

PERSIA INTERNATIONAL BANK PLC

**Annual Report &
Financial Statements
for the year ended 31 March 2008**

Persia International Bank PLC
Annual Report and Financial Statements

Contents

	Page
Chairman's statement	1
Directors' report	3
Statement of directors' responsibilities	5
Independent auditors' report	6
Income statement	8
Balance sheet	9
Statement of recognised income and expense	10
Cash flow statement	11
Notes to the accounts	12

Persia International bank

Chairman's Statement

The financial year 2007/08 was the Bank's sixth year of operation and I am very pleased to report another excellent result from what was a very challenging and difficult year for all players in the financial sector. I believe the strength of the Bank, its capital and sound business strategy plus the drive and motivation of all the staff has maintained the Bank's standing and kept it in a position to grow further.

During the year the Bank started the exercise to convert its share capital into Euros. It issued Euro 50million of new Euro shares to the shareholders and used the proceeds to buy back from them US\$70million of US\$ shares. The Bank will complete the conversion exercise later this year. The Bank has presented for the first time its annual accounts in Euros; the previous year's comparatives are shown in Euros accordingly.

I am very pleased to report a profit before tax of Euro 27million which is a 34% increase over the previous year. Similarly profit after tax is up 34% at Euro 18.8million, resulting in a return on average equity of 18%. The cost income ratio improved further, reducing from 26% last year to 24%; again this was primarily a function of increased revenues, up 30%. Trade finance commission revenues were up 53% on last year's improved levels, so clearly illustrating the success of the Bank's increased focus on this core business activity.

The bank's credit portfolios remained problem free; however, the Bank was unable to follow up last year's expansion; the downturn in the international credit markets resulted in the Bank redirecting its resources away from the international syndicated loan market and concentrating more on Iranian exposures particularly shorter term trade finance facilities. The loan portfolios include relationship loans to mainly high quality Iranian counterparties and the remaining participations in loans, with a wider geographical spread, through the London syndications market. Prior to this year diversification of assets was always one of the main objectives of the Board. However, at 31st March 2008 50% of total asset exposure was Iranian risk, which was still slightly less than last year's 52%.

The Bank is very well capitalised, the capital base is made up of tier 1 capital of Euro 110million plus tier 2 capital of Euro 46.5million. This totals Euro 157million and continues to show a healthy excess over the Bank's current regulatory capital requirement and its medium term projections.

The Future

The Bank's increased focus on trade finance services is now producing the expected revenues; however, having achieved the initial objective, further efforts will be made to ensure that this business continues to grow. The Bank's capability and reputation in this market is very strong and we will continue to maintain and improve these strengths which in turn should lead to increases in commission and fee earnings. In this pursuit we are examining global markets, both established and emerging, and also reviewing our operating presence over the medium term. The Bank opened its first overseas branch in Dubai within the DIFC (Dubai International Financial Centre) in August 2005. The branch is fully established in Dubai and will move into larger offices in 2009 so assisting its expansion plans; it is a significant contributor towards the Bank's revenues.

Much of our existing business is, naturally, derived from Iran, both from customers based in Iran and customers trading with Iran. Despite external pressures on the Iranian economy, the business flows have not been adversely affected to the extent one might otherwise expect. High oil and gas prices are benefitting Iran's hard currency reserves and the demand for imports has remained strong through the past year. Iran's economy will continue to strengthen and the Bank, primarily through its trade finance services, will benefit accordingly.

I wish to thank my Board colleagues and the staff for their continuing hard work and dedication, without which these results would not have been achieved.

Likewise, the Board is very grateful for the support of our two shareholder Banks. They remain a major source of deposits, but just as importantly they refer significant volumes of trade finance business to us from their Iranian and other branch networks. Not only is this a great help to the Bank, it also gives tangible recognition to the Bank's competence and the importance of the London markets.

I do not expect conditions in the global economy to improve in the near future but I remain optimistic that over the coming year they might begin to return to normal. The Board and I are confident that the Bank will continue to prosper and will maintain its strength and market standing so that in time it will be able to return to its growth strategy and achieve its long term objectives.

A Divandari

Chairman

20 June 2007

Persia International Bank PLC

Directors' Report

The directors present their annual report and the audited financial statements of Persia International Bank Plc, (the "Company") for the year ended 31 March 2008.

The accounts have been prepared under International Financial Reporting Standards (IFRS).

PRINCIPAL ACTIVITIES

The Company is an authorised institution under the Financial Services and Markets Act 2000.

The principal activity of the Company is the provision of commercial banking services. The Company offers a comprehensive service in all aspects of trade finance including providing short-term finance through bill discounting. In addition it provides traditional bank lending either through banking relationships or the syndications market. The major proportion of the Company's customer base is conducting business within Iran or trading with Iran. The Company has been trading for six years and has seen steady progress throughout that period both in terms of business volumes and results. It opened its first overseas branch in the Dubai International Financial Centre (DIFC) in August 2005, which further expanded its trade finance capabilities.

BUSINESS REVIEW

The Company is required by the Companies Act to set out in this report a fair view of the business of the Company during the financial year ended 31 March 2008 and of the position of the Company at the end of the year and a description of the principal risks and uncertainties facing the company.

The balance sheet did not grow during the last year and the Company does not anticipate a return to its medium term growth strategy until the global markets begin to return to normal. However, it will consider opening further overseas branches. The capital base is sufficient for the current and near-term business levels and it will be able to accommodate the changes resulting from the introduction of the Basel II regulations. The principal risk facing the Company comes from the continuing political pressure on Iran, United Nations sanctions and the potential restriction of services of some large global banks. This situation has persisted for almost two years. Mitigating actions against this risk are set out in note 24. Please refer also to the Chairman's Statement for a more detailed review of the business and the future developments.

SHARE CAPITAL

Due to restrictions imposed by the USA, the Company is no longer entering into business transactions denominated in US Dollars. Whilst this has caused the Company to redirect its business towards other currencies, mainly Euros, it has not adversely impacted significantly the Company's underlying transaction flows nor its income.

The Company re-denominated part of its share capital from US Dollars into Euros in November 2007. This exercise was completed through the issue of 50million ordinary shares of Euro 1 each with most of the proceeds used to purchase 70 million ordinary shares of US\$1 each; the US\$ ordinary shares were subsequently cancelled. This realigned the capital base with the bank's functional currency. The remainder of the US Dollar share capital will be redenominated as the residual US Dollar loan portfolio runs off during the next financial year.

RESULTS AND DIVIDENDS

The results for the year are set out in detail in the income statement on page 8. The profit before tax amounted to Euro 27,007,000 (2007, Euro 20,075,000) and the profit attributable to shareholders for the financial year amounted to Euro 18,828,000, an 18% return on average shareholders' equity; (2007: Euro 14,048,000, 15%); this has been transferred to reserves. The directors paid a dividend of US\$20,000,000 in June 2007 (2006 - US\$15,000,000), the final dividend in respect of the previous year.

DIRECTORS

The directors who served throughout the year, except as noted below, were:

Chairman (Non-executive Director)	Dr A. Divandari
Vice Chairman (Non-executive Director)	Mr S.D. Eskandari (resigned June 2007)
Vice Chairman (Non-executive Director)	Dr M Davari (appointed December 2007)
Non-executive Director	Dr R Raei (appointed June 2007)
Chief Executive Officer	Mr. M. R. Meskarian
Executive Director	Mr. A. Akhondi
Executive Director	Mr. Z. Ashtari (resigned July 2007)
Non-executive Director	Mr. D. R. Curtis
Non-executive Director	Mr. G. Penny

DIRECTORS' SHAREHOLDINGS AND INTERESTS IN CONTRACTS

None of the directors of the Company who served at the end of the financial year had an interest in the share capital of the Company at any point during the year. No director had a material interest at any time during the year in any contract of significance, other than a service contract, with the Company. There have been no changes in directors' interests from 31 March 2008 to the date of this report.

FINANCIAL INSTRUMENTS

The Company has significant operations outside the UK and as such is exposed to movements in exchange rates. The Company is also exposed to interest rate risk through fixed rate contracts. With the objective of hedging exposures to interest rate risk and exchange rate risk the Company enters into derivative contracts such as forward foreign exchange contracts and interest rate swaps. All financial instruments, as at the balance sheet date, are held in the banking book. Details of the contracts open at the balance sheet date are provided in note 24.

Because derivative contracts are used to hedge the market risks of the Company's investment activities, the Company is not significantly exposed to market risks.

SUPPLIER PAYMENT POLICY

Our policy is to pay suppliers' invoices within 30 days of invoice date or as otherwise agreed. The amount due to trade creditors by the Company at 31 March 2008 represents 20 days' (2007: 25 days) average daily purchases of goods and services received from such creditors, calculated in accordance with the Companies Act 1985, as amended by Statutory Instrument 1997/571.

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this annual report confirms that: so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and the director has taken all the steps that he/she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

AUDITORS

Mazars LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board
M Meskarian
Chief Executive Officer
20 June 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company, and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Persia International Bank PLC

Annual report & accounts 2007/08

Independent auditors' report to the members of Persia International Bank Plc

We have audited the financial statements of Persia International Bank Plc for the year ended 31 March 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP
Chartered Accountants
and Registered Auditors
Tower Bridge House, St Katharine's Way, London E1W 1DD
20 June 2008

Persia International Bank PLC
Income Statement
for the year ended 31 March 2008

	Note	Year ended 31 March 2008 Euro '000	Year ended 31 March 2007 Euro '000	Year ended 31 March 2007 US\$'000
INTEREST RECEIVABLE AND SIMILAR INCOME				
Interest receivable and similar income arising from debt securities available for sale		1,649	2,095	3,294
Other interest receivable and similar income	2	49,867	51,696	81,272
		51,516	53,791	84,566
INTEREST EXPENSE AND SIMILAR CHARGES				
	3	(27,450)	(34,306)	(53,932)
NET INTEREST INCOME				
		24,066	19,485	30,634
Fees and commissions receivable		11,071	6,860	10,784
Fees and commissions payable		(125)	(57)	(89)
Other operating income	4	367	875	1,375
OPERATING INCOME				
		35,379	27,163	42,704
Administrative expenses	5	(8,259)	(6,717)	(10,560)
Depreciation and amortisation	11	(252)	(233)	(367)
Gain / (Impairment loss) on available-for-sale securities		139	(138)	(217)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX				
		27,007	20,075	31,560
Tax on profit on ordinary activities	9	(8,179)	(6,027)	(9,475)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX				
		18,828	14,048	22,085
Profit attributable to the equity shareholders of the parent				
		18,828	14,048	22,085

Persia International Bank PLC
Balance Sheet as at 31 March 2008

	Note	2008 Euro '000	2007 Euro '000	2007 US\$'000
ASSETS				
Cash and balances at Central banks		5,758	17,783	27,957
Loans and advances to banks	22	470,045	413,962	650,790
Loans and advances to customers	22	239,580	273,086	429,318
Debt securities	10	16,588	29,230	45,953
Property, plant and equipment	11	2,292	328	516
Deferred tax asset	13	213	184	289
Derivative assets	21	25	213	335
Other assets	12	266	288	453
Prepayments and accrued income	14	126	83	131
TOTAL ASSETS		734,893	735,157	1,155,742
LIABILITIES				
Due to other banks	22	441,586	536,454	843,360
Customer accounts	22	130,852	55,167	86,728
Derivative liabilities	21	984	228	359
Other liabilities	15	4,820	5,409	8,504
Subordinated debt liabilities	16	46,672	39,501	62,099
		624,914	636,759	1,001,050
Called up share capital	17	88,166	82,692	130,000
Retained earnings	18	21,813	15,706	24,692
TOTAL SHAREHOLDERS' EQUITY	18	109,979	98,398	154,692
TOTAL EQUITY AND LIABILITIES		734,893	735,157	1,155,742
MEMORANDUM ITEMS				
Contingent liabilities:				
Guarantees	23	67,265	61,935	97,368
Import LC's issued/confirmed	23	84,014	26,006	40,884
Commitments				
Other credit commitments	23	38,333	38,917	61,182

These financial statements were approved by the Board of Directors on 20 June 2008
Signed on behalf of the Board of Directors

Mr M Meskarian

Mr A Akhondi Asl

Persia International Bank PLC
Statement of Recognised Income and Expense
for the year ended 31 March 2008

		Year ended 31 March 2008	Year ended 31 March 2007	Year ended 31 March 2007
	Note	Euro '000	Euro '000	US\$'000
Available for sale investments				
Valuation losses taken to equity		-	(168)	(264)
Transferred to profit and loss on sale		-		-
Tax on items taken directly to equity		-	50	79
Net expense recognised directly in equity	18	-	(118)	(185)
Profit for the year		18,828	14,048	22,085
Total recognised income and expense for the year		<u>18,828</u>	<u>13,930</u>	<u>21,900</u>
Attributable to:				
Equity holders of the parent		18,828	13,930	21,900
		<u>18,828</u>	<u>13,930</u>	<u>21,900</u>

Persia International Bank PLC
Cash Flow Statement
for the year ended 31 March 2008

	Note	Year ended 31 March 2008 Euro '000	Year ended 31 March 2007 Euro '000	Year ended 31 March 2007 US\$'000
Cash flows from operating activities				
Profit on ordinary activities before tax		27,007	20,075	31,560
Depreciation and amortisation	11	252	233	367
Other non-cash movements		(182)	(167)	(263)
Interest on subordinated loan added back		2,552	9,656	15,180
		<u>29,629</u>	<u>29,797</u>	<u>46,844</u>
Cash flows from operating profits before changes in operating assets and liabilities				
Net decrease/(increase) in amounts due from banks and loans to customers		16,155	(69,279)	(108,913)
Net decrease/(increase) in debt securities		12,642	(197)	(310)
Net increase/(decrease) in derivative financial instruments		944	(132)	(207)
Net decrease /(increase) in other assets		22	(81)	(127)
(Increase)/decrease in prepayments and accrued income	14	(43)	100	157
Net increase/(decrease) in other liabilities		1,303	1,579	2,483
Foreign exchange differences		10,507	3,605	5,668
Net (decrease)/ increase in other borrowed funds		(19,183)	(199,213)	(313,183)
Taxation		(10,010)	(5,387)	(8,469)
		<u>41,966</u>	<u>(239,208)</u>	<u>(376,057)</u>
Net cash flow from operating activities				
Cash flows from investing activities				
Purchase of property, plant and equipment	11	(2,189)	(80)	(125)
		<u>(2,189)</u>	<u>(80)</u>	<u>(125)</u>
Net cash flow from investing activities				
Cash flows from financing activities				
Interest paid on subordinated loan		(2,532)	(9,627)	(15,135)
Issue of ordinary shares	18	2,183	9,541	15,000
Dividends paid	18	(12,721)	(9,541)	(15,000)
		<u>(13,070)</u>	<u>(9,627)</u>	<u>(15,135)</u>
Net cash flow from financing activities				
Net (decrease) / increase in cash and cash equivalents		<u>26,707</u>	<u>(248,915)</u>	<u>(391,317)</u>
Cash and cash equivalents at the beginning of the year		<u>234,622</u>	<u>483,537</u>	<u>760,167</u>
Cash and cash equivalents at the end of the year		<u>261,329</u>	<u>234,622</u>	<u>368,850</u>

For the purpose of the cash flow statement, cash and cash equivalents comprise:

Company	2008	2007	2007
	Euro '000	Euro '000	US\$'000
Cash and balances with central banks	5,758	17,783	27,957
Amounts due from banks on demand (see note 22)	<u>255,571</u>	<u>216,839</u>	<u>340,893</u>
	<u>261,329</u>	<u>234,622</u>	<u>368,850</u>

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

1 SIGNIFICANT ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with IFRSs as adopted by the European Union.

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

		Effective for annual periods beginning on or after :
IFRS2	Share based payment - amendment relating to vesting conditions and cancellations	1 January 2009
IFRS3	Business Combinations - comprehensive review on applying the acquisition method	1 July 2009
IFRS8	Operating segments	1 January 2009
IAS1	Presentation of Financial Statements - comprehensive revision incl. requiring a statement of comprehensive income	1 January 2009
IAS1	- amendments relating to disclosure of puttable instruments and obligations arising on liquidation	1 January 2009
IAS23	Borrowing costs - comprehensive revision to prohibit immediate expensing	1 January 2009
IAS27	Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS3 - amendment relating to cost of an investment on first-time adoption	1 July 2009 1 January 2009
IAS28	Investments in associates - Consequential amendments arising from amendments to IFRS3	1 July 2009
IAS31	Interests in Joint ventures - Consequential amendments arising from amendments to IFRS3	1 July 2009
IAS32	Financial Instruments : Presentation - amendments relating to disclosure of puttable instruments and obligations arising on liquidation	1 January 2009
IFRIC13	Customer Loyalty Programmes	1 July 2008

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company. However, the IAS1 revisions will have a small effect on the accounts disclosure and presentation.

Functional and presentational currency

A change in the functional currency from US Dollars to Euros was recognised on 31st March 2008 and the presentational currency was changed on that date. The Bank's access to US Dollar markets has been restricted since the end of 2006 and the majority of its business is now transacted in Euros. In November US\$70million of issued share capital was redenominated into Euros (€50million) and the remainder will be redenominated during 2008/09.

Persia International Bank PLC

Notes to the Accounts

for the year ended 31 March 2008

1 ACCOUNTING POLICIES (continued)

Basis of preparation

The accounts are prepared in Euros, as this is the currency of the primary economic environment in which the Company operates. Previous years' accounts were prepared in US Dollars and the comparatives are shown in both US Dollars and their Euro equivalent.

The accounts are prepared under the historical cost convention, except for available-for-sale financial assets and derivatives that are carried at fair value.

Interest income and expense

Interest income and expense on financial assets and liabilities measured at amortised cost is recognised in the income statement using the effective interest rate method, which allocates the income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability.

Fee and commission income

Fees receivable which represent a return for services provided are credited to income when the related service is performed. Fees receivable, which represent a return for risk borne and are in the nature of interest, are taken to the income statement using the effective interest rate method over the expected life of the transaction to which they relate.

Financial assets

Financial assets are classified into the following categories:

- financial assets at fair value through profit or loss: a financial asset is classified as such if it is held principally for the purpose of selling in the short term. Derivatives are also categorised at fair value through profit or loss;
- loans and receivables: are non-derivative financial assets with fixed or determinable payments not quoted in an active market and
- available for sale: are financial assets not classified in one of the above categories.

Loans and receivables are initially recognised at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Financial assets at fair value through profit or loss are initially and subsequently measured at fair value with changes in fair value taken to the income statement.

Available for sale financial assets are initially and subsequently measured at fair value, with changes in fair value recognised directly in equity until disposal, when the cumulative gain or loss is recognised in the income statement. Foreign exchange gains and losses, interest under the effective interest rate method and impairment losses arising on available-for-sale securities are recognised in the income statement.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial liabilities comprise amounts due to other banks, customer accounts and subordinated debt liabilities. They are measured at amortised cost using the effective interest method.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Impairment of financial assets

A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment, as a result of events that occurred after initial recognition of the financial asset.

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

1 ACCOUNTING POLICIES (continued)

The amount of the loss is measured, for financial assets held at amortised cost and as available-for-sale, as the difference between the carrying amount of the asset and the discounted value of the revised estimated future cash flows, discounted at the asset's original effective interest rate.

Financial assets are written off only when it is reasonably certain that any future cash flows are irrecoverable.

Operating lease rentals

Rentals payable under operating leases are accounted for on a straight-line basis over the lease term.

Property plant and equipment

Tangible fixed assets are stated at cost less provision for depreciation and any impairment in value. Depreciation of tangible fixed assets is provided on a straight-line basis over estimated useful lives - 3 years.

Taxation

Provision is made for taxation at current enacted rates on taxable profits. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pensions and other post-retirement benefits

The company operates a defined contribution scheme, charging contributions to the income statement as they become payable in accordance with the rules of the scheme.

Derivatives and other financial instruments

The Company uses derivative financial instruments to reduce exposures to foreign exchange risk and interest rate movements. The Company does not hold or issue derivative instruments for trading purposes.

The Company has not adopted a policy of applying hedge accounting. As a result, all derivatives are measured both initially and subsequently at fair value, with changes in fair value recognised in the income statement.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Translation differences are recognised in the income statement.

Critical accounting judgements and key sources of estimation uncertainty

In application of the Company's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The directors have not made any material estimates and assumptions in the process of applying the Company's accounting policies that are considered to have a significant effect on the amounts recognised in the financial statements.

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2008 Euro '000	Year ended 31 March 2007 Euro '000	Year ended 31 March 2007 US\$'000
Interest receivable from banks	28,817	33,755	53,067
Interest receivable from customers	21,048	17,865	28,086
Interest receivable from shareholders	0	74	116
Other interest income	2	2	3
	<hr/>	<hr/>	<hr/>
	49,867	51,696	81,272
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All income included above has arisen from financial instruments that are classified as loans and receivables in accordance with IAS 39.

3. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2008 Euro '000	Year ended 31 March 2007 Euro '000	Year ended 31 March 2007 US\$'000
Interest payable to banks	9,206	9,254	14,548
Interest payable to customers	4,045	2,925	4,599
Interest payable on deposits from shareholders	11,640	20,489	32,210
Interest payable on subordinated debt	2,559	1,638	2,575
	<hr/>	<hr/>	<hr/>
	27,450	34,306	53,932
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All expense included above has arisen from financial instruments classified as other financial liabilities in accordance with IAS 39.

4 OTHER OPERATING INCOME

	Year ended 31 March 2008 Euro '000	Year ended 31 March 2007 Euro '000	Year ended 31 March 2007 US\$'000
Foreign exchange income	(55)	169	265
(Loss)/gain on derivatives measured at fair value through P&L	(334)	143	225
Other banking charges	756	563	885
	<hr/>	<hr/>	<hr/>
	367	875	1,375
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

5 ADMINISTRATIVE EXPENSES

	Year ended 31 March 2008 Euro '000	Year ended 31 March 2007 Euro '000	Year ended 31 March 2007 US\$'000
Wages and salaries	4,412	3,759	5,910
Social security costs	459	363	571
Other pension costs	347	290	455
Other administrative expenses	3,041	2,305	3,624
	<hr/> 8,259	<hr/> 6,717	<hr/> 10,560

6 DIRECTORS' EMOLUMENTS

	Year ended 31 March 2008 Euro '000	Year ended 31 March 2007 Euro '000	Year ended 31 March 2007 US\$'000
Emoluments	927	745	1,172
Highest paid director's emoluments			
Salary and bonus	131	109	172
Remuneration in relation to prior years	50	-	-
Housing allowance	34	34	53
Car allowance	9	10	15
Travel allowance	3	2	3
Membership of medical scheme	4	3	5
UK income tax and national insurance	147	100	157
	<hr/> 378	<hr/> 258	<hr/> 405

The directors are remunerated in Sterling.

None of the directors are members of pension schemes, share option schemes or long-term incentive schemes in respect of their services to Persia International Bank Plc.

7 INFORMATION REGARDING EMPLOYEES

The average number of persons employed by the company, including executive directors, within each area of the business was:

	Year ended 31 March 2008	Year ended 31 March 2007
Banking operations	24	29
Trade finance	28	26
Administration	8	8
	<hr/> 60	<hr/> 63

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	Year ended 31 March 2008 Euro '000	Year ended 31 March 2007 Euro '000	Year ended 31 March 2007 US\$'000
Profit on ordinary activities before tax is after the following:			
Depreciation	252	233	367
The analysis of auditors' remuneration is as follows:			
Fees payable to the company's auditors for the audit of the company's annual accounts	101	93	147
Fees payable to the company's auditors and their associates for other services			
Tax services	-	11	17
other services	<u>6</u>	<u>-</u>	<u>-</u>

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 March 2008 Euro '000	Year ended 31 March 2007 Euro '000	Year ended 31 March 2007 US\$'000
(i) Analysis of tax charge on ordinary activities			
United Kingdom Corporation tax at 30% (2006 - 30%) based on the profit for the year.	<u>8,215</u>	<u>6,045</u>	<u>9,504</u>
	8,215	6,045	9,504
Deferred tax			
- timing differences, origination and reversal (note 15)	<u>(36)</u>	<u>(18)</u>	<u>(29)</u>
	<u>8,179</u>	<u>6,027</u>	<u>9,475</u>
(ii) Factors affecting tax charge for the year.			
The tax assessed for the year (& 2007) is higher than that resulting from applying the standard rate of corporation tax in the UK.			
Profit on ordinary activities before tax	<u>27,007</u>	<u>20,075</u>	<u>31,560</u>
Tax at 30% thereon	8,102	6,023	9,468
Effects of:			
Expenses not deductible for tax purposes	<u>77</u>	<u>4</u>	<u>7</u>
	<u>8,179</u>	<u>6,027</u>	<u>9,475</u>

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

10 DEBT SECURITIES

	2008	2007	2007
	Euro '000	Euro '000	US\$'000
Issued by other than public bodies			
Available for sale securities			
- other debt securities	<u>16,588</u>	<u>29,230</u>	<u>45,953</u>
	<u>16,588</u>	<u>29,230</u>	<u>45,953</u>
Due within one year	13,408	14,927	23,466
Due one year and over	<u>3,180</u>	<u>14,304</u>	<u>22,487</u>
	<u>16,588</u>	<u>29,231</u>	<u>45,953</u>
Debt securities			
- listed other than on a recognised UK exchange	13,403	26,043	40,943
- unlisted	<u>3,185</u>	<u>3,187</u>	<u>5,010</u>
	<u>16,588</u>	<u>29,230</u>	<u>45,953</u>

The unlisted investment securities are promissory notes purchased on the secondary market.
The fair value has been calculated by discounting the cash flows at prevailing interest rates.

11 PROPERTY, PLANT AND EQUIPMENT

	Equipment	Equipment	Equipment
	fixtures	fixtures	fixtures
	and fittings	and fittings	and fittings
	2008	2007	2007
COST	Euro '000	Euro '000	US\$'000
At 1 April	2,076	1,826	2,870
Additions	2,189	80	125
Disposals	(385)	(33)	(53)
Exchange rate movement	-	203	320
At 31 March	<u>3,880</u>	<u>2,076</u>	<u>3,262</u>
DEPRECIATION			
At 1 April	1,747	1,379	2,168
Charge for the year	252	233	367
Disposals	(385)	(33)	(53)
Exchange rate movement	(26)	168	264
At 31 March	<u>1,588</u>	<u>1,747</u>	<u>2,746</u>
NET BOOK VALUE			
At 31 March	<u>2,292</u>	<u>329</u>	<u>516</u>

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

12 OTHER ASSETS

	2008 Euro '000	2007 Euro '000	2007 US\$'000
Trade receivables	147	117	184
Staff loans	75	128	201
Amounts due from shareholders	44	43	68
	<u>266</u>	<u>288</u>	<u>453</u>

13 DEFERRED TAX ASSET AND ANALYSIS

	2008 Euro '000	2007 Euro '000	2007 US\$'000
At 1 April	184	130	205
Credit to income statement	36	19	29
Credit to equity on revaluation of available for sale securities	-	50	79
Adjustments re AFS prior years	7	-	-
Amortisation of deferred tax resulting from implementation of IFRS	(14)	(15)	(24)
At 31 March	<u>213</u>	<u>184</u>	<u>289</u>
Analysis of deferred tax balance			
Short-term timing differences	119	126	198
Capital allowances in excess of depreciation	94	58	91
As at 31 March	<u>213</u>	<u>184</u>	<u>289</u>

In accordance with the provisions of IAS12, the company has recognised the deferred tax asset as being receivable as it is expected that there will be sufficient future tax profits from which the future reversal of the underlying timing differences can be deducted. The directors have made this assessment based on the results for the year ended 31 March 2008.

14 PREPAYMENTS AND ACCRUED INCOME

	2008 Euro'000	2007 Euro '000	2007 US\$'000
Prepayments	<u>126</u>	<u>83</u>	<u>131</u>
	<u>126</u>	<u>83</u>	<u>131</u>

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

15 OTHER LIABILITIES

	2008 Euro '000	2007 Euro '000	2007 US\$'000
Corporation tax	921	2,833	4,454
Other liabilities	3,899	2,576	4,050
	<u>4,820</u>	<u>5,409</u>	<u>8,504</u>

16 SUBORDINATED DEBT LIABILITIES

	2008 Euro '000	2007 Euro '000	2007 US\$'000
Dated loan capital	46,672	39,501	62,099
	<u>46,672</u>	<u>39,501</u>	<u>62,099</u>

All of the above loan capital consists of floating rate notes, redeemable in 2043, and listed on the Luxembourg stock exchange.

Interest is payable at a margin of 1% over six month EURIBOR. The 2007 Euro comparative results from translating the previous year's US\$ comparatives at the March '08 closing rate; the underlying loan capital was not increased.

17 CALLED UP SHARE CAPITAL

	2008 Euro '000	2007 Euro '000	2007 US\$'000
Authorised			
150,000,000 (2007 - nil) ordinary shares of €uro1 each	150,000	-	-
160,000,000 (2007 - 160,000,000) ordinary shares of US\$1 each	101,775	101,775	160,000
50,000 (2007 - nil) ordinary shares of £1 each	63	-	-
Allotted, called up and fully paid:			
50,000,000 (2007 - nil) ordinary shares of €uro1 each	50,000	-	-
60,000,000 (2007 - 130,000,000) ordinary shares of US\$1 each	<u>38,166</u>	<u>82,692</u>	<u>130,000</u>
	<u>88,166</u>	<u>82,692</u>	<u>130,000</u>

During the year, the company issued 50million ordinary shares of €uro1each at par for a consideration of €50million. From the proceeds, the bank bought back 70million of the US\$ ordinary shares at par. These were subsequently cancelled.

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

18 MOVEMENTS IN SHAREHOLDERS' FUNDS AND RESERVES

	Issued share capital	Retained earnings	Reserves	Total shareholders funds
	Euro '000	Euro'000	Euro'000	Euro '000
As at 31 March 2007	82,692	15,706	-	98,398
Profit attributable to the members	-	18,828	-	18,828
Dividend paid	-	(12,721)	-	(12,721)
New share capital	50,000	-	-	50,000
US\$ share buy-back	(44,526)	-	-	(44,526)
Net movement	<u>5,474</u>	<u>6,107</u>	<u>-</u>	<u>11,581</u>
As at 31 March 2008	<u>88,166</u>	<u>21,813</u>	<u>-</u>	<u>109,979</u>

	Issued share capital	Retained earnings	Reserves	Total shareholders funds
	Euro '000	Euro'000	Euro'000	Euro '000
As at 31 March 2006	73,151	11,200	118	84,469
Profit attributable to the members	-	14,047	-	14,047
Losses on available-for-sale securities	-	-	(118)	(118)
Dividend paid	-	(9,541)	-	(9,541)
New share capital	9,541	-	-	9,541
Net movement	<u>9,541</u>	<u>4,506</u>	<u>(118)</u>	<u>13,929</u>
As at 31 March 2007	<u>82,692</u>	<u>15,706</u>	<u>-</u>	<u>98,398</u>

US\$	Issued share capital	Retained earnings	Reserves	Total shareholders funds
	US\$'000	US\$'000	US\$'000	US\$'000
As at 31 March 2006	115,000	17,607	185	132,792
Profit attributable to the members	-	22,085	-	22,085
Losses on available-for-sale securities	-	-	(185)	(185)
Dividend paid	-	(15,000)	-	(15,000)
New share capital	15,000	-	-	15,000
Net movement	<u>15,000</u>	<u>7,085</u>	<u>(185)</u>	<u>21,900</u>
As at 31 March 2007	<u>130,000</u>	<u>24,692</u>	<u>-</u>	<u>154,692</u>

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

19 INTEREST RATE GAP SENSITIVITY ANALYSIS

The following table provides the interest rate profile of the Company by allocating assets and liabilities into time bands by reference to the earliest of the next repricing date or the contractual maturity date.

As at 31 March 2008	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non-interest bearing	Total
	Euro '000	Euro '000	Euro '000	Euro '000	Euro'000	Euro '000	Euro '000
Assets							
Loans and advances to banks	331,057	43,001	101,745	-	-	-	475,803
Loans and advances to customers	213,544	26,036	-	-	-	-	239,580
Debt securities	10,236	6,352	-	-	-	-	16,588
Property, plant and equipment	-	-	-	-	-	2,292	2,292
Derivative assets	-	-	-	-	-	25	25
Other assets	10	-	18	47	-	404	479
Prepayments and accrued income	-	-	-	-	-	126	126
Total assets	554,847	75,389	101,763	47	-	2,847	734,893
Liabilities							
Deposits by banks	420,030	-	21,556	-	-	-	441,586
Customer accounts	117,503	8,605	4,744	-	-	-	130,852
Subordinated liabilities	-	46,672	-	-	-	-	46,672
Derivative liabilities	-	-	-	-	-	984	984
Other liabilities	-	-	-	-	-	4,820	4,820
Shareholders' funds	-	-	-	-	-	109,979	109,979
Total liabilities & equity	537,533	55,277	26,300	-	-	115,783	734,893
Interest rate sensitivity gap	17,314	20,112	75,463	47	-	(112,936)	
Cumulative gap	17,314	37,426	112,889	112,936	112,936	-	

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

19 INTEREST RATE GAP SENSITIVITY ANALYSIS (cont)

As at 31 March 2007	Not more than three months	More than three months but not more than six months	More than six months but not more than one year	More than one year but not more than five years	More than five years	Non- interest bearing	Total
	Euro '000	Euro '000	Euro '000	Euro '000	Euro'000	Euro '000	Euro '000
Assets							
Loans and advances to banks	307,774	52,537	71,434	-	-	-	431,745
Loans and advances to customers	247,646	25,440	-	-	-	-	273,086
Debt securities	1,433	27,797	-	-	-	-	29,230
Property, plant and equipment	-	-	-	-	-	328	328
Derivative assets	-	-	-	-	-	213	213
Other assets	47	5	1	49	-	370	472
Prepayments and accrued income	-	-	-	-	-	83	83
Total assets	556,900	105,779	71,435	49	-	994	735,157
Liabilities & equity							
Deposits by banks	509,842	6,335	20,277	-	-	-	536,454
Customer accounts	34,460	11,548	9,159	-	-	-	55,167
Subordinated liabilities	-	39,501	-	-	-	-	39,501
Derivative liabilities	-	-	-	-	-	228	228
Other liabilities	-	-	-	-	-	5,409	5,409
Shareholders' funds	-	-	-	-	-	98,398	98,398
Total liabilities & equity	544,302	57,384	29,436	-	-	104,035	735,157
Interest rate sensitivity gap	12,598	48,395	41,999	49	-	(103,041)	
Cumulative gap	12,598	60,993	102,992	103,041	103,041	-	

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

19. INTEREST RATE GAP SENSITIVITY ANALYSIS (cont)

As at 31 March 2007 US\$	Not more than three months US\$'000	More than three months but not more than six months US\$'000	More than six months but not more than one year US\$'000	More than one year but not more than five years US\$'000	More than five years US\$'000	Non- interest bearing US\$'000	Total US\$'000
Assets							
Loans and advances to banks	483,851	82,594	112,302	-	-	-	678,747
Loans and advances to customers	389,324	39,994	-	-	-	-	429,318
Debt securities	2,253	43,700	-	-	-	-	45,953
Property, plant and equipment	-	-	-	-	-	516	516
Derivative assets	-	-	-	-	-	335	335
Other assets	74	8	1	78	-	581	742
Prepayments and accrued income	-	-	-	-	-	131	131
Total assets	875,502	166,296	112,303	78	-	1,563	1,155,742
Liabilities							
Deposits by banks	801,522	9,960	31,878	-	-	-	843,360
Customer accounts	54,175	18,155	14,398	-	-	-	86,728
Subordinated liabilities	-	62,099	-	-	-	-	62,099
Derivative liabilities	-	-	-	-	-	359	359
Other liabilities	-	-	-	-	-	8,504	8,504
Shareholders' funds	-	-	-	-	-	154,692	154,692
Total liabilities & equity	855,697	90,214	46,276	-	-	163,555	1,155,742
Interest rate sensitivity gap	19,805	76,082	66,027	78	-	(161,992)	
Cumulative gap	19,805	95,887	161,914	161,992	161,992	-	

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

20. NET CURRENCY POSITION ANALYSIS AND GEOGRAPHIC CONCENTRATIONS

The following analysis gives details of the assets and liabilities of the Company as at 31 March 2008 in Euros based on the currencies in which they are denominated to identify the extent to which the foreign currency exposures of the company are matched or unmatched.

As at 31 March 2008

	Euro	US dollar	Sterling	Other	Total
Assets	Euro '000	Euro '000	Euro'000	currencies	Euro '000
				Euro '000	
Loans and advances to banks	382,491	41,886	15,953	35,473	475,803
Loans and advances to customers	181,618	38,775	9,568	9,619	239,580
Debt securities	10,196	6,392	-	-	16,588
Property, plant and equipment	-	27	95	2,170	2,292
Derivative assets	25	-	-	-	25
Other assets	414	15	-	50	479
Prepayments and accrued income	19	4	31	72	126
Total assets	574,763	87,099	25,647	47,384	734,893
Liabilities					
Deposits by banks	332,409	48,451	20,445	40,281	441,586
Customer accounts	115,562	4,476	10,301	513	130,852
Subordinated debt liabilities	46,672	-	-	-	46,672
Derivative liabilities	-	984	-	-	984
Other liabilities	14,856	(4,668)	(6,723)	1,355	4,820
Accruals and deferred income	-	-	-	-	-
Shareholders' funds	68,828	41,151	0	-	109,979
Total liabilities and equity	578,327	90,394	24,023	42,149	734,893
Net assets / (liabilities)	(3,564)	(3,295)	1,624	5,235	
Foreign exchange contracts	-	3,601	-	(3,601)	
Currency position at 31 March 2008	(3,564)	306	1,624	1,634	

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

20. NET CURRENCY POSITION ANALYSIS AND GEOGRAPHIC CONCENTRATIONS (cont)

The following table incorporates credit risk and geographic concentrations of assets and liabilities.

As at 31 March 2008	Total assets Euro 'mln	Total liabilities Euro 'mln	Credit commitments Euro 'mln
Europe	281	162	2
Middle East	409	457	17
Far East	45	-	-
	735	619	19

As at 31 March 2007	US dollar Euro '000	Euro Euro '000	Sterling Euro '000	currencies Euro '000	Total Euro '000
Assets					
Loans and advances to banks	130,637	256,365	29,231	15,512	431,745
Loans and advances to customers	110,237	146,963	7,748	8,138	273,086
Debt securities	6,510	22,720	-	-	29,230
Property, plant and equipment	105	-	196	27	328
Derivative assets	213	-	-	-	213
Other assets	141	232	99	-	472
Prepayments and accrued income	152	245	150	9	556
Total assets	247,995	426,525	37,424	23,686	735,630
Liabilities					
Deposits by banks	139,124	363,066	22,712	11,552	536,454
Customer accounts	10,998	22,942	21,099	128	55,167
Subordinated debt liabilities	-	39,501	-	-	39,501
Derivative liabilities	-	228	-	-	228
Other liabilities	2,385	854	1,691	479	5,409
Shareholders' funds	98,398	-	-	-	98,398
Total liabilities and equity	250,905	426,591	45,502	12,159	735,157
Net assets / (liabilities)	(2,910)	(66)	(8,078)	11,527	
Foreign exchange contracts	4,852	6,771	-	(11,623)	
Currency position at 31 March 2007	1,942	6,705	(8,078)	(96)	

The following table incorporates credit risk and geographic concentrations of assets and liabilities.

As at 31 March 2007	Total assets Euro 'mln	Total liabilities Euro 'mln	Credit commitments Euro 'mln
Europe	270	103	3
Middle East	438	528	36
Far East	27	-	-
	735	631	39

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

20. NET CURRENCY POSITION ANALYSIS AND GEOGRAPHIC CONCENTRATIONS (cont)

As at 31 March 2007	US			Other	
US\$	dollar	Euro	Sterling	currencies	Total
Assets	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loans and advances to banks	205,375	403,031	45,954	24,387	678,747
Loans and advances to customers	173,303	231,040	12,181	12,794	429,318
Debt securities	10,235	35,718	-	-	45,953
Property, plant and equipment	165	-	308	43	516
Derivative assets	335	-	-	-	335
Other assets	222	365	155	-	742
Prepayments and accrued income	238	385	235	15	873
Total assets	389,873	670,539	58,833	37,239	1,156,484
Liabilities					
Deposits by banks	218,717	570,776	35,706	18,161	843,360
Customer accounts	17,290	36,067	33,170	201	86,728
Subordinated debt liabilities	-	62,099	-	-	62,099
Derivative liabilities	-	359	-	-	359
Other liabilities	3,749	1,343	2,659	753	8,504
Accruals and deferred income	-	-	-	-	-
Shareholders' funds	154,692	-	-	-	154,692
Total liabilities and equity	394,448	670,644	71,535	19,115	1,155,742
Net assets / (liabilities)	(4,575)	(105)	(12,702)	18,124	
Foreign exchange contracts	7,628	10,644	-	(18,272)	
Currency position at 31 March 2007	3,053	10,539	(12,702)	(148)	

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

20. NET CURRENCY POSITION ANALYSIS AND GEOGRAPHIC CONCENTRATIONS (cont)

The following table incorporates credit risk and geographic concentrations of assets and liabilities.

As at 31 March 2007	Total assets US\$million	Total liabilities US\$million	Credit commitments US\$million
Europe	424	162	5
Middle East	689	830	56
Far East	43	-	-
	1,156	992	61

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a year-end comparison of fair value and book values of all the company's financial assets and liabilities by category. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated for financial instruments by discounting cash flows at prevailing interest rates.

Category	Book Value 2008 Euro '000	Fair Value 2008 Euro '000	Book Value 2007 Euro '000	Fair Value 2007 Euro '000	Book Value 2007 US\$'000	Fair Value 2007 US\$'000
Assets						
Cash and balances at central banks	5,758	5,758	17,783	17,783	27,957	27,957
<i>Loans and receivables</i>						
Loans and advances to banks	470,045	470,045	413,962	413,962	650,790	650,790
<i>Loans and receivables</i>						
Loans and advances to customers	239,580	239,580	273,086	273,086	429,318	429,318
<i>Loans and receivables</i>						
Debt securities	16,588	16,588	29,230	29,230	45,953	45,953
<i>Available for sale</i>						
Derivative assets	25	25	213	213	335	335
<i>Fair value through P&L</i>						
Other financial assets	392	392	371	371	584	584
<i>Loans and receivables</i>						
Deferred tax asset	213	213	184	184	289	289
<i>Non-financial asset</i>						
	732,601	732,601	734,829	734,829	1,155,226	1,155,226

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

21. FAIR VALUES OF FINANCIAL INSTRUMENTS (cont)

Liabilities							
Due to other banks		441,586	441,586	536,454	536,454	843,360	843,360
	<i>Other financial liabilities</i>						
Customer accounts		130,852	130,852	55,167	55,167	86,728	86,728
	<i>Other financial liabilities</i>						
Derivative liabilities		984	984	228	228	359	359
	<i>Fair value through P&L</i>						
Other financial liabilities		3,899	3,899	2,576	2,576	4,050	4,050
	<i>Other financial liabilities</i>						
Corporation tax		921	921	2,833	2,833	4,454	4,454
	<i>Non-financial liability</i>						
Subordinated debt liabilities		46,672	46,672	39,501	39,501	62,099	62,099
	<i>Other financial liabilities</i>						
		624,914	624,914	636,759	636,759	1,001,050	1,001,050

Open derivative positions at the end of the year were as follows:

	Notional principal amount		Notional principal amount		Notional principal amount	
	31 March 2008	Fair value 2008	31 March 2007	Fair value 2007	31 March 2007	Fair value 2007
	Euro '000	Euro '000	Euro '000	Euro '000	US\$'000	US\$'000
Interest rate derivatives						
Interest rate swaps	12,680	(181)	21,385	(340)	33,619	(534)
Foreign exchange derivatives						
Forward foreign exchange contracts	-	-	7,438	(13)	11,694	(20)
Foreign currency swaps	5,168	(550)	5,168	335	8,125	526
	17,848	(731)	33,991	(18)	53,438	(28)

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

22. MATURITY ANALYSIS

The following assets and liabilities of the Company are repayable as detailed below:

31 March 2008	Not more than three months Euro '000	More than three months but not more than one year Euro '000	More than one year but not more than five years Euro '000	More than five years Euro '000	No fixed maturity Euro '000	Total Euro '000
Assets						
Cash and balances at Central banks	5,758	-	-	-	-	5,758
Loans and advances to banks	315,905	139,779	14,361	-	-	470,045
Loans and advances to customers	53,975	71,900	102,062	11,643	-	239,580
Debt securities	-	13,408	3,180	-	-	16,588
Other assets	-	-	-	-	2,796	2,796
Prepayments and accrued income	-	-	-	-	126	126
Total assets	375,638	225,087	119,603	11,643	2,922	734,893
Liabilities						
Due to other banks	204,380	237,206	-	-	-	441,586
Customer accounts	117,475	13,377	-	-	-	130,852
Other liabilities	-	-	-	-	5,804	5,804
Subordinated debt liabilities	-	-	-	46,672	-	46,672
Total liabilities	321,855	250,583	-	46,672	5,804	624,914
Net liquidity gap	53,783	(25,496)	119,603	(35,029)	(2,882)	109,979

Of the above loans and advances to banks, Euro256million are repayable on demand or short notice and are classified as cash and cash equivalents for the purposes of the cash flow statement.

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

22. MATURITY ANALYSIS (cont)

31 March 2007	Not more than three months Euro '000	More than three months but not more than one year Euro '000	More than one year but not more than five years Euro '000	More than five years Euro '000	No fixed maturity Euro '000	Total Euro '000
Assets						
Cash and balances at Central banks	17,783	-	-	-	-	17,783
Loans and advances to banks	233,055	138,776	42,131	-	-	413,962
Loans and advances to customers	55,834	18,924	189,507	8,821	-	273,086
Debt securities	-	14,926	14,304	-	-	29,230
Other assets	-	-	-	-	1,013	1,013
Prepayments and accrued income	-	-	-	-	83	83
Total assets	306,672	172,626	245,942	8,821	1,096	735,157
Liabilities						
Due to other banks	401,050	82,909	52,495	-	-	536,454
Customer accounts	30,218	24,949	-	-	-	55,167
Other liabilities	-	-	-	-	5,638	5,638
Subordinated debt liabilities	-	-	-	39,501	-	39,501
Total liabilities	431,268	107,858	52,495	39,501	5,638	636,760
Net liquidity gap	(124,596)	64,768	193,447	(30,680)	(4,542)	98,397

Of the above loans and advances to banks, Euro217million were repayable on demand or short notice, and are classified as cash and cash equivalents for the purposes of the cash flow statement.

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

22. MATURITY ANALYSIS (cont)

31 March 2007	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	No fixed maturity	Total
Assets	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cash and balances at Central banks	27,957	-	-	-	-	27,957
Loans and advances to banks	366,385	218,169	66,236	-	-	650,790
Loans and advances to customers	87,776	29,750	297,924	13,868	-	429,318
Debt securities	-	23,466	22,487	-	-	45,953
Other assets	-	-	-	-	1,593	1,593
Prepayments and accrued income	-	-	-	-	131	131
Total assets	482,118	271,385	386,647	13,868	1,724	1,155,742
Liabilities						
Due to other banks	630,491	130,341	82,528	-	-	843,360
Customer accounts	47,506	39,222	-	-	-	86,728
Other liabilities	-	-	-	-	8,863	8,863
Subordinated debt liabilities	-	-	-	62,099	-	62,099
Total liabilities	677,997	169,563	82,528	62,099	8,863	1,001,050
Net liquidity gap	(195,879)	101,822	304,118	(48,231)	(7,139)	154,692

Of the above loans and advances to banks, US\$341million were repayable on demand or short notice, and are classified as cash and cash equivalents for the purposes of the cash flow statement.

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

23. MEMORANDUM ITEMS, FOREIGN EXCHANGE AND INTEREST RATE CONTRACTS

	2008 Euro '000	2007 Euro '000	2007 US\$'000
CONTINGENT LIABILITIES			
Guarantees	67,265	61,935	97,368
Import LC's Issued/confirmed	84,014	26,006	40,884
	151,279	87,941	138,252
COMMITMENTS			
Credit lines and other commitments to lend			
- less than one year	31,304	30,190	47,462
- over one year	7,029	8,727	13,720
	38,333	38,917	61,182
	189,612	126,858	199,434

24. RISK MANAGEMENT

In transacting its normal business the Company is exposed to the following risks: liquidity, credit, operational and market risk. Overall responsibility for managing these risks is delegated by the Company's Board to its Asset and Liabilities Committee ("ALCO"). ALCO is responsible for determining the risk policies and recommending the policies to the Board for their review and approval. ALCO comprises the Company's senior management and is attended by representatives of the business as necessary. It meets formally each month but can meet more regularly if required, eg. to consider the impact of significant changes in market circumstances. The monthly meeting follows a fixed agenda but it also reviews additional material as necessary, eg. qualitative risks such as reputation or political risk. The agenda includes reports on the four prime risks above, the bank's monthly management accounts and comparison to budget, the regulatory (FSA) requirements and new business.

Liquidity risk

As a bank, liquidity represents one of the most significant risks. The extreme scenario would be the bank being unable to meet its obligations from its financial liabilities as they fall due.

Liquidity is monitored on a maturity mismatch basis and various stress scenarios are tested regularly.

Management of liquidity risk

The Board of Directors has set liquidity limits for the bank based upon the 8 days and 30 days liquidity ratios. These ratios are calculated as the net asset / liability positions as a percentage of total deposit liabilities; these are the same ratios as reported to the FSA.

The total of all call balances and deposits maturing within 30 days must not exceed the total of maturing assets; negotiable assets (eg. marketable securities) are included as short term cash inflows but their values are discounted in order to recognise the possibility that full realisation of book value may not be possible in the event of a liquidity crisis.

The Company's liquidity is managed by its treasury function in order to ensure that it meets its obligations to its customers and also the FSA's requirements. The Treasurer works closely with the CFO (executive director) who has full knowledge of potential new assets and

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

24. RISK MANAGEMENT (cont)

can influence their timing or negotiate additional shareholder funding accordingly. Senior management receives daily reports. The daily reports include a detailed maturity profile for all assets and liabilities which the treasurer uses to ensure the bank remains within its limits. New business / assets will not be taken on unless the bank is confident of its ability to fund. The asset and liability maturity profile is shown in note 23.

The following table shows the liquidity ratios and exposure:

		Euro'000	Euro '000	Euro '000	Euro '000
31 March 2008	Sight to :	8 days	30 days	6 months	one year
Assets		309,197	346,715	434,425	600,725
Liabilities		<u>290,606</u>	<u>307,327</u>	<u>552,335</u>	<u>572,438</u>
Mis-match		18,591	39,388	(117,910)	28,287
Ratio		3.4%	7.1%	-21.4%	5.1%
31 March 2007	Sight to :	8 days	30 days	6 months	one year
Assets		219,863	246,688	360,578	479,298
Liabilities		<u>200,333</u>	<u>211,218</u>	<u>508,314</u>	<u>539,126</u>
Mis-match		19,530	35,470	(147,736)	(59,828)
Ratio		3.8%	6.8%	-28.5%	-11.5%

Credit risk

Credit risk arises where the possibility exists of a counterparty defaulting on its obligations. Credit risk exposures are controlled through close monitoring of positions and credit ratings. Day-to-day management of credit risk is carried out by the credit and risk departments. The credit committee meets at least weekly; it considers all new credit applications; it can approve those up to Euro5million and recommends those above Euro 5 million for board approval. The credit exposure reports and credit committee minutes are reviewed at the ALCO meetings. The Company normally takes collateral; this may be security over a customer's assets, or in some instances cash. A number of loans are secured against the borrowers' portfolio of shares listed on the Tehran stock exchange. The Company has not yet suffered a non-performing loan which would require a provision; therefore it has not needed to use any form of allowance account for credit losses. The maximum exposure to credit risk at the reporting date is represented by the carrying amount of financial assets recorded in the financial statements.

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

24. RISK MANAGEMENT (cont)

Concentrations of credit risk

The table below shows the company's geographic concentrations of credit risk as at 31 March 2008.

	Iran Euro'000	UK Euro'000	Europe Euro '000	Other Euro'000	Total Euro'000
Loans and advances to banks	176,464	22,934	208,936	61,711	470,045
Loans and advances to customers	173,272	28,621	3,407	34,280	239,580
Debt securities	10,197	3,206	-	3,185	16,588
	359,933	54,761	212,343	99,176	726,213
At March 2007					
	Iran Euro '000	UK Euro '000	Europe Euro '000	Other Euro '000	Total Euro '000
Loans and advances to banks	158,817	58,754	173,254	23,138	413,962
Loans and advances to customers	187,675	27,989	12,574	44,848	273,086
Debt securities	22,890	3,126	-	3,214	29,230
	369,382	89,869	185,828	71,200	716,279

Non-bank credit exposures by industrial sector

	2008 Euro '000	2007 Euro '000
Banking and financial services	2,368	5,237
Investment company	48,530	37,098
Manufacturing	50,697	55,606
Transport	10,810	19,698
Food and beverages	5,928	8,652
Oil	77,301	92,539
Trading company	19,294	25,939
Others	24,652	28,317
	239,580	273,086

Collateral management

The company uses collateral as one of its fundamental credit management tools. Collateral is taken to provide additional security against exposures where it is considered appropriate and warrants a greater degree of prudence. This collateral may take the form of listed shares, other securities, cash or guarantees. Where listed shares or other securities are taken as collateral, the market value of the collateral is regularly monitored by management. In the event of default by the borrower and under the terms of the respective loan agreement, the Company may take possession of the collateral and apply it towards settlement of the outstanding debt.

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

24. RISK MANAGEMENT (cont)

The following table shows the level of cover from the security held against Euro87million of loans and advances to customers which are collateralised by shares listed on the Tehran Stock Exchange.

Loans	Total exposure Euro '000	% cover
8	34,299	200
4	31,734	170
2	21,272	150

The Company does not use an internal credit rating system. The loan portfolios remain relatively small, having not grown over the past year due to the continuing political pressure on Iran, United Nations sanctions and the restriction of services of a number of large global banks. Therefore all new credit exposures are subject to a full credit analysis.

Impairment

Impaired loans and advances are those where the Company has determined that it is probable that it will be unable to recover all principal and interest due through the default of the borrower and the inability to realise sufficient collateral. The Company makes a provision for the amount determined to be irrecoverable and reduces the balance sheet value accordingly. There were no loans at 31 March 2008 (2007 nil) considered to be in default and hence no provisions required.

At 31 March 2008 Euro571,000 was overdue in respect of a loan to a customer; this is currently being renegotiated. During the year a Euro1,250,000 repayment in respect of a customer loan was extended for one year to December 2008.

Operational risk

Operational risk arises from inadequate or failed internal processes, systems and personnel or from events external to the company. The Risk Management Committee reviews and considers all operational risks. Where operational risks have been identified, controls and procedures have been put in place to mitigate against these risks. Regular reports are made to senior management, to ALCO and to the Board.

Political risk

As referred to in the Directors' report, the Bank faces the risk of continuing political pressure being applied on Iran, further UN sanctions being introduced and / or the withdrawal of services of some large global banks and the impact this would have on its business. In such circumstances, the Bank has put in place mitigating actions that include continued support from its two shareholder banks and switching business into currencies for which facilities continue to be made available to it. The bank now has almost no dealings in US Dollars due to the US restrictions and its functional and reporting currency has been the Euro since March 2008.

Non-trading market risk

The bank does not trade either interest rate or exchange rate risk.

Interest rate and currency risk arises in the Company's banking book through the holding of financial instruments, including loans and deposits. Exposure to movements in interest rates arises from mismatches between interest rate sensitive assets and liabilities.

The risk is monitored and managed on a daily basis by the Company's Treasury function. Details of interest rate risk exposures are presented in note 20. The bank similarly does not take (trading) open positions in foreign currencies and so is exposed to very little FX risk, see note 21. Any positions arising out of client services or loan related transactions are covered through compensating external transactions.

Persia International Bank PLC

Notes to the Accounts

for the year ended 31 March 2008

24. RISK MANAGEMENT (cont)

Interest rate risk

The bank does not have interest rate gaps in excess of one year. Non-interest bearing assets and liabilities are included with capital funds which are also undated. The effect of a 2% adverse movement in interest rates across all currencies and all dates at 31 March 2008 was Euro 1.4million; the profit for the following year, 2008/09 would be reduced accordingly (2007 Euro 1.2million). This calculation is determined by closing all interest rate gaps through compensating market deals at rates 2% above or below the existing gap rates.

Currency risk

The exposure to currency risk is measured and monitored daily. The small remaining open positions resulting from banking operating transactions are closed out in the market as soon as it is practical to do so. The effect of an adverse 5% movement in the rates of exchange between the short and long currencies would not be significant but would result in a loss of approximately Euro 180,000 which would reduce the year's profit accordingly, (2007, Euro 490,000). The method and assumptions used to determine the sensitivity to exchange rate movements was the same for both years.

Derivative instruments

The Company does not hold derivative instruments for trading purposes. Exposures to interest rate risk, eg. fixed rate security or loan, are limited through the use of hedging instruments. However, the Company has not adopted hedge accounting and thus these derivatives are fair valued through the income statement.

Capital management

The Bank manages its capital base in order to provide a return to its shareholders that is at least in line with their opportunity cost of funding their investment. The FSA also sets and monitors a minimum capital requirement based upon the ratio of capital to total risk weighted exposures. These exposures include all assets plus off-balance sheet exposures and other risks, eg. operational risk.

The Bank's capital comprises the following;

	2008 Euro '000	2007 Euro '000	2007 US\$ '000
Tier one			
Ordinary share capital	88,166	82,692	130,000
Retained earnings	<u>21,813</u>	<u>15,706</u>	<u>24,692</u>
	109,979	98,398	154,692
Tier two			
Subordinated loan	46,672	39,501	62,099
Total regulatory capital base	<u>156,651</u>	<u>137,899</u>	<u>216,791</u>

The regulatory capital base is stated before the declaration of a dividend payable from the earnings of the year.

The share capital was partially redenominated from US\$ into Euros in November 2007 (see Directors' report).

The risk weighted exposures are determined according to specified requirements which reflect the degree of risk attached to the respective risk categories.

On 1st January 2008 the Basel II methodology came into effect. The regulatory capital remains unchanged; however, its allocation and usage has changed significantly. The risk weightings of a number of assets have increased and operational and other risks, not previously covered by Basel I, are now included in the capital requirement calculations. The bank's regulatory capital ratio was always considerably in excess of the previous FSA minimum of 18%. At December 2007 the capital adequacy ratio was 37% (December 2006, 34%). The new FSA reporting requirements include the determination of a (capital) solvency ratio. The ratio at 31 March 2008 was 251% which was equivalent to surplus capital of Euro 82million.

Persia International Bank PLC
Notes to the Accounts
for the year ended 31 March 2008

25. OPERATING LEASE COMMITMENTS

	2008	2007	2007
	Euro '000	Euro'000	US\$'000
Annual commitment under a non-cancellable operating lease for Bank Mellat's premises at 6 Lothbury. Expiring after 5 years	459,494	451,989	710,573

26. CAPITAL COMMITMENTS

The company has entered into an agreement to purchase two units in a Dubai building, which is currently under construction; it is expected to be finished during 2009 at which time the Dubai branch will relocate. A number of stage payments have been paid up to 31 March 2008 totalling Euro 2,154,000 (AED 12.4million), (2007 nil). A further AED 6.2million will be paid over the next two years.

27. IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate and ultimate parent undertaking is Bank Mellat, which owns 60% of the share capital of the Company. Bank Mellat is the parent of the smallest and largest groups into which the results of the Company are consolidated. Copies of the Group financial statements of Bank Mellat are available from its principal place of business at No.327, Taleghani Avenue, 15817 Tehran, Iran. The Company's other major shareholder is Bank Tejarat which owns 40%.

28. RELATED PARTIES

The Company is controlled by Bank Mellat which owns 60% of the share capital; Bank Tejarat owns the remaining 40% and is a related party with significant influence.

Significant numbers of transactions are entered into with related parties in the normal course of the company's business. The Company takes deposits from its shareholder banks through the money markets; these can be for any periods up to one year including regular overnight placements. One of the Company's client services is discounting term LC's. A large number of discounts are LC's originally issued by the Company's shareholders.

The totals outstanding at the year end were:

		Year ended 31 March 2008	Year ended 31 March 2007	Year ended 31 March 2007
		Euro '000	Euro '000	US\$'000
Deposits	Bank Mellat	167,645	148,081	232,798
	BankTejarat	109,540	111,029	174,548
Bills discounted	Bank Mellat	13,459	34,518	54,266
	BankTejarat	24,802	11,917	18,734

The totals for interest receivable and payable from/to Bank Mellat and Bank Tejarat during the year are shown in notes 2 & 3. There was no other related party income. The only other related party expense was in respect of premises rental (see note 25). The remuneration of key management of the company is disclosed in note 6.