

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

30 June 2008

Commercial Registration	:	39646 (registered with Central Bank of Bahrain as a wholesale Bank (Islamic Principles))
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Registered Office	:	Seef Star Building Seef District PO Box 11818 Manama, Kingdom of Bahrain
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Directors	:	Mr. Sami Al Bader, <i>Chairman</i> Mr. Ahmed Shabeeb Al Dhaheri, <i>Vice Chairman</i> Mr. Ghassan Fahad Al-Sultan Mr. Isa Abdulla Al-Mannai Dr. Abdulaziz Al Bader
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Reviewing Accountants	:	KPMG
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INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2008

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INDEPENDENT REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To
The Board of Directors
Investors Bank BSC
Manama
Kingdom of Bahrain

10 August 2008

Introduction

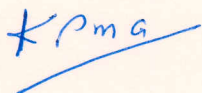
We have reviewed the accompanying condensed balance sheet of Investors Bank BSC (the "Bank") as at 30 June 2008, and the related condensed statements of income, changes in equity, cash flows and changes in restricted investment accounts for the six-month period then ended (the interim financial information). The Board of Directors of the Bank is responsible for the preparation and presentation of this interim financial information in accordance with requirements of the Volume 2 of the Central Bank of Bahrain's Rule Book. 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

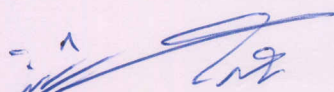
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with requirements of the Volume 2 of the Central Bank of Bahrain's Rule Book.

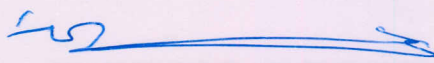


CONDENSED BALANCE SHEET
as at 30 June 2008

US\$

	Note	30 June 2008 (reviewed)	31 December 2007 (audited)
ASSETS			
Cash and cash equivalents		9,134,838	9,631,572
Trading investments		29,785,998	29,727,074
Available-for-sale investments		26,357,083	20,735,571
Murabaha receivables	5	3,243,848	3,243,848
Mudaraba investment	5,7	-	4,500,000
Receivable from Mudarib	5	6,127,801	11,896,174
Receivables from sale of investments	5	19,722,641	29,860,901
Deferred payment sale receivables	5	3,680,203	3,680,203
Investment properties	7	26,203,906	13,838,620
Other assets		13,928,296	8,310,384
Equipment		1,796,762	1,631,225
Total assets		139,981,376	137,055,572
LIABILITIES AND EQUITY			
Liabilities			
Due to a financial institution	8	3,670,202	3,670,202
Due to related parties	5	3,229,064	3,229,064
Other liabilities		337,762	291,232
Total liabilities		7,237,028	7,190,498
Equity			
Share capital		80,000,000	80,000,000
Statutory reserve		7,409,515	7,409,515
Available-for-sale investments fair value reserve		10,252,441	10,263,817
Retained earnings		35,082,392	32,191,742
Total equity (page 4)		132,744,348	129,865,074
Total liabilities and equity		139,981,376	137,055,572
OFF-BALANCE SHEET ITEMS			
Restricted investment accounts (page 6)		17,107,827	16,708,037


 Ahmed Shabeeb Al Dhaheri
 Vice Chairman



 Isa Abdulla Al-Mannai
 Director

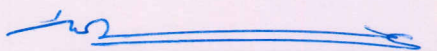
The Directors approved the interim financial information consisting of pages 2 to 10 on 10 August 2008.

CONDENSED INCOME STATEMENT
for the six months ended 30 June 2008

US\$

	Six months ended		Three months ended	
	30 June 2008 (reviewed)	30 June 2007 (reviewed)	30 June 2008 (reviewed)	30 June 2007 (reviewed)
Income from available-for-sale investments	231,933	412,579	231,933	954
Income from trading investments	1,020,766	771,937	1,020,766	771,937
Fair value (loss) / gain on trading investments	(140,149)	(5,892,965)	(598,274)	4,537,305
Fair value (loss) / gain on available-for-sale investments	(539,353)	(50,452)	(343,547)	6,900
Income from Murabaha contracts	89,880	244,481	37,540	244,481
Income from Mudaraba investment	192,452	-	192,452	-
Income from investment property, net	1,411,517	-	432,783	-
Other income (note 6)	2,050,297	104,210	977,765	104,210
Total income	4,317,343	(4,410,210)	1,951,418	5,665,787
Staff cost	711,479	741,837	376,796	520,537
Administrative and general expenses	479,361	596,817	179,982	245,722
Depreciation	235,853	25,121	118,124	12,526
Total expenses	1,426,693	1,363,775	674,902	778,785
Profit / (loss) for the period	2,890,650	(5,773,985)	1,276,516	4,887,002
Earnings per share (US\$)				
Basic	0.01	(0.02)	0.01	0.02


 Ahmed Shabeeb Al Dhaheri
 Vice Chairman


 Isa Abdulla Al-Mannai
 Director

The Directors approved the interim financial information consisting of pages 2 to 10 on 10 August 2008.

CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2008

US\$

2008 (reviewed)

Balance at 1 January

Fair value loss during the period

Income and expense recognised directly in equity

Profit for the period

Total recognised income and expenses for the period**Balance as at 30 June**

Share Capital	Statutory reserve	AFS investment fair value reserve	Retained earnings	Total
80,000,000	7,409,515	10,263,817	32,191,742	129,865,074
-	-	(11,376)	-	(11,376)
-	-	(11,376)	-	(11,376)
-	-	-	2,890,650	2,890,650
-	-	(11,376)	2,890,650	2,879,274
80,000,000	7,409,515	10,252,441	35,082,392	132,744,348

2007 (reviewed)

Balance at 1 January

Fair value loss during the period

Income and expenses recognised directly in equity

Loss for the period

Total recognised income and expenses for the period**Balance as at 30 June**

Share Capital	Statutory reserve	AFS investment fair value reserve	Retained earnings	Total
80,000,000	7,409,515	10,714,722	42,452,597	140,576,834
-	-	(886,590)	-	(886,590)
-	-	(886,590)	-	(886,590)
-	-	-	(5,773,985)	(5,773,985)
-	-	(886,590)	(5,773,985)	(6,660,575)
80,000,000	7,409,515	9,828,132	36,678,612	133,916,259

The interim financial information consists of pages 2 to 10.

CONDENSED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2008

US\$

	30 June 2008 (Reviewed)	30 June 2007 (Reviewed)
OPERATING ACTIVITIES		
Dividend received	216,342	-
Placement fees received	-	2,000,000
Underwriting fees received	-	3,631,836
Income from Murabaha contracts	89,880	21,623
Purchase of trading investments	(334,281)	-
Purchase of available-for-sale investments	(6,216,794)	-
Proceeds from sale of trading investments	148,150	-
Proceeds from sale of available-for-sale investments	178,364	-
Payments for operating expenses	(1,077,993)	(1,326,324)
Employee Qard Hasan and advances, net	16,701	16,284
Refund of payments to Managing Director	1,000,000	-
Others	-	(21,944)
Cash flows from operating activities	(5,979,631)	4,321,475
INVESTING ACTIVITIES		
Purchase of equipment	(337,996)	(627,341)
Advances for purchase of equipment	-	(118,919)
Proceeds from disposal of equipment	52,520	-
Cash flows from investing activities	(285,476)	(746,260)
FINANCING ACTIVITIES		
Mudaraba investments	-	(4,500,000)
Receipt from Mudaraba investments	5,768,373	1,034,860
Cash paid to charitable organisations	-	(796)
Cash flows from financing activities	5,786,373	(3,465,936)
Net (decrease) / increase in cash and cash equivalents	(496,734)	109,279
Cash and cash equivalents at 1 January	9,631,572	383,182
Cash and cash equivalents at 30 June	9,134,838	492,461

The interim financial information consists of pages 2 to 10.

CONDENSED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2008

2008 (reviewed)	Balance at 1 January 2008			Movements during the period					Balance at 30 June 2008		
	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	3.65	10,720,146	-	399,790	-	-	-	2,940	3.78	11,119,936
			16,708,037	-	399,790	-	-	-			17,107,827

1 Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 30 June 2008 are carried net of a provision for impairment amounting to US\$ 282,311 (2007: 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 10.

CONDENSED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2008 (continued)

2007 (reviewed)	Balance at 1 January 2007			Movements during the period					Balance at 30 June 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	-	35,650	-	-	-	2,940	3.47	10,204,790
			16,157,031	-	35,650	-	-	-			16,192,681

1 Restricted investment accounts represent amounts received from and transactions entered on behalf of related parties. The restricted investment accounts at 30 June 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 10.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2008

US\$

- 1 Investors Bank B.S.C. (c) (the "Bank") is a closed Bahraini joint stock company operating under a wholesale Bank (Islamic Principles) license issued by the Central Bank of Bahrain.
- 2 Basis of preparation and presentation

The interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by AAOIFI standards, the Bank uses guidance from the relevant International Financial Reporting Standard.

Accordingly, the interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'. The interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2007.

The accounting policies and methods of computation applied by the Bank in the preparation of the interim financial information are the same as those used in the preparation of the audited financial statements for the year ended 31 December 2007.
- 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 2007. The comparatives for the statements of income, changes in equity, cash flows and changes in restricted investment accounts have been extracted from reviewed interim financial information for the six months ended 30 June 2007.
- 4 Due to the nature of the Bank's operations, the six months results reported in this interim financial information may not represent a proportionate share of the overall annual results.
- 5 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.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2008

US\$

Significant balances with related parties (entities under common control) at 30 June 2008 include:

	30 June 2008 (reviewed)	31 December 2007 (audited)
Assets		
Trading investments	29,571,939	29,727,074
Available-for-sale investments	8,397,394	8,313,197
Murabaha receivables	3,243,848	3,243,848
Mudaraba investments	-	4,500,000
Receivables from sale of investments	19,722,641	29,860,901
Deferred payment sale receivables	3,680,203	3,680,203
Advance towards purchase of available-for-sale investments	-	45,579
Receivable from Mudarib	6,127,801	11,896,174
Other assets:		
Current account with related parties	10,476,606	5,666,486
Dividend receivable	1,856,205	814,259
Due from Chairman	-	99,161
Management and advisory fees receivable	71,701	71,701
Liabilities		
Murabaha payables	3,229,064	3,229,064

The Bank has investments in companies of certain shareholders. The carrying amounts of such investments at 30 June 2008 were US\$ 49,417 (31 December 2007: US\$ 48,788).

Significant transactions with related parties include:

	30 June 2008 (reviewed)	30 June 2007 (reviewed)
Income		
Income from available-for-sale investments	569	955
Income from trading Investments	1,007,824	771,937
Fair value loss on trading investments	(155,135)	(5,892,965)
Income from Murabaha contracts	-	222,858
Income from Mudaraba investment	192,452	-
Other income – refund of payments to Managing Director	1,000,000	-

- 6 Other income includes US\$ 1,000,000 received from the erstwhile Managing Director as a refund of consideration paid to him in 2006 for his services in earlier periods. This refund has been received subsequent to the conclusion of the discussions on this payment with the Central Bank of Bahrain.
- 7 The Bank during the period has realised its Mudaraba investment and partly realised its receivable from sale of investments by way of receiving a land in Bahrain as settlement. This land has been recognised as investment property at the agreed price of settlement. The carrying value of land approximates its market value as at 30 June 2008.

**NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2008**

US\$

- 8 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\$ 11,715,865 as at 30 June 2008. 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 the financial statements against the investments pledged with the financial institution or for contingent claims that might arise on final settlement.

- 9 Appropriations of net profit are made only at the year end.