

INVESTORS BANK B.S.C. (c)
INTERIM FINANCIAL INFORMATION
30 September 2007

Commercial registration	:	39646 (registered with Central Bank of Bahrain as a Wholesale Bank (Islamic Principles).
Office	:	Al Salam Tower Diplomatic Area PO Box 11818 Manama, Kingdom of Bahrain
Directors	:	Mr. Sami Al Bader, <i>Chairman</i> Mr. Abdul Mohsen Al Othman, Vice Chairman (until 10 June 2007) Mr. Ghassan Fahad Al-Sultan Mr. Bader Sulaiman Al Jarrallah (until 10 June 2007) Mr. Ahmed Shabeeb Al Dhaheri Sheikh Bander Bin Fahad Al Fehaid (until 10 June 2007) Mr. Isa Abdulla Al-Mannai (from 10 June 2007) Dr. Abdulaziz Al Bader (from 10 June 2007)
Reviewing Accountants	:	KPMG

INVESTORS BANK B.S.C. (c)

INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2007

CONTENTS	Page
Independent report on review of interim financial information	1
Interim financial information	
Condensed balance sheet	2
Condensed income statement	3
Condensed statement of changes in equity	4
Condensed statement of cash flows	5
Condensed statement of changes in restricted investment accounts	6-7
Notes	8-9

Independent report on review of interim financial information

To

The Directors
Investors Bank B.S.C. (c)
Manama
Kingdom of Bahrain

27 November 2007

Introduction

We have reviewed the accompanying condensed balance sheet of Investors Bank B.S.C. (c) (the "Bank") as at 30 September 2007, and the related condensed statements of income, changes in equity and cash flows for the nine month period then ended (interim financial information). The Directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with Central Bank of Bahrain circular BC/20/99 dated 28 September 1999. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Central Bank of Bahrain circular BC/20/99 dated 28 September 1999.

CONDENSED BALANCE SHEET
as at 30 September 2007

US\$

	Note	30 September 2007 (reviewed)	31 December 2006 (audited)
ASSETS			
Cash and cash equivalents		8,209,777	383,182
Trading investments		34,388,021	39,293,867
Available-for-sale investments		22,825,262	21,586,476
Murabaha receivables		5,147,906	4,925,048
Mudaraba investment		16,396,174	21,931,034
Receivables from sale of investments		31,271,981	30,268,197
Deferred payment sale receivables	7	3,680,203	3,680,203
Investment property		18,339,284	18,331,295
Other assets		3,493,917	7,541,592
Fixed assets		1,232,384	83,339
Total assets		144,984,909	148,024,233
LIABILITIES AND EQUITY			
Liabilities			
Due to a financial institution	7	3,670,202	3,670,202
Due to related parties		3,483,614	3,527,079
Other liabilities		259,262	250,118
Total liabilities		7,413,078	7,447,399
Equity			
Share capital		80,000,000	80,000,000
Statutory reserve		7,409,515	7,409,515
Available-for-sale investments fair value reserve		12,054,411	10,714,722
Retained earnings		38,107,905	42,452,597
Total equity (page 4)		137,571,831	140,576,834
Total liabilities and equity		144,984,909	148,024,233
OFF-BALANCE SHEET ITEMS			
Restricted investment accounts (page 6)		16,494,270	16,157,031

 Sami Al Bader
 Chairman

 Isa Abdulla Al-Mannai
 Director

The Directors approved the interim financial information consisting of pages 2 to 9 on 27 November 2007.

CONDENSED INCOME STATEMENT
for the nine months ended 30 September 2007

US\$

	Nine months ended		Three months ended	
	30 September 2007 (reviewed)	30 September 2006 (reviewed)	30 September 2007 (reviewed)	30 September 2006 (reviewed)
Income from available-for-sale investments	412,579	586,724	-	38,193
Income from trading investments	771,937	1,838,830	-	-
Fair value (loss)/gains on trading investments	(4,905,846)	3,444	987,119	2,388,305
Fair value (loss)/ gains on available-for-sale investments	(100,904)	(20,410)	(50,452)	31,527
Income from Murabaha contracts	278,624	186,121	34,143	64,188
Other income	1,033,607	33,792	929,397	(2,641)
Total income	(2,510,003)	2,628,501	1,900,207	2,519,572
Staff cost	1,010,051	2,104,033	268,214	194,005
Administrative and general expenses	787,556	1,473,686	190,739	287,905
Depreciation	37,082	40,969	11,961	12,711
Total expenses	1,834,689	3,618,688	470,914	494,621
(Loss) / Profit for the period	(4,344,692)	(990,187)	1,429,293	2,024,951
Earnings per share (US\$)				
Basic	(0.02)	(0.00)	0.01	0.01

Sami Al Bader
Chairman

Isa Abdulla Al-Mannai
Director

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2007
 US\$

30 September 2007 (reviewed)

Balance at 1 January 2007	80,000,000	-	7,409,515	10,714,722	-	42,452,597	140,576,834
Fair value gain during the period	-	-	-	1,339,689	-	-	1,339,689
Income and expenses recognised directly in equity	-	-	-	1,339,689	-	-	1,339,689
Loss for the period	-	-	-	-	-	(4,344,692)	(4,344,692)
Total recognised income and expenses for the period	-	-	-	1,339,689	-	(4,344,692)	(3,005,003)
Balance at 30 September 2007	80,000,000	-	7,409,515	12,054,411	-	38,107,905	137,571,831

	Share Capital	Share premium	Statutory reserve	Investment fair value reserve	General reserve	Retained earnings	Total
Balance at 1 January 2007	80,000,000	-	7,409,515	10,714,722	-	42,452,597	140,576,834
Fair value gain during the period	-	-	-	1,339,689	-	-	1,339,689
Income and expenses recognised directly in equity	-	-	-	1,339,689	-	-	1,339,689
Loss for the period	-	-	-	-	-	(4,344,692)	(4,344,692)
Total recognised income and expenses for the period	-	-	-	1,339,689	-	(4,344,692)	(3,005,003)
Balance at 30 September 2007	80,000,000	-	7,409,515	12,054,411	-	38,107,905	137,571,831

30 September 2006 (reviewed)

Balance at 1 January 2006	50,000,000	13,746,334	6,275,686	11,813,378	479,382	48,712,422	131,027,202
Fair value gain during the period	-	-	-	4,836,786	-	-	4,836,786
Income and expenses recognised directly in equity	-	-	-	4,836,786	-	-	4,836,786
Loss for the period	-	-	-	-	-	(990,187)	(990,187)
Total recognised income and expenses for the period	-	-	-	4,836,786	-	(990,187)	3,846,599
Issue of Bonus Shares	30,000,000	(13,746,334)	-	-	(479,382)	(15,774,284)	-
Charity Contribution Declared (2005)	-	-	-	-	-	(200,000)	(200,000)
Board Remuneration Declared (2005)	-	-	-	-	-	(490,000)	(490,000)
Transfer to income statement on disposal of AFS investments*	-	-	-	(463,589)	-	-	(463,589)
Balance at 30 September 2006	80,000,000	-	6,275,686	16,186,575	-	31,257,951	133,720,212

	Share Capital	Share premium	Statutory reserve	Investment fair value reserve	General reserve	Retained earnings	Total
Balance at 1 January 2006	50,000,000	13,746,334	6,275,686	11,813,378	479,382	48,712,422	131,027,202
Fair value gain during the period	-	-	-	4,836,786	-	-	4,836,786
Income and expenses recognised directly in equity	-	-	-	4,836,786	-	-	4,836,786
Loss for the period	-	-	-	-	-	(990,187)	(990,187)
Total recognised income and expenses for the period	-	-	-	4,836,786	-	(990,187)	3,846,599
Issue of Bonus Shares	30,000,000	(13,746,334)	-	-	(479,382)	(15,774,284)	-
Charity Contribution Declared (2005)	-	-	-	-	-	(200,000)	(200,000)
Board Remuneration Declared (2005)	-	-	-	-	-	(490,000)	(490,000)
Transfer to income statement on disposal of AFS investments*	-	-	-	(463,589)	-	-	(463,589)
Balance at 30 September 2006	80,000,000	-	6,275,686	16,186,575	-	31,257,951	133,720,212

* Represents fair value gain on available-for-sale investments, which were reclassified as trading investments in 2004 and subsequently sold during the nine month period ended 30 September 2006.

The interim financial information consists of pages 2 to 9.

STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2007

US\$

	30 September 2007 (Reviewed)	30 September 2006 (Reviewed)
OPERATING ACTIVITIES		
Dividend received	-	270,592
Management and advisory fees received	-	1,795
Placement fees received	2,000,000	-
Underwriting fees received	3,631,836	-
Advances for purchase of available-for-sale investments	-	(1,047,318)
Income from Murabaha contracts	55,767	23,371
Purchase of available-for-sale investments	-	(33,491)
Sale of available-for-sale investments	-	57,842
Sale of trading investments	-	9,861,671
Arrangement fee paid on sale of trading investments	-	(406,667)
Receipts from deferred payment sale receivables	-	500,000
Payments for operating and other expenses	(1,973,668)	(2,280,461)
Payments to the Managing Director	-	(1,000,000)
Board remuneration paid	-	(490,000)
Employee Qard Hasan and advances, net	43,268	(42,355)
Others	(11,759)	(50,857)
Cash flows from operating activities	3,745,444	5,364,122
INVESTING ACTIVITIES		
Payments for purchase of fixed assets	(1,186,128)	(2,538)
Advance for purchase of fixed assets	(266,993)	-
Proceeds from disposal of fixed assets	-	961
Cash flows from investing activities	(1,453,121)	(1,577)
FINANCING ACTIVITIES		
Mudaraba investments	(4,500,000)	-
Murabaha financing	-	(4,650,000)
Receipt from Mudaraba investments	10,034,860	-
Cash paid to charitable organisations	(588)	(43,213)
Cash flows from financing activities	5,534,272	(4,693,213)
Net increase in cash and cash equivalents	7,826,595	669,332
Cash and cash equivalents at 1 January	383,182	356,644
Cash and cash equivalents at 30 September	8,209,777	1,025,976

The interim financial information consists of pages 2 to 9.

CONDENSED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2007

30 September 2007 (reviewed)	Balance at 1 January 2007			Movements during the period				Balance at 30 September 2007			
	No of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations US\$	Investment profit/ (loss) US\$	Bank's fees as an agent US\$	Administration expenses US\$	No of units (000)	Average value per share US\$	Total US\$
Murabaha with Lotus Air Ltd	-	-	317,689	-	-	-	-	-	-	-	317,689
Investments in International Investment Group K.S.C.C. (note 2 below)	12,887	0.44	5,670,202	-	-	-	-	-	12,887	0.44	5,670,202
Portfolio managed by the Bank	2,940	3.46	10,169,140	-	337,239	-	-	-	2,940	3.57	10,506,379
			16,157,031								16,494,270

- 1 Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 30 September 2007 are carried net of a provision for impairment amounting to US\$ 282,311 (2006: US\$ 282,311).
- 2 On the instructions of a restricted investment account holder, a related party, the Bank has entered into a deferred payment purchase agreement with a financial institution to acquire shares of International Investment Group K.S.C.C ('IIG'). The Bank then entered into a deferred payment sale agreement with the restricted investment account holder for sale of the these shares. However, due to a legal dispute with the financial institution, the Bank could not effect the transfer of the IIG shares to the restricted investment account holder.

The interim financial information consists of pages 2 to 9.

CONDENSED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2007 (continued)

30 September 2006 (reviewed)	Balance at 1 January 2006			Movements during the period					Balance at 30 September 2006		
	No of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations US\$	Investment profit/ (loss) US\$	Bank's fees as an agent US\$	Administra- tion expenses US\$	No of units (000)	Average value per share US\$	Total US\$
Murabaha with Lotus Air Ltd	-	-	317,689	-	-	-	-	-	-	-	317,689
Shares in Bahrain Family Leisure Company BSC	2,385	0.30	708,530	(631,640)	(107,544)	31,631	(977)	-	-	-	-
Investments in International Investment Group K.S.C.C. (note 2 below)	12,887	0.44	5,670,202	-	-	-	-	-	12,887	0.44	5,670,202
Portfolio managed by the Bank	2,940	3.42	10,067,804	-	98,698	-	-	-	2,940	3.46	10,166,502
			16,764,225	(631,640)	(8,846)	31,631	(977)	-			16,154,393

- 1 Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 30 September 2006 are carried net of a provision for impairment amounting to US\$ 282,311 (2005: US\$ 282,311).
- 2 On the instructions of a restricted investment account holder, a related party, the Bank has entered into a deferred payment purchase agreement with a financial institution to acquire shares of International Investment Group K.S.C.C ('IIG'). The Bank then entered into a deferred payment sale agreement with the restricted investment account holder for sale of the these shares. However, due to a legal dispute with the financial institution, the Bank could not effect the transfer of the IIG shares to the restricted investment account holder.

The interim financial information consists of pages 2 to 9.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2007**

- 1 Investors Bank BSC (c) (the "Bank") was established in the Kingdom of Bahrain as an exempt company on 26 October 1997 and the legal status was changed to a closed company on 3 July 2006.
- 2 The interim financial information has been prepared in summarised form. The interim financial statements have been prepared in accordance with the Central Bank of Bahrain circular BC/20/99 dated 28 September 1999.
- 3 The interim financial information is not audited but has been reviewed by KPMG. The comparative figures for the balance sheet have been extracted from the audited financial statements for the year ended 31 December 2006. The comparatives for the income statement, statement of changes in equity, statement of cash flow and statement of changes in restricted investment accounts have been extracted from reviewed interim financial information for the nine months ended 30 September 2006.
- 4 The accounting policies and the methods of computation used in the preparation of the interim financial information are consistent with those used in the preparation of the audited financial statements for the year ended 31 December 2006, which comply with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.
- 5 Due to the nature of the Bank's operations, the nine months results reported in this interim financial information may not represent a proportionate share of the overall annual results.
- 6 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties also include directors and shareholders of the Bank and companies in which they have an ownership interest.

Significant balances with related parties at 30 September 2007 include:

	30 September 2007 US\$	31 December 2006 US\$
Assets		
Trading investments	34,388,021	39,293,867
Available-for-sale investments	8,297,788	8,270,151
Murabaha receivables	5,147,906	4,925,048
Mudaraba investments	11,896,174	21,931,034
Receivables from sale of investments	31,271,981	30,268,197
Deferred payment sale receivables	3,680,203	3,680,203
Other assets	1,032,452	6,279,143
Liabilities		
Due to a related party	3,483,614	3,527,079

Certain of the Bank's investments are managed by a related party.

The Bank has investments in companies of certain shareholders. The carrying amounts of such investments at 30 September 2007 were US\$ 52,784 (31 December 2006: US\$ 55,759).

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the nine months ended 30 September 2007

Significant transactions with related parties include:

	30 September 2007 US\$	30 September 2006 US\$
Income		
Income from available-for-sale investments	955	240,044
Income from trading Investments	771,937	1,412,454
Fair value (loss) / gain on trading investments	(4,905,846)	3,444
Fair value on available-for-sale investments	-	2
Income from Murabaha contracts	222,858	162,750
Other income	-	977
Expenses		
Remuneration to the Managing Director	-	1,000,000
Other expenses	-	203,333

- 7 In 2004, the Bank entered into a sale and purchase agreement with a local financial institution to purchase shares of a related party on behalf of another related party. The net amount due to the financial institution was US\$ 3,670,202. In accordance with the terms of the agreement, the Bank pledged certain of its investments with a carrying value of US\$ 13,660,791 as at 30 September 2007. Subsequently, the agreement was terminated by the financial institution due to disputes with the Bank and as a result, the pledged investments have been retained by the financial institution. In the opinion of the Bank's lawyers and management, the agreement was wrongfully terminated and following the financial institution's refusal to settle the matter amicably, the Bank has filed a legal case in the Bahrain courts against the financial institution for wrongful possession of investments. As a result, the court has taken custody of the shares under dispute. The related party on whose behalf the transactions was entered has provided a manager's cheque for an equal amount, which has been deposited with the court. This amount is included under Deferred payment sale receivables.

The related party on whose behalf the transaction was entered into has also agreed to reimburse the Bank for legal expenses and any losses arising on final settlement with the financial institution. Accordingly, in the opinion of the directors, no provision is required to be made in this interim financial information against the investments pledged with the financial institution or for contingent claims that might arise on final settlement.

- 8 Appropriations of net profit, if any, are made only at the year end.