

**INVESTORS BANK B.S.C. (c)**  
**INTERIM FINANCIAL INFORMATION**  
**31 March 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 Mohamed Al Othman, <i>Vice Chairman</i> Mr. Ghassan Fahad Al-Sultan Mr. Bader Sulaiman Al Jarrallah Mr. Ahmed Shabeeb Al Dhaheri Sheikh Bander Bin Fahad Al Fehaid
Reviewing Accountants	:	KPMG

**INVESTORS BANK B.S.C. (c)**

**INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 2007**

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## **Independent report on review of interim financial information**

5 June 2007

To

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

### **Introduction**

We have reviewed the accompanying condensed balance sheet of Investors Bank B.S.C. (c) (the "Bank") as at 31 March 2007, and the related condensed statements of income, changes in equity and cash flows for the three month period then ended (interim financial information). The Directors of the Company 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.


*K P m g*

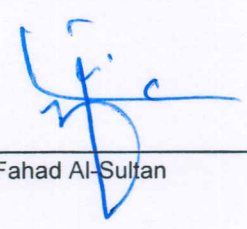


**CONDENSED BALANCE SHEET**  
**as at 31 March 2007**

US\$

	Note	31 March 2007 (reviewed)	31 December 2006 (audited)
<b>ASSETS</b>			
Cash and cash equivalents		748,264	383,182
Trading investments	6	28,863,597	39,293,867
Available-for-sale investments	6	20,706,618	21,586,476
Murabaha receivables	6	4,925,048	4,925,048
Mudaraba investment	6	20,896,174	21,931,034
Receivables from sale of investments	6	30,237,866	30,268,197
Deferred payment sale receivables	6	3,680,203	3,680,203
Investment property		18,335,364	18,331,295
Other assets	6	8,015,936	7,541,592
Fixed assets		137,038	83,339
<b>Total assets</b>		<b>136,546,108</b>	<b>148,024,233</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Due to a financial institution	7	3,670,202	3,670,202
Due to related parties	6	3,527,079	3,527,079
Other liabilities		255,487	250,118
<b>Total liabilities</b>		<b>7,452,768</b>	<b>7,447,399</b>
<b>Equity</b>			
Share capital		80,000,000	80,000,000
Statutory reserve		7,409,515	7,409,515
Available-for-sale investments fair value reserve		9,892,215	10,714,722
Retained earnings		31,791,610	42,452,597
<b>Total equity (page 4)</b>		<b>129,093,340</b>	<b>140,576,834</b>
<b>Total liabilities and equity</b>		<b>136,546,108</b>	<b>148,024,233</b>
<b>OFF-BALANCE SHEET ITEMS</b>			
Restricted investment accounts (page 6)		<b>16,146,841</b>	<b>16,157,031</b>

  
 Sami Al Bader  
 Chairman

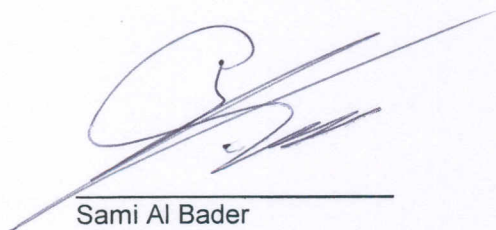
  
 Ghassan Fahad Al-Sultan  
 Director

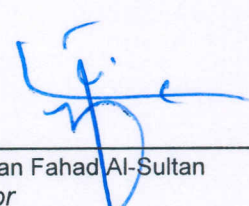
The Directors approved the interim financial information consisting of pages 2 to 9 on 5 June 2007.

**CONDENSED INCOME STATEMENT**  
**for the three months ended 31 March 2007**

US\$

	Note	31 March 2007 (reviewed)	31 March 2006 (reviewed)
Income from available-for-sale investments		411,625	516,013
Income from trading investments		-	426,376
Fair value loss on trading investments	6	(10,430,270)	(24,881,482)
Fair value loss on available-for-sale investments		(57,352)	-
Income from Murabaha receivables		-	10,212
Other income		-	12,428
<b>Total income</b>		<b>(10,075,997)</b>	<b>(23,916,453)</b>
Staff cost		(221,300)	(661,143)
Administrative and general expenses		(351,095)	(833,940)
Depreciation		(12,595)	(15,014)
<b>Total expenses</b>		<b>(584,990)</b>	<b>(1,510,097)</b>
<b>Loss for the period</b>		<b>(10,660,987)</b>	<b>(25,426,550)</b>
<b>Earnings per share (US\$)</b>			
Basic		<b>(0.04)</b>	<b>(0.10)</b>

  
 Sami Al Bader  
 Chairman

  
 Ghassan Fahad Al-Sultan  
 Director

The interim financial information consists of pages 2 to 9.



# CONDENSED STATEMENT OF CHANGES IN EQUITY for the three months ended 31 March 2007

US\$

## 31 March 2007 (reviewed)

Balance at 1 January 2007

Fair value loss during the period

Income and expense recognised directly in equity

Loss for the period

Total recognised income and expenses for the period

Balance as at 31 March 2007

Share capital	Share premium	Statutory reserve	Investment fair value reserve	General reserve	Retained earnings	Total
80,000,000	-	7,409,515	10,714,722	-	42,452,597	140,576,834
-	-	-	(822,507)	-	-	(822,507)
-	-	-	(822,507)	-	-	(822,507)
-	-	-	-	-	(10,660,987)	(10,660,987)
-	-	-	(822,507)	-	(10,660,987)	(11,483,494)
80,000,000	-	7,409,515	9,892,215	-	31,791,610	129,093,340

## 31 March 2006 (reviewed)

Balance at 1 January 2006

Transfer to income statement on disposal of AFS investments\*

Fair value gains during the period

Income and expense recognised directly in equity

Loss for the period

Total recognised income and expenses for the period

Balance as at 31 March 2006

Share Capital	Share premium	Statutory reserve	Investment fair value reserve	General reserve	Retained earnings	Total
50,000,000	13,746,334	6,275,686	11,813,378	479,382	48,712,422	131,027,202
-	-	-	(426,376)	-	-	(426,376)
-	-	-	3,596,523	-	-	3,596,523
-	-	-	3,170,147	-	-	3,170,147
-	-	-	-	-	(25,426,550)	(25,426,550)
-	-	-	3,170,147	-	(25,426,550)	(22,256,403)
50,000,000	13,746,334	6,275,686	14,983,525	479,382	23,285,872	108,770,799

\* Represents fair value gain on available-for-sale investments, which were reclassified as trading investments in 2004 and subsequently sold during the three month period ended 31 March 2006.

The interim financial information consists of pages 2 to 9.

**CONDENSED STATEMENT OF CASH FLOWS**  
**for the three months ended 31 March 2007**

US\$

	<b>2007</b> (reviewed)	<b>2006</b> (reviewed)
<b>OPERATING ACTIVITIES</b>		
Advances for purchase of investments	-	(856,390)
Purchase of available-for-sale investments	-	(33,491)
Sale of trading investments	-	9,861,669
Arrangement fee paid on sale of trading investments	-	(406,667)
Payments for operating expenses	(600,948)	(1,149,657)
Receipts from Mudaraba	1,034,860	-
Employee Qard Hasan and advances, net	(2,536)	(15,139)
Other income received	-	391
<b>Cash flows from operating activities</b>	<b>431,376</b>	<b>7,400,716</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(66,294)	-
<b>Cash flows from investing activities</b>	<b>(66,294)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>		
Murabaha financing	-	(4,650,000)
Income from Murabaha receivable	-	10,212
<b>Cash flows from financing activities</b>	<b>-</b>	<b>(4,639,788)</b>
<b>Net increase in cash and cash equivalents</b>	<b>365,082</b>	<b>2,760,928</b>
Cash and cash equivalents at 1 January	383,182	356,644
<b>Cash and cash equivalents at 31 March</b>	<b>748,264</b>	<b>3,117,572</b>

The interim financial information consists of pages 2 to 9.



**CONDENSED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS**  
**for the three months ended 31 March 2007**

31 March 2007 (reviewed)	Balance at 1 January 2007			Movements during the period					Balance at 31 March 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 Investments in International Investment Group K.S.C.C. (note 2 below)	-	-	317,689	-	-	-	-	-	-	-	317,689
	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	-	(10,190)	-	-	-	2,940	3.45	10,158,950
			<b>16,157,031</b>								<b>16,146,841</b>

1 Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 31 March 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 three months ended 31 March 2007 (Continued)**

31 March 2006 (reviewed)	Balance at 1 January 2006			Movements during the period					Balance at 31 March 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\$	Administration expenses US\$	No of units (000)	Average value per share US\$	Total US\$
Murabaha with Lotus Air Ltd.	-	-	317,689	-	-	-	-	-	-	-	317,689
Shares acquired in Bahrain Family Leisure Company BSC	2,385	0.30	708,530	977	(107,544)	-	(977)	-	2,385	0.25	600,986
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	-	(862)	-	-	-	2,940	3.42	10,066,942
			16,764,225	977	(108,406)	-	(977)	-			16,655,819

1 Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 31 March 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 three months ended 31 March 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 3 months ended 31 March 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 three 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 31 March 2007 comprise.

	<b>31 March 2007 US\$</b>	<b>31 December 2006 US\$</b>
<b>Assets</b>		
Trading investments	28,863,597	39,293,867
Available-for-sale investments	8,265,156	8,270,151
Murabaha receivables	4,925,048	4,925,048
Mudaraba investments	20,896,174	21,931,034
Receivables from sale of investments	30,237,866	30,268,197
Deferred payment sale receivables	3,680,203	3,680,203
Advance towards purchase of available-for-sale investments	451,728	451,772
Other assets	5,836,008	5,827,371
<b>Liabilities</b>		
Due to a related party	3,527,079	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 31 March 2007 were US\$ 51,689 (31 December 2006: US\$ 55,759).



**NOTES TO THE INTERIM FINANCIAL INFORMATION**  
**for the three months ended 31 March 2007**

Significant transactions with related parties include:

	<b>31 March 2007 US\$</b>	<b>31 March 2006 US\$</b>
<b>Income</b>		
Income from available-for-sale investments	-	239,059
Fair value loss on trading investments	(10,430,270)	(24,881,482)
Fair value loss on available-for-sale investments	(593)	-
Other income	-	977
<b>Expenses</b>		
Other expenses	-	406,667

- 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\$ 11,530,634 as of 31 March 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 these condensed financial statements 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.