will be liable to tax on dividend income received at the rate of 10.0 per cent. This income tax liability will be satisfied by the tax credit and no further tax will be payable.

The rate of income tax applied to UK company dividends received by UK resident individuals liable to income tax at the higher rate is 32.5 per cent. After taking into account the 10 per cent tax credit, a higher rate taxpayer will be liable to additional income tax of 22.5 per cent of the gross dividend, equal to 25 per cent of the net dividend.

With limited exceptions (relating to shares held in individual savings accounts or personal equity plans prior to 5 April 2004) individual shareholders who are resident in the UK cannot claim repayment of the tax credit from the Inland Revenue.

- (iii) A corporate shareholder resident for tax purposes in the UK will not normally be liable to corporation tax on UK dividends.

- (iv) Tax exempt pension funds cannot reclaim from the Inland Revenue tax credits attaching to dividend payments on UK equities.
- (v) Individual shareholders who are resident for tax purposes in countries other than the UK but who are Commonwealth citizens, nationals of states which are part of the European Economic Area, residents of the Isle of Man or the Channel Islands or certain other persons who are entitled to a tax credit as if they were resident for tax purposes in the UK which they may set off against their total UK income tax liability. Such shareholders will generally not be able to claim repayment of the tax credit from the Inland Revenue.

Shareholders who are resident for tax purposes in countries other than the UK should consult their own tax advisers concerning their tax liabilities on dividends received. They should note that following the reduction in the rate of the UK tax credit to 10 per cent of the gross dividend from 6 April, 1999, they are unlikely to be entitled to any payment from the Inland Revenue.

11.2 Stamp Duty and Stamp Duty Reserve Tax

In relation to stamp duty and stamp duty reserve tax:

- (i) The allocation and issue of Ordinary Shares will not give rise to a liability to stamp duty or stamp duty reserve tax.
- (ii) Any subsequent conveyance or transfer on sale of the Ordinary Shares will usually be subject to *ad valorem* stamp duty on the instrument of transfer, generally at a rate of 0.5 per cent (rounded up to the next multiple of £5) of the amount or value of the consideration. A charge to stamp duty reserve tax at the rate of 0.5 per cent will arise in relation to an unconditional agreement to transfer such Ordinary Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to stamp duty reserve tax will be cancelled or repaid. A transfer of Ordinary Shares effected on a paperless basis through CREST will generally be subject to stamp duty reserve tax at the rate of 0.5 per cent of the value of the consideration.

The above statements are intended as a general guide to the current position. Certain categories of persons are not liable to stamp duty or stamp duty reserve tax, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

11.3 Capital Gains

A shareholder resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised.

Corporate shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these shares up until the date of disposal. Individual shareholders resident for tax purposes in the UK who are not within the charge to corporation tax will be entitled to taper relief on a subsequent disposal of Ordinary shares based on their period of ownership. The calculation for taper relief on a subsequent disposal of Ordinary Shares will take into account the period of ownership of these shares.

A shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and such Ordinary Shares are or have been used, held or acquired for the purposes of such trade or branch or agency. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may be liable to UK taxation of chargeable gains (subject to any available exemption or relief).

12. Minimum amount

The minimum amount which, in the opinion of the Directors, must be raised under the Offering and Private Placement to provide sums required in respect of the matters specified in paragraph 21 of Schedule 1 of the POS Regulations is £19.5 million as set out below:

	£
(i) Purchase of property	Nil
(ii) Expenses of the Offering and Private Placement	1,500,000
(iii) Repayment of borrowings in respect of (i) and (ii) above	Nil
(iv) Working capital	18,000,000

13. General

- 13.1 The net proceeds of the Offering and the Private Placement are expected to be £38.5 million. The total costs and expenses relating to the Proposals payable by the Company are estimated to be approximately £1.5 million (including VAT).
- 13.2 KPMG Audit Plc of PO Box 695, 8 Salisbury Square, London EC4Y 8BB has given and not withdrawn its written consent to the issue of this document with the inclusion of its report and the reference to its name in the form and context in which such references are included.
- 13.3 Grant Thornton Corporate Finance of Grant Thornton House, Melton Street, Euston Square, London NW1 2EP has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which such references are included.
- 13.4 Keith, Bayley, Rogers of Sophia House, 76/80 City Road, London EC1Y 2EQ has given and not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which such references are included.
- 13.5 The accounting reference date of the Company is 31 July.
- 13.6 The Offering Price represents a premium over nominal value of 24p per Ordinary Share.
- 13.7 It is expected that definitive share certificates will be despatched by first class post on 18 October 2004. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 12 October 2004.
- 13.8 Save as disclosed in Part 1 of this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 13.9 Save as disclosed in Part 1 of this document, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Company's business.
- 13.10 No underwriter or paying agents are involved with the Offering and the Private Placement.
- 13.11 Save as disclosed, the Company has no significant financial investments in progress.
- 13.12 No financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company nor to constitute publication of accounts by it.
- 13.13 There have been no significant changes in the trading or financial position of the Company since 30 June 2004, the date as of when the audited interim accounts in Part 4 of this document were prepared.
- 13.14 No person (other than the Company's professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the date of this document, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more, securities in the Company with a value of £10,000 or more at the Offering Price or any other benefit with a value of £10,000 or more at the date of this document.
- 13.15 Grant Thornton Corporate Finance has been appointed nominated adviser to the Company. Under the AIM Rules the nominated adviser owes certain responsibilities to the London Stock Exchange. In accordance with these rules, Grant Thornton Corporate Finance has confirmed to the London Stock Exchange that it has satisfied itself that the Directors of the Company have received independent advice and guidance as to the nature of their responsibilities and obligations under the rules and that, to the best of its knowledge and belief, all relevant requirements of the AIM Rules (save for compliance

with Regulation 9 of the POS Regulations in respect of which the nominated adviser is not required to satisfy itself) have been complied with. In giving its confirmation to the London Stock Exchange, Grant Thornton Corporate Finance has not made its own enquiries except as to matters which have come to its attention and on which it considered it necessary to satisfy itself. No liability whatsoever is accepted by Grant Thornton Corporate Finance for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which the Company and its Directors are solely responsible. Grant Thornton Corporate Finance does not regard itself as being a “responsible person” (as that term is used in the POS Regulations) in relation to this document.

14. Availability of this document

- 14.1 Copies of this document are available free of charge from the Company’s registered office and at the offices of Grant Thornton Corporate Finance, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP and the offices of Keith, Bayley, Rogers & Co Limited, Sophia House, 76/78 City Road, London EC1 2EQ during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

Dated: 26 August 2004

PART 6

PRIVATE PLACEMENT OUTSIDE THE UNITED KINGDOM

THE PRIVATE PLACEMENT OF NEW ORDINARY SHARES IS AIMED AT PROFESSIONAL AND SOPHISTICATED INVESTORS ONLY. NO PUBLIC OFFERING OF THE NEW ORDINARY SHARES IS BEING MADE OUTSIDE THE UNITED KINGDOM AND THIS DOCUMENT DOES NOT (NOR SHALL IT BE CONSTRUED AS) SUCH AN OFFER OR SOLICITATION.

THIS DOCUMENT HAS NOT BEEN APPROVED BY THE BAHRAIN MONETARY AGENCY (“BMA”). THE BMA ASSUMES NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS DOCUMENT.

NO PART OF THIS DOCUMENT CONSTITUTES FINANCIAL, TAX OR LEGAL ADVICE TO ANY PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OR ITS OWN FINANCIAL ADVISER, LEGAL COUNSEL AND ACCOUNTANT AS TO FINANCIAL, LEGAL AND RELATED MATTERS CONCERNING HIS OR ITS PROPOSED INVESTMENT.

EACH INVESTOR ACQUIRING NEW ORDINARY SHARES WILL BE BOUND BY THE TERMS OF THE APPLICATION FORM SIGNED AND SUBMITTED BY SUCH INVESTOR AND BY THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY. IN THE EVENT THAT ANY TERM, CONDITION OR OTHER PROVISION OF THE APPLICATION FORM OR THE MEMORANDUM OR ARTICLES OF ASSOCIATION IS INCONSISTENT WITH THE DESCRIPTION THEREOF IN THIS DOCUMENT, SUCH OTHER DOCUMENT SHALL PREVAIL.

1. Introduction

For a detailed background of the Company relevant to the Private Placement, please refer to Part 1 of this document. For a description of the Islamic banking products to be offered by the Company, please refer to Part 2 of this document. For risk factors relevant to the Private Placement, please see paragraphs 1,2,3,4,5,6,7,8,9,11 and 12 of Part 3 (the “Relevant Risk Factors”). Please also see paragraphs 4 and 5 of this part below for additional risk factors relevant to the Private Placement. For the Accountants’ Report, please refer to Part 4. For additional information on the Company, please refer to Part 5.

2. The Private Placement

The Company will offer shares in a private placement to investors in selected countries outside the United Kingdom. The lead managers for the Private Placement are ABC Islamic Bank (E.C.), Gulf Bank K.S.C. and QIIB.

The minimum application for shares to be offered in the Private Placement will be £100,000 or 400,000 shares at the Offering Price of 25p per share.

3. Order of allocation of New Ordinary Shares

The Company is offering up to 160,000,000 New Ordinary Shares pursuant to the Offering and the Private Placement at the Offering Price, which will raise approximately £38.5 million (net of expenses) and will represent approximately 38.19 per cent of the enlarged issued share capital following the Offering and the Private Placement (assuming full subscription). The proceeds of the Offering will be deposited in the Offering Accounts. The proceeds of the Private Placement will be deposited in the Private Placement Accounts.

New Ordinary Shares will be issued fully paid and will, on issue, rank *pari passu* with the Ordinary Shares already in issue, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid.

The existing shareholders will be given the opportunity to maintain their current percentage shareholdings by subscribing for the requisite number of New Ordinary Shares. Existing shareholders have the right but not the obligation to subscribe for New Ordinary Shares.

An existing shareholder may make an arrangement with a potential new investor to subscribe for the additional shares on behalf of new investors. However, the allocation will be to the existing shareholder and will be subject to any restrictions imposed by Rule 7 of the AIM Rules (if applicable). An existing

shareholder can apply for more shares than are required to maintain his existing percentage holding. Such excess applications will not be given priority.

The Board may, in consultation with Grant Thornton Corporate Finance and Keith, Bayley, Rogers, use its discretion to allocate New Ordinary Shares to some or all applicants in such amounts and proportion of applications to subscribe as it sees fit. The Directors reserve the right to reduce the allotments in whole or in part. In no circumstances will the Directors allot shares where an investor's interest in the Company would equal or exceed 30 per cent of the Company's issued share capital.

4. Foreign Investors

Foreign Investors should consider the extent to which any proposed investment in IBB may be subject to consents or limitations and whether the repatriation of investment income, capital and the proceeds of sales by foreign investors may require government registration or approval.

Additionally, foreign investors should be aware before making any investment that future sanctions legislation effective in the UK could have the effect of prohibiting or restricting IBB from making payments (whether by way of dividend or otherwise) to foreign investors in jurisdictions which have become targets of such sanctions legislation.

5. Foreign Exchange Risk

In addition to the Relevant Risk Factors, foreign exchange risk is an additional source of risk for Private Placement investors outside the United Kingdom. IBB's Ordinary Shares are denominated in Pounds Sterling. Investors in the Private Placement will therefore be subject to fluctuating exchange rates between Pounds Sterling and any other currency into which they might wish to convert any payments received by way of dividend or otherwise in respect of any investment they make in Ordinary Shares.

6. Proceeds of Private Placement

All cheques paid in respect of the Private Placement will be paid into the Private Placement Accounts. QIIB will deploy the subscriptions received in short term commodity Murabaha transactions with prime banks approved by IBB, until the allotment takes place.

7. Application form for the Private Placement

An application to subscribe for the New Ordinary Shares offered in the Private Placement should be made by completing the Private Placement Application Form at Appendix II.

PART 7

TERMS AND CONDITIONS OF THE OFFERING

1. The Offering is being made by IBB. Application forms will be available on-line by following the instructions found at IBB's web site (www.offer.islamic-bank.com) together with the Admission Document. Applicants for shares issued through the Offering will be agreeing with IBB as follows:
2. You as the applicant or, if signing on behalf of another person, that person:
 - (a) offer (a) to subscribe at the Offering Price the maximum number of shares that may be applied for with the amount specified in the relevant Offering Application Form as the amount that you wish, or that person wishes, to invest (or any smaller amount in respect of which your offer is accepted) (the "Offer") subject to these terms and conditions, the terms of the relevant Offering Application Form and accompanying guide, and solely on the basis of information contained in the Admission Document and the Memorandum and Articles of Association of IBB;
 - (b) authorise Capita IRG, as receiving agent on behalf of IBB, to send you a definitive share certificate and/or a sterling cheque for any monies returnable (without interest) crossed "Account Payee" or your cheque or bankers' draft, by post at the risk of the person entitled to it, to your address, and to ensure that your name is placed on the register of members of IBB in respect of any shares for which your application is accepted;
 - (c) In consideration of IBB making the Offering and as a collateral contract between you, any person on whose behalf you are signing an application form, and the parties referred to in paragraph 1 above which will become binding on despatch by post or delivery to Capita IRG of the Offering Application Form:
 - (i) undertake to pay the Offering Price for the shares (payable in full on application) in respect of which the application you have made is accepted and warrant that your remittance will be honoured on first presentation and in any event by 2 p.m. on 8 October 2004, failing which you, or the person on whose behalf you have made an application, will not be entitled to receive a share certificate, nor to enjoy or receive any rights in respect of such shares unless and until payment is made in cleared funds for such shares and such payment is accepted by Capita IRG (which acceptance shall be in its absolute discretion and on the basis that you and any person on whose behalf you have made such application shall indemnify Capita IRG in respect of any costs, expenses, losses or liabilities incurred as a result) and, pending receipt of cleared funds, Capita IRG, on behalf of IBB may terminate the agreement to allocate shares to you or to the person on whose behalf you have made the application and re-allocate the shares to another person;
 - (ii) agree that any share certificate to which you or the person on whose behalf you have made the application may become entitled and monies that are returnable be retained pending clearance of your remittance or pending investigation of any suspected breach of any of the confirmations, representations and warranties contained in paragraph 10 below and any interest accruing on such retained monies shall accrue to, and be for the benefit of, IBB;
 - (iii) agree, on request by Capita IRG, to disclose promptly in writing to Capita IRG such information as they may request in connection with the application you have signed and authorise them to disclose any information relating to such application to such persons, in each case, as Capita IRG considers in its absolute discretion necessary or appropriate;
 - (iv) agree that any share certificate in respect of any shares to which you, or the person on whose behalf you have applied, may become entitled and monies that are returnable may be retained pending clearance of your remittance, investigation of any suspected breach of these terms and conditions (including, for the avoidance of doubt, any of the confirmation, representations and warranties herein contained) and any verification of identity which is, or which Capita IRG considers may be, required to ensure compliance with the Money Laundering Regulations 2003 and that any interest accruing on such retained monies shall accrue to, and be for the benefit of, IBB;
 - (v) agree that, if evidence of identity satisfactory to IBB or Capita IRG is not provided on or before 8 October 2004, IBB may terminate the contract of allocation with you and with any person on whose behalf you have applied and, in such case, the shares which would

otherwise have been allocated will be sold as soon as is reasonably practicable (and for which purpose you and any person on whose behalf you have applied hereby irrevocably authorise IBB or any person appointed by it for this purpose to execute any instrument of transfer which may be necessary to effect such sale (if any)) and, as soon as is reasonably practicable after such sale, your application monies (or, if less, an amount equal to the proceeds of such sale net of all expenses of the sale including for the avoidance of doubt any stamp duty and/or stamp duty reserve tax that may be payable) will be returned to the bank or other account on which the cheque or other remittance accompanying the application was drawn and you agree for yourself and on behalf of any person for whom you made the application that, in such event, neither you nor any person on whose behalf you made the application will have any claim against IBB or Capita IRG or any of their respective officers, agents or employees in respect of the balance of the application monies, if any (such balance being retained by IBB as compensation for breach of contract), or for any loss arising from the price, the timing or the manner of such sale or otherwise in connection therewith;

- (vi) agree that you are not applying on behalf of a person engaged in money laundering;
 - (vii) undertake to ensure that, in the case of an application signed by someone else on your behalf, the original of the relevant power of attorney or other authority (or a complete copy certified by a solicitor or notary) is enclosed with your application form;
 - (viii) agree that any future communication sent by IBB to you or to the person on whose behalf you made the application in your, or their, capacity as a shareholder of IBB may be in the English language;
 - (ix) agree that, subject to any scaling down as set out in paragraph 6 below, the number of shares allocated to you or to the person on whose behalf you made the application will be calculated as the sterling amount applied for divided by the offering price and rounded down to the nearest whole number of shares;
 - (x) agree that IBB, in consultation with Grant Thornton Corporate Finance and Keith, Bayley, Rogers, reserves the right to alter any arrangements in connection with the Offering to non institutional persons (including the timetable and terms of application); and
 - (xi) agree that the contract arising from acceptance of applications (in whole or in part) under the offering will be, or will be deemed to be, entered into by you (if you are a successful applicant) and by any person on whose behalf you have applied (if such person is a successful applicant) and IBB on these terms and conditions of application for the Offering to non-institutional persons subject to paragraph (x) above and any changes, additions or alternations made to any application form will have no effect.
3. If your application form is not completed correctly or is amended or if the accompanying cheque, bankers' draft or money order is for the wrong amount or currency or if your application form is not accompanied by a power of attorney or other authority where required, your application form may still be treated as valid. In these circumstances, the decision of IBB or Capita IRG in consultation with Grant Thornton Corporate Finance and Keith, Bayley, Rogers, as to whether to treat your application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to invest a higher amount than is indicated in your application.
4. IBB reserves the right to reject, in whole or in part, or to scale down any application, or to conduct a ballot, or in the case of paragraph 4(iv) below, to cancel any contract of allocation of shares including, without limitation:
- (i) multiple or suspected multiple applications;
 - (ii) any application which has not been received by Capita IRG by 3 p.m. on 29 September 2004 accompanied by a cheque or bankers' draft in sterling for the sum stated in the application form;
 - (iii) any application in relation to which the cheque or bankers' draft for the sum stated in the application form has not been cleared on first presentation and, in any event, by 2 p.m. on 8 October 2004;

- (iv) any application where the accompanying application form is not properly completed in all respects in accordance with the instructions on the accompanying application form, or as otherwise provided;
- (v) any application where as a result of such application the provisions of paragraph 8 below are, or, but for the rejection of such application, would be, breached;
- (vi) any application made on an application form that has been, or is suspected of having been, changed by way of any addition, deletion or alteration or otherwise; and
- (vii) any application in names that are, or are suspected to be, fictitious, or which are otherwise unsuitable for share registration purposes.

Acceptance of your offer

- 5. IBB or Grant Thornton Corporate Finance or Keith, Bayley, Rogers on behalf of IBB, may accept your offer to subscribe (if the application is received by the due date, is valid (or treated as valid), is processed and is not rejected) by notifying acceptance to Capita IRG.
- 6. IBB will endeavour to satisfy valid applications on application forms. However, if demand for shares exceeds the number of shares available in the Offering, IBB, in consultation with Grant Thornton Corporate Finance and Keith, Bayley, Rogers, will determine the basis of allocation of shares including any scaling down or balloting. In the event of any such scaling down or balloting, allocation between individual applicants will be made by Capita IRG in consultation with IBB. Accordingly, you or any person on whose behalf you have applied may not receive all of the shares applied for and may not receive any at all.

Conditions

- 7. The contract arising from acceptance of applications (in whole or in part) under the offering will be entered into by you (if you are a successful applicant) and by any person on whose behalf you have applied (if such person is a successful applicant) and IBB under which you or the person on whose behalf you applied will be required to subscribe for the shares (at the offering price in respect of such number of shares for which the application has been accepted) and will be conditional upon (a) Admission becoming effective in accordance with the AIM Rules on or before 12 October 2004 or such later date as IBB, in consultation with Grant Thornton Corporate Finance and Keith, Bayley, Rogers, may agree (not being later than 29 October 2004) and (b) the right of termination under paragraph 19 below not having been exercised prior to Admission.
- 8. You or any person on whose behalf you may have applied will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you or such other person may have.

Return of application monies

- 9. If any application is not accepted or if any contract created by acceptance does not become unconditional, your cheque or bankers' draft or a cheque from Capita IRG for the relevant amount (without interest) will be returned to you by post at the risk of the applicant not later than 15 November 2004. If any application is accepted for an amount lower than that offered, subject as hereinafter provided, the balance of the amount paid on application (as the case may be) will be returned to the applicant by cheque crossed "Account Payee" in favour of the relevant payee(s) without interest by post at the risk of the applicant or payee(s) not later than 15 November 2004. In the meantime, application monies will be retained by Capita IRG in the Offering Account operated maintained by them. No interest will accrue on such monies for your benefit. The cheque and/or bankers' draft accompanying your application may be presented on receipt and before acceptance of your application, but this will not constitute acceptance of your application, either in whole or in part. The proceeds of this presentation will be held pending acceptance and, if the application is accepted and the conditions of paragraph 6 above are satisfied, will be applied in discharging the total amount due for the shares you or any person on whose behalf you have applied have been allocated. Share certificates and surplus application monies (if any) may be retained pending clearance of the applicant's cheque and/or bankers' draft. The right is also reserved to reject any application in respect of which the applicant's cheque or bankers' draft has not been cleared on first presentation and, in any event, by 2 p.m. on 8 October 2004. IBB may require an applicant to pay resulting costs if the cheque or bankers'

draft accompanying an application is not honoured on first presentation. Any sums refunded will be paid in sterling only.

Warranties

10. By completing and submitting an application form, you as the applicant and, if signing on behalf of another person, that person:
- (a) represent and warrant that you have carefully read the Admission Document and understand and have evaluated the risks of a purchase of New Ordinary Shares in the Company hereunder, including the risks set out under “Risk Factors” in the Admission Document and have relied solely on the information contained in the Admission Document;
 - (b) represent and warrant that you have knowledge and experience in financial and business matters such that you are capable of evaluating the merits and risks of a purchase of the New Ordinary Shares hereunder and have sought professional advice in relation to the merits and risks of such purchase or have concluded that such advice is not necessary;
 - (c) represent and warrant that, if the laws of any territory outside the U.K. are relevant to your application, in connection with your application, you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory, other than the U.K., and that you have not taken any action or omitted to take any action which will or may result in IBB, Grant Thornton Corporate Finance, Keith, Bayley, Rogers, Capita IRG or any of their respective directors, employees, agents, officers and advisers acting in breach of the regulatory or legal requirements of any territory outside the U.K. in connection with the offering or your application or IBB’s acceptance of your application;
 - (d) represent and warrant that, if you sign an application form on behalf of somebody else, you have the authority to do so and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions and undertake to enclose with your application form your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary where required by the instructions contained in the guide to completing the application form and otherwise comply with instructions;
 - (e) confirm that, in making an application, neither you nor any person on whose behalf you are applying is relying on any information or representation in relation to IBB or to any of its subsidiaries other than such as may be contained in this document and you agree that none of IBB, Grant Thornton Corporate Finance, Keith, Bayley, Rogers or Capita IRG and none of the respective directors, employees, agents, officers and advisers nor any person acting on behalf of them or any person responsible solely or jointly for this Admission Document, or any part of it, shall have any liability for any information or representation not contained in this document;
 - (f) agree that, having had the opportunity to obtain and read this document, you shall be deemed to have noted all information and representations concerning IBB or any of its subsidiaries contained in this document;
 - (g) agree not to dispose of any shares in the Company for one year from the time of Admission if you qualify as a “related party” or “applicable employee” for the purposes of Rule 7 of the AIM Rules;
 - (h) covenant and agree to indemnify and hold harmless the Company and/or Grant Thornton Corporate Finance and any corporation or other legal entity affiliated with the Company or and/or Grant Thornton Corporate Finance, or any of the officers, directors, shareholders and agents of any of the foregoing and all professional advisors thereto (including, without limitation, the legal counsel and accountants of each such parties), from and against any or all loss, liability, damage or expense, including costs and reasonable legal counsel’s fees and related expenses, to which any of them may become subject or which any of them may incur by reason of or in connection with any misrepresentation made by you in your application form, any breach of any representation or warranty by your acceptance of these terms and conditions, or your failure to fulfil any of your covenants and agreements under these terms and conditions;
 - (i) acknowledge that no person is authorised in connection with the Offering to give any information or make any representation other than as contained in this document and, if given or made, any

information or representation must not be relied upon as having been made by IBB, Grant Thornton Corporate Finance, Keith, Bayley, Rogers or Capita IRG;

- (j) confirm that you have reviewed the restrictions contained in paragraph 15 below and represent and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions of paragraph 15 below;
- (k) represent and warrant that you (and any person on whose behalf you are applying) are not a person who is under 18 years of age on the date of your application and you have authority to sign the application form;
- (l) agree that all documents in connection with the Offering and any returned monies will be sent at your risk (and at the risk of any person on whose behalf you are applying) and may be sent by post to you at your address set out in the Offering Application Form;
- (m) represent and warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);
- (n) represent and warrant that you are a resident of the U.K., and are not acting on behalf of, a U.S. Person (as such term is defined in Regulation S of the U.S. Securities Act of 1933) or a person resident in the United States;
- (o) agree that any material downloaded in relation to the Offering (i) is done at your own risk and discretion and that you will be solely responsible for any damage to your computer system or loss of data that results from the download of any such material (ii) will be used solely for personal use and you will not distribute any such materials to any U.S. Persons (as such term is defined in Regulation S of the U.S. Securities Act of 1933) or in the United States; and
- (p) agree and understand that IBB and Capita IRG shall not be liable for any direct, indirect, incidental, special, consequential or exemplary damages, including but not limited to, damages for loss of profits, goodwill use, data or other intangible losses resulting from unauthorised access to or alternative use of your transmissions or data.

Money laundering

- 11. You agree that, in order to ensure compliance with the Money Laundering Regulations 2003, Capita IRG may at its absolute discretion require verification of identity from any person lodging an application form who either (i) tenders payment by way of sterling cheque or bankers' draft drawn on an account in the name of another person or persons or (ii) appears to Capita IRG to be acting on behalf of some other person. In the former case, verification of identity of the applicant may be required. In the latter case, verification of identity of any persons on whose behalf the applicant appears to be acting may be required. Failure to provide the necessary evidence of identity may result in your application being rejected or delays in the despatch of documents.
- 12. Without prejudice to the generality of paragraph 11 above, verification of the identity of applications may be required if the value of the shares applied for (at the Offering Price) exceeds £10,000.
- 13. You should ideally make payment by means of a cheque drawn on your own bank account. If, this is not practicable in such circumstances, you should use a cheque drawn by a third party or a building society cheque or bankers' draft. You should write your name and address on the back of the cheque, building society cheque or bankers' draft and in the case of a building society cheque or bankers' draft ensure that the bank or building society enters the name, address and account number of the person whose account is being debited on the reverse of the building society cheque or bankers' draft. The building society or bank endorsement should be overlaid with the branch stamp. If in such circumstances you use a cheque drawn by a third party, you may be requested to provide: (1) the original or a copy (certified by a solicitor or notary) of the applicant's passport or driving licence as proof of identity; and (2) the original or a copy (certified by a solicitor or notary) of the applicant's driving licence or a recent original bank or building society statement or utility bill in the applicant's name and showing his current address (which originals will be returned by post at the applicant's risk). Proof of identity and proof of address must be provided by separate documents.
- 14. If you are making the application as agent for one or more persons, you should indicate in the application form whether you are a U.K. or EU regulated person or institution (e.g. a bank or broker) and specify your status.

Overseas investors

15. It is the responsibility of any person outside the U.K. wishing to make an application in the Offering to satisfy himself as to full observance of the laws of the relevant territory in connection therewith, including obtaining any requisite governmental or other consents or approvals, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. No person receiving a copy of this document or the Offering Application Form in any territory, other than the U.K. may treat the same as constituting an invitation or offer to him to subscribe for shares in IBB under the Offering, nor should he in any event use the Offering Application Form. This document has not been submitted to the clearance procedures of any authorities and complies only with the requirements of the AIM Rules. Any application made by or on behalf of a person outside the U.K. may be rejected.

Miscellaneous

16. To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the shares and the offering.
17. Save where the context requires otherwise, terms defined in this document bear the same meaning when used in the Offering Application Form, these terms and conditions and in the guides to completing the Offering Application Form.
18. The rights and remedies of IBB, Grant Thornton Corporate Finance, Keith, Bayley, Rogers and Capita IRG under these terms and conditions are in addition to any rights and remedies which would otherwise be available to either of them and the exercise or partial exercise of any such right or remedy will not prevent the exercise or partial exercise of other rights and remedies.
19. The Broker's Agreement provides that the Offering may be terminated in certain circumstances at any time prior to Admission. If the Offering is so terminated, applications received up to the date of termination will automatically lapse, applications received after the date of termination will be of no effect and any application monies relating thereto will be returned to you without interest.
20. IBB and Grant Thornton Corporate Finance reserve the right to delay the closing time of the Offering, from 3 p.m. on 29 September 2004 by giving notice to the London Stock Exchange. In this event, the revised closing time will be published in such manner as IBB in its absolute discretion determines subject, and having regard, to the AIM Rules.
21. You agree that all applications, acceptances of applications and contracts resulting from them under the Offering shall be governed by and construed in accordance with English law and that you submit to the exclusive jurisdiction of the English courts and agree that nothing shall limit IBB's right to bring any action, suit or proceedings arising out of or in connection with any such application, acceptances or contracts in any other manner permitted by law or in any court of competent jurisdiction.
22. You authorise IBB and its agents, on your behalf, to make any appropriate returns to the Inland Revenue in relation to stamp duty reserve tax (if any) on any contract arising on acceptance of your application and in relation to stamp duty (if any) payable on any transfer of shares as a result of such contract.
23. You agree that neither Grant Thornton Corporate Finance, Keith, Bayley, Rogers nor Capita IRG will treat you as its customer by virtue of an application being accepted and that neither Grant Thornton Corporate Finance, Keith, Bayley, Rogers nor Capita IRG will be responsible to you for providing to you the protections afforded to its customers and that neither Grant Thornton Corporate Finance, Keith, Bayley, Rogers nor Capita IRG owes you any duties or responsibilities concerning the price of the shares or concerning the suitability of the shares for you as an investment or (save as expressly set out in these terms and conditions) otherwise in connection with the offering.
24. You irrevocably authorise Capita IRG and its agents to do all things necessary to effect registration into your name of any shares subscribed for by you and authorise any representative of Capita IRG to execute and/or complete any document of title required therefore.
25. The dates and times referred to in these terms and conditions, this Admission Document and/or the Offering Application Form may be altered by IBB, Grant Thornton Corporate Finance and Keith, Bayley, Rogers.

26. References in these terms and conditions of application for the Offering to “you” and the “applicant” are, where the context requires, to the person on whose behalf the relevant application is being made and the person making the application.
27. All documents sent by post are sent at the risk of the person entitled thereto.

APPENDIX I

OTHER DIRECTORSHIPS HELD BY THE DIRECTORS

Abdul Rahman Abdul Malik

Name: Abdul Rahman Abdul Malik

Date of Birth: 01/01/1952

Age: 52 years

Other Directorships and Partnerships (including directorships and partnerships held within the previous five years):

Current

Islamic Development Bank (Member)
International Islamic Market (IIFM),
Bahrain (Member)

Previous

Islamic Rating Company, Bahrain
Bosna Bank, Bosnia (resigned but resignation not accepted)

Hussain Ali Al Abdulla

Name: Hussain Ali Al-Abdulla

Date of Birth: 01/01/1957

Age: 47 years

Other Directorships and Partnerships (including directorships and partnerships held within the previous five years):

Current

Qatar Airways
Qatar Fertilizer Company
Qatar International Islamic Bank (Q.S.C.)
Qatar Islamic Insurance Co.
Gulf Investment Corporation — Kuwait

Previous

Doha Securities Market

Abdul Magid Breish

Name: Abdul Magid Breish

Date of Birth: 11/10/1951

Age: 52

Other Directorships and Partnerships (including directorships and partnerships held within the previous five years):

Current

Arab Banking Corporation — Algeria
Arab Banking Corporation — Tunis
Arab Banking Corporation — Daus & Co. GMBH
ABC International Bank PLC, London
ABC Islamic Bank, Bahrain

Previous

Association of Foreign Banks

Shabir Randeree
Name:

Shabir Ahmed Randeree

Date of Birth:

12/03/1962

Age:

42

Other Directorships and Partnerships (including directorships and partnerships held within the previous five years):

Current

Brondesbury Park Hotel Limited
Collins Leisure Limited
DCD Factors PLC
DCD London and Mutual PLC
DCD Properties Limited
Pelham Incorporated Limited
Redbush Tea Company Limited
Revelate Limited/DCD Trade Services Limited
Richerson Limited
The Support Store Limited
Tarhouse Management Limited
Thornbury Estates Limited
Warrenby Limited
Wimbledon Bear Company Limited

Previous

Buzz Learning PLC
Chart oak Finance Limited
Cosy PLC
Cosy 2000 PLC
Cyberbus Limited
DCD Media PLC
Dominion Clothing Distributors Limited
Halal Mutual Investments Company Limited
Hilrange Properties Limited
In Touch Resources Limited
Muslim Directory (UK) Limited
NH Computer Training PLC
New Planet Solutions PLC
Redbrook Developments Limited
Systems Management (International) Limited
Travel Expenses International Limited

Note:

- (1) NH Computer Training PLC was put into voluntary liquidation in October 2002. There is an outstanding matter in respect of a claim for £1 million from HM Customs & Excise. The liquidator is vigorously defending the claim.
 - (2) In Touch Resources Limited was put into voluntary liquidation in January 2001 and was wound up with no adverse pending issues.
-

Ahmad Salam
Name:

Ahmad Salam

Date of Birth:

09/07/1960

Age:

44

Other Directorships and Partnerships (including directorships and partnerships held within the previous five years):

Current

None

Previous

Trade Intermediary
GroupApnaplanet.com
European Capital

Christopher Hayward Davis

Name:	Christopher Hayward Davis
Date of Birth:	07/08/1948
Age:	56
Other Directorships and Partnerships (including directorships and partnerships held within the previous five years):	Current None Previous Executive Vice President, Retail Banking International, Raiffeisen Zentralbank Austria AG (RZB) Supervisory Board Member Reiffeisen Bank Polska SA Warsaw

Adnan Ahmed Yousif

Name:	Adnan Ahmed Yousif
Date of Birth:	19/08/1955
Age:	49
Other Directorships and Partnerships (including directorships and partnerships held within the previous five years):	Current AlBaraka Islamic Bank, Bahrain Al Amin Co. for Securities and Investment, Bahrain Al Tawfeeq Co. for Investment Funds, Cayman Islands Bahrain Islamic Bank BSC Bahrain Stock Exchange Banque Al Baraka D'Algerie, Algeria Egyptian Saudi Finance Bank, Egypt Islamic Joint Venture Partners BSC (c) Jordan Islamic Bank, Jordan Previous AlBaraka Bank Lebanon, Lebanon ABC Islamic Bank EC, Bahrain ABC Investment & Services Co (E.C.) ABC Clearing Co, Bahrain ABC Islamic Fund, Bahrain Arab Banking Corporation BSC Arab Latin American Bank, Lima Arab Financial Services, Bahrain LAMCO, Bahrain Securities & Investment Co., Bahrain

Michael Hanlon

Name:	Michael Robert Hanlon
Date of Birth:	04/12/1944
Age:	59
Other Directorships and Partnerships (including directorships and partnerships held within the previous five years):	Current Michael Robert Associates Limited Previous Retail Banking, Raiffeisen Bank Polska SA Regional Personal Sector Sales, Barclays Bank PLC

David Gates

Name:	David Gates
Date of Birth:	07/02/1936
Age:	68
Other Directorships and Partnerships (including directorships and partnerships held within the previous five years):	Current Jordan International Bank PLC Previous None

Abdul Basit Al Shaibei (alternate director for Dr. Hussain Ali Al-Abdulla)

Name:	Abdulbasit Al-Shaibei
Date of Birth:	01/01/1961
Age:	43
Other Directorships and Partnerships (including directorships and partnerships held within the previous five years):	Current Islamic Financial Securities Company Qatar Banking Training Institute Board of Trustees Qatar International Islamic Bank (Q.S.C.) Previous Health Care Fund, Qatar Charitable Society Qatar Real Estate Company Qatar Islamic Insurance Company

APPENDIX II

APPLICATION FORM FOR THE PRIVATE PLACEMENT AND EXISTING SHAREHOLDERS

THIS FORM SHOULD BE RETURNED TO MR. MOHAMMAD TALHA, FIRST MANAGER, INTERNATIONAL BANKING SERVICES AT THE ADDRESS PROVIDED BELOW TO ARRIVE BY 12 NOON (QATAR TIME) ON 29 SEPTEMBER 2004. IF YOU WISH TO RETURN THIS FORM BY FAX, PLEASE FAX TO 009744385689, HOWEVER, THE FORM SHOULD ALSO BE RETURNED BY POST IN THE ADDRESSED ENVELOPE PROVIDED TO ARRIVE BY 12 NOON (QATAR TIME) ON 29 SEPTEMBER 2004. THE DIRECTORS OF THE COMPANY RESERVE THE RIGHT TO CLOSE THE PRIVATE PLACEMENT BEFORE 29 SEPTEMBER 2004.

APPLICATION FORM

To: Qatar International Islamic Bank (Q.S.C.)
P.O. Box 664
Doha, Qatar

Dear Sirs

Islamic Bank of Britain PLC
Invitation to existing shareholders and Private Placing of up to 160,000,000*
New Ordinary Shares
at the Offering Price of 25p each

I/We have pleasure in acknowledging receipt of your letter dated 2004 in confirming my/our application for the number of New Ordinary Shares set out in the box below under the terms and conditions set out in your letter with which the Admission Document was enclosed. I/We hereby confirm that I/we have given instructions (as indicated on this Form) to pay the subscription monies in respect of my/our application in accordance with the terms of your letter. Terms defined in the Admission Document shall, where the context permits, bear the same meanings in this Form.

Application:

Please insert below the number (being a minimum of 400,000 unless you are an existing Shareholder) of New Ordinary Shares for which you are making an application

New Ordinary Shares

.....

Please arrange for the New Ordinary Shares to be issued to me/us as an existing shareholder/under my/our participation in the Private Placement and for my/our name(s) to be entered in the Register of Members of the Company in respect of the number of New Ordinary Shares so issued to be issued and delivered as follows:

Registration Name(s) (in full):

Registration Address
(i.e. the address of the first-named holder)

*The Directors of Islamic Bank of Britain PLC have reserved the right to issue and allot fewer New Ordinary Shares in connection with the Private Placement.

Designation (if applicable):

.....

Please deliver to (if different from above):

.....

Name:

.....

Address:

.....

.....

.....

.....

Contact name and telephone number for settlement purposes:

Name: Tel:

Use of Information

1. I/We, the person(s) signing this Private Placement Application Form understand that the information that I/we provide in completing this Private Placement Application Form will be used by the Company for the following purposes: administering the membership and operation of the Company and otherwise in connection with the Company's legitimate business or as required by law. Information relating to me/us may be disclosed to affiliates and service suppliers of the Company for the purposes identified in this document. In addition, details of investors and their shareholding in the Company may be disclosed to third parties as required by relevant listing rules or be published in a prospectus or other documents issued in connection with an IPO of the Company. I/We are aware that, subject to applicable law, I/we/ are entitled to request details of information held by the Company relating to me/us and to have inaccurate details corrected or to request processing of my/our details to cease.
2. By signing this document I/we indicate my/our agreement (on my/our own behalf and duly authorised on behalf of any other person whose details I/we supply) to the processing of information by the Company as described above. I/We understand and agree that this may involve transfers of data to other countries worldwide in which the Company conduct business and that some countries may not have data privacy laws.

Representations

As an inducement to the Company to accept this application, and for other good and valuable consideration, I/we hereby acknowledge, represent, warrant, covenant and agree to and with the Company, as follows:

1. I/We hereby agree to purchase the number of New Ordinary Shares (or any lower number in respect of which its/my offer to purchase may be accepted).
2. I/We am/are purchasing the New Ordinary Shares for investment purposes only, solely for my/our own account and not as agent or on behalf of any other person, and not with the intention to sell, offer, distribute, subdivide or otherwise transfer to any other person any of such New Ordinary Shares.
3. I/We have carefully read the Admission Document and understand and have evaluated the risks of a purchase of New Ordinary Shares in the Company hereunder, including the risks set out under "Risk Factors" in the Admission Document and have relied solely (except as indicated in paragraph 5 below) on the information contained in the Admission Document.
4. I/We have knowledge and experience in financial and business matters such that I am/we are capable of evaluating the merits and risks of a purchase of the New Ordinary Shares hereunder.

I/We hereby covenant and agree to indemnify and hold harmless the Company and/or ABC Islamic Bank (E.C.), Gulf Bank K.S.C., Qatar International Islamic Bank (Q.S.C.) as applicable and any corporation or other legal entity affiliated with the Company or and/or ABC Islamic Bank (E.C.), Gulf Bank K.S.C., Qatar International Islamic Bank (Q.S.C.) as applicable, or any of the officers, directors, shareholders and agents of any of the foregoing and all professional advisors thereto (including, without limitation, the legal counsel and accountants of each such parties), from and against any or all loss, liability, damage or expense, including costs and reasonable legal counsel's fees and related expenses, to which any of them may become

subject or which any of them may incur by reason of or in connection with any misrepresentation made by me/us herein, any breach of any representation or warranty given by me/us herein, or my/our failure to fulfil any of my/our covenants and agreements herein.

I/We hereby agree not to dispose of any shares in the Company for one year from the date of Admission if I/we qualify as a “related party” or “applicable employee” for the purposes of Rule 7 of the AIM Rules.

Signature of Applicant — this MUST be signed

I/We agree to provide to ABC Islamic Bank (E.C.), Gulf Bank K.S.C., or Qatar International Islamic Bank (Q.S.C.), as applicable, such information as they may deem necessary, in their sole discretion, to enable them to comply with their anti-money laundering due diligence requirements and related responsibilities from time to time and/or to enable them to comply with or observe such anti money-laundering laws, regulations or guidelines (whether or not having the force of law) to which they may be subject or with which they are accustomed to comply.

I/We agree and acknowledge that IBB reserves absolute discretion to reject this application for New Ordinary Shares.

I/We acknowledge that I/we have read and understood the Admission Document relating to the issue of New Ordinary Shares and agree that I/we will be bound by the provisions of the Memorandum and Articles of Association of Islamic Bank of Britain PLC.

Yours faithfully

(Signature)	(Position)
.....	
(Signature)	(Position)
.....	
(Signature)	(Position)
.....	
(Signature)	(Position)
.....	

Please tick one of the following boxes:

I/We have arranged for payment to be made by	☐ electronic transfer
	☐ cheque
	☐ direct debit

Note: This form must be signed by all joint applicants. Any forms completed under a power of attorney MUST be accompanied by a certified copy of the power of attorney.



Schedule A

Debit Instruction Form for Account Holders of QIIB

To: Qatar International Islamic Bank (Q.S.C.)

Please debit the equivalent of (*please insert amount*) from my account:

Account Name:

Account Number:

Branch Address:

and credit the account of Islamic Bank of Britain PLC in settlement of the amount payable in respect of the number of New Ordinary Shares specified on page 1 of this Form.

Authorised Signatory:

Date:

Schedule B

Instruction for Electronic Transfer of Funds

DETAILS OF INVESTOR'S BANK ACCOUNT:

TO THE MANAGER

Bank Name:.....

Bank Address:.....

Account Name:.....

Account Number (& Bank Code):.....

This is to authorise the electronic transfer of the sum of £

(in words)

PLEASE REFERENCE ELECTRONIC TRANSFER WITH MY NAME from the above account to:

Account Name: Qatar International Islamic Bank (Q.S.C.)

Account Number: 20629790

Bank Name: Barclays Bank Plc
Correspondent Banking Branch
P.O. Box 115
168 Fenchurch Street
London EC3P 3HP
United Kingdom

Sort Code: 20 32 53

Barclays Swift BIC: BARCGB22

QIIB Swift BIC: QIIBQAQA

Please action this instruction for value / 2004 (insert day)

Signed:.....

Name:

(in Block Capitals)

Date:

Note: Please send this instruction form to your Bank and a copy of this instruction form with the Private Placement Application Form to Qatar International Islamic Bank (Q.S.C.) if you are paying by electronic transfer.



APPENDIX III

LIST OF REGULATED ACTIVITIES AUTHORISED BY FSA

IBB has been authorised by the FSA to carry on the following regulated activities subject to the terms of the banking licence:

<i>Regulated Activity</i>	<i>Investment Types</i>	<i>Customer Type</i>
Accepting Deposits	Deposit	
Agreeing to carry on a regulated activity	The firm can agree to carry on only the regulated activities specified in the notice by the FSA	
Dealing in Investments as principal	1. Commodity Future 2. Rolling spot forex contract 3. Future (excluding a commodity future and a rolling spot forex contract) 4. Government and Public Security	1. Intermediate Customer 2. Market Counterparty