

Investors Bank B.S.C. (c)

INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2012

REVIEW REPORT TO THE BOARD OF DIRECTORS OF INVESTORS BANK B.S.C. (c)

Introduction

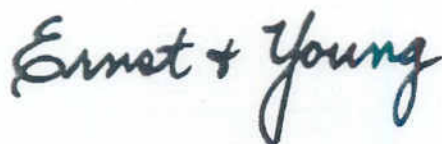
We have reviewed the accompanying interim statement of financial position of Investors Bank B.S.C. (c) ["the Bank"] as of 31 March 2012, and the related interim statements of income, cash flows and changes in owners' equity for the three month period then ended and explanatory notes. The Bank's Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the 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 condensed financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



9 May 2012
Manama, Kingdom of Bahrain

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 March 2012 (Unaudited)

	Notes	(Unaudited) 31 March 2012 US\$	(Audited) 31 December 2011 US\$
ASSETS			
Cash and balances with banks		205,766	158,912
Investments	3	15,846,140	15,859,440
Deferred payment sale receivables		3,680,203	3,680,203
Investment properties	4	18,209,155	18,474,757
Other assets		1,584,639	1,385,874
Property and equipment		2,870,117	2,963,735
TOTAL ASSETS		42,396,020	42,522,921
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to a financial institution		3,670,202	3,670,202
Murabaha payable		3,229,064	3,229,064
Other liabilities		640,492	640,175
Total liabilities		7,539,758	7,539,441
Owners' Equity			
Share capital		80,000,000	80,000,000
Statutory reserve		7,409,515	7,409,515
Investments fair value reserve		3,832,517	3,679,690
Accumulated losses		(56,385,770)	(56,105,725)
Total owners' equity		34,856,262	34,983,480
TOTAL LIABILITIES AND OWNERS' EQUITY		42,396,020	42,522,921
OFF-BALANCE SHEET ITEMS:			
EQUITY OF INVESTMENT ACCOUNTHOLDERS		16,574,474	16,546,150


 Mr. Ghasan Al Sultan

Chairman


 Mr. Ebrahim Al Shaikh

Director

The attached notes 1 to 8 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF INCOME

For the three months ended 31 March 2012 (Unaudited)

	Notes	Unaudited Three months ended	
		31 March 2012 US\$	31 March 2011 US\$
Gain on disposal of investments at fair value through equity		-	21,904
Fair value gain / (loss) on investments at fair value through statement of income		19,104	(460,742)
Other income	5	403,603	20,790
Operating income / (loss)		422,707	(418,048)
EXPENSES			
Staff cost		194,482	214,363
Administrative and general expenses		123,912	92,320
Depreciation		199,127	200,091
Operating expenses		517,521	506,774
Net loss before provision for impairment		(94,814)	(924,822)
Provision for impairment, net		(185,231)	(494,604)
NET LOSS FOR THE PERIOD		(280,045)	(1,419,426)

The attached notes 1 to 8 form part of these interim condensed financial statements

Investors Bank B.S.C.(c)

INTERIM STATEMENT OF CASH FLOWS

For the three months ended 31 March 2012 (Unaudited)

	<i>Unaudited</i>	
	<i>Three months ended</i>	
	31 March	31 March
	2012	2011
	US\$	US\$
OPERATING ACTIVITIES		
Net loss for the period	(280,045)	(1,419,426)
Adjustments for non-cash items:		
Depreciation	199,127	200,091
Provision for impairment, net	185,231	494,604
Gain on disposal of investments at fair value through equity	-	(21,904)
Gain on disposal of investment property	(30,117)	-
Fair value (gain) / loss on investments at fair value through statement of income	(19,104)	460,742
Operating gain / (loss) before changes in operating assets and liabilities:	55,092	(285,893)
Working capital adjustments:		
Other assets	(198,765)	8,948
Other liabilities	317	(35,177)
Net cash used in operating activities	(143,356)	(312,122)
INVESTING ACTIVITIES		
Proceeds from disposal of investments at fair value through equity	-	170,291
Proceeds from disposal of investment property	190,606	-
Purchase of property, plant and equipment	(396)	-
Net cash from investing activities	190,210	170,291
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	46,854	(141,831)
Cash and cash equivalents at beginning of the period	158,912	411,444
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	205,766	269,613

The attached notes 1 to 8 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three months ended 31 March 2012 (Unaudited)

	Share capital US\$	Statutory reserve US\$	Investments fair value reserve US\$	Accumulated losses US\$	Total Owners' equity US\$
Balance at 1 January 2012	80,000,000	7,409,515	3,679,690	(56,105,725)	34,983,480
Net loss for the period	-	-	-	(280,045)	(280,045)
Other comprehensive income during the period	-	-	152,827	-	152,827
Balance as at 31 March 2012	80,000,000	7,409,515	3,832,517	(56,385,770)	34,856,262
Balance at 1 January 2011	80,000,000	7,409,515	2,644,604	(51,190,737)	38,863,382
Net loss for the period	-	-	-	(1,419,426)	(1,419,426)
Other comprehensive income during the period	-	-	167,604	-	167,604
Balance as at 31 March 2011	80,000,000	7,409,515	2,812,208	(52,610,163)	37,611,560

The attached notes 1 to 8 form part of these interim condensed financial statements

Investors Bank B.S.C. (c)

INTERIM STATEMENT OF CHANGES IN OFF-BALANCE SHEET INVESTMENT ACCOUNTHOLDERS

For the three months ended 31 March 2012 (Unaudited)

	Balance at 1 January 2012			Movements during the period			Balance at 31 March 2012		
	No of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations 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	0.440	5,670,202	-	-	12,887	0.440	5,670,202	
Portfolio managed by the Bank (Gulf Monetary Group shares)	142,059	0.0743	10,558,259	-	28,324	142,059	0.0745	10,586,583	
			16,546,150		28,324			16,574,474	
	Balance at 1 January 2011			Movements during the period			Balance at 31 March 2011		
	No of units (000)	Average value per share US\$	Total US\$	Investment/ (withdrawal) US\$	Revaluations 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	0.440	5,670,202	-	-	12,887	0.440	5,670,202	
Portfolio managed by the Bank (Gulf Monetary Group shares)	142,059	0.0735	10,436,264	-	160,431	142,059	0.0746	10,596,695	
			16,424,155		160,431			16,584,586	

1 Off -balance sheet investment accounts represent amounts received from and transactions entered on behalf of related parties.

2 On the instructions of an off-balance sheet 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 off-balance sheet 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 off-balance sheet investment account holder (note 7).

The attached notes 1 to 8 form part of these interim condensed financial statements

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended 31 March 2012 (Unaudited)

1 INCORPORATION AND ACTIVITIES

Investors Bank B.S.C. (c) ["the Bank"] was established in the Kingdom of Bahrain as an exempt company on 26 October 1997 and operates under an investment banking license [Wholesale Bank (Islamic principles)] granted by the Central Bank of Bahrain ["the CBB"]. The Bank commenced commercial operations on 15 June 1998. The legal status of the Bank was changed to a closed Bahraini joint stock company on 3 July 2005. The postal address of the registered office of the Bank is Seef Star Building, Seef District, PO Box 11818, Manama, Kingdom of Bahrain.

The Bank's activities are regulated by the CBB and supervised by a Religious Supervisory Board whose role is defined in the Bank's Memorandum and Articles of Association.

The principal activities of the Bank include investment banking and financial activities, investment transactions, participating in equity investments in projects in conformity with Shari'a. The Bank may, in particular, carry on the following business activities:

- a) Providing investment account facilities;
- b) Accepting off balance sheet investment accounts commingling the same with those of the Bank and investing them in accordance with Shari'a;
- c) Managing investments of third parties as an agent for a fixed fee as a Mudarib and any other banking activities not contravening the provisions of Shari'a;
- d) Industrial, commercial and agricultural business activities, either directly or through companies which the Bank may establish, or in which the Bank may acquire shares; and
- e) Purchasing, leasing and constructing buildings, and their renting thereof.

The interim condensed financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 9 May 2012.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed financial statements of the Bank for the three months period ended 31 March 2012 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed financial statements do not contain all information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2011. In addition, results for the three months period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The interim condensed financial statements have been prepared under the historical cost convention as modified for the re-measurement of investments at fair value through statement of income and certain investments at fair value through equity. The interim condensed financial statements have been presented in United States Dollar ("US\$"), being the functional currency of the Bank's operations.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2011 which were prepared in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions (the "AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank, the Bahrain Commercial Companies Law and Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Bank uses the International Financial Reporting Standards (the "IFRSs").

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended 31 March 2012 (Unaudited)

3 INVESTMENTS

	(Unaudited) 31 March 2012 US\$	(Audited) 31 December 2011 US\$
Investments at fair value through statement of income	1,823,464	1,804,360
Investments at fair value through equity (note 3.1)	14,022,676	14,055,080
	<u>15,846,140</u>	<u>15,859,440</u>

3.1 Investments at fair value through equity

	Note		
Quoted equity securities	3.1.1	20,067,718	19,917,004
Unquoted equity securities (at cost)	3.1.2	1,789,943	1,787,830
Investment in funds		853,562	853,562
		<u>22,711,223</u>	<u>22,558,396</u>
Provision for impairment		(8,688,547)	(8,503,316)
		<u>14,022,676</u>	<u>14,055,080</u>

3.1.1 As at the date of statement of financial position, investments with a carrying value of US\$ 2,083,849 (31 December 2011 : \$ 1,921,772) were under dispute and in custody of the court as discussed in note 7. In addition, investments with a carrying value of US\$ 5,760,487 (31 December 2011 : US\$ 5,760,487) are pledged against amounts due to a financial institution.

3.1.2 These investments are carried at cost as their value cannot be reliably measured.

4 INVESTMENT PROPERTIES

	Freehold land US\$	Buildings US\$	Total US\$
Cost:			
At 1 January 2012	18,742,649	13,557,902	32,300,551
Disposal		(232,608)	(232,608)
At 31 March 2012	<u>18,742,649</u>	<u>13,325,294</u>	<u>32,067,943</u>
Depreciation and impairment:			
At 1 January 2012	9,657,768	4,168,026	13,825,794
Charge for the period	-	105,113	105,113
Disposal		(72,119)	(72,119)
At 31 March 2012	<u>9,657,768</u>	<u>4,201,020</u>	<u>13,858,788</u>
Net carrying values:			
At 31 March 2012 (Unaudited)	<u>9,084,881</u>	<u>9,124,274</u>	<u>18,209,155</u>
At 31 December 2011 (Audited)	<u>9,084,881</u>	<u>9,389,876</u>	<u>18,474,757</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended 31 March 2012 (Unaudited)

5 OTHER INCOME

	(Unaudited) 31 March 2012 US\$	(Unaudited) 31 March 2011 US\$
Gain on sale of investment property	30,117	-
Rental income	373,455	20,548
Foreign Exchange Gain	31	242
	<u>403,603</u>	<u>20,790</u>

6 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors of the Bank, Shari'a Supervisory Board members, entities owned or controlled, jointly controlled or significantly influenced by them and companies affiliated by virtue of shareholding in common with that of the Bank.

Transactions with related parties are undertaken on terms agreed between the parties which may not necessarily be on arm's length basis.

Significant balances with related parties comprise:

	(Unaudited) 31 March 2012 US\$	(Audited) 31 December 2011 US\$
Assets		
Investments at fair value through statement of income	1,737,679	1,733,030
Investments at fair value through equity	8,596,682	8,594,567
Deferred payment sale receivables	3,680,203	3,680,203
Other assets	190,606	-
	<u>14,205,170</u>	<u>14,007,800</u>
	(Unaudited) 31 March 2012 US\$	(Audited) 31 December 2011 US\$
Liabilities		
Murabaha payable	3,229,064	3,229,064
Other liabilities	176,961	174,199
	<u>3,406,025</u>	<u>3,403,263</u>
OFF-BALANCE SHEET ITEMS:		
EQUITY OF INVESTMENT ACCOUNTHOLDERS	<u>16,256,785</u>	<u>16,228,461</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended 31 March 2012 (Unaudited)

6 RELATED PARTY TRANSACTIONS (continued)

The income and expenses with related parties included in the condensed financial statements are as follows:

	<i>Three months ended (Unaudited)</i>	
	31 March	31 March
	2012	2011
	US\$	US\$
Income		
Fair value gain / (loss) on investments at fair value value through statement of income	4,649	(449,810)
	4,649	(449,810)
Expenses		
Board of Directors	3,216	1,250
Shari'a Supervisory Board	6,963	6,963
	10,179	8,213

Key management personnel of the Bank comprise key members of management having authority and responsibility for planning, directing and controlling activities of the Bank. During the current and previous period (3 months ended 31 March 2011) the Bank did not have a Chief Executive Officer. New Chief Executive Officer has been now appointed with effect from 22 April 2012 (2011: 27 March 2011). Hence, the disclosure for compensation to key management personnel has not been disclosed for the periods ended 31 March 2011 and 31 March 2012.

7 LITIGATION AND CLAIMS

In 2004, the Bank entered into a sale and purchase agreement with a 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 as at 31 March 2012 (31 December 2011: US\$ 3,670,202). In accordance with the terms of the agreement, the Bank pledged certain equity shares with a carrying value of US\$ 2,083,849 as at 31 March 2012 (31 December 2011: US\$ 1,921,772) in addition to dividends received on these shares amounting to US\$ 887,733 as at 31 March 2012 (31 December 2011: US\$ 887,733). 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 courts of Bahrain against the financial institution for possession of the Bank's investments.

As a result, the court has taken custody of the shares under dispute and the related dividends. 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 amounting to US\$ 3,680,203 as at 31 March 2012 (31 December 2011: US\$ 3,680,203).

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.

Investors Bank B.S.C.(c)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended 31 March 2012 (Unaudited)

8 SEGMENT INFORMATION

The Bank's assets and liabilities are distributed over the following industry sectors:

	(Unaudited) 31 March 2012			
	Banks and financial institutions US\$	Investment companies US\$	Others US\$	Total US\$
Assets				
Balances with banks	205,766	-	-	205,766
Investments	12,749,727	31,936	3,064,477	15,846,140
Deferred payment sale receivables	-	3,680,203	-	3,680,203
Investment properties	-	-	18,209,155	18,209,155
Other assets	900,996	-	683,643	1,584,639
Property and equipment	-	-	2,870,117	2,870,117
Total assets	13,856,489	3,712,139	24,827,392	42,396,020
Liabilities				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Other liabilities	72,513	-	567,979	640,492
Total liabilities	6,971,779	-	567,979	7,539,758
OFF-BALANCE SHEET ITEMS:				
EQUITY OF INVESTMENT ACCOUNTHOLDERS	5,670,202	10,586,583	317,689	16,574,474

Investors Bank B.S.C.(c)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the three months ended 31 March 2012 (Unaudited)

8 SEGMENT INFORMATION (continued)

	(Audited) 31 December 2011			
	Banks and financial institutions US\$	Investment companies US\$	Others US\$	Total US\$
Assets				
Balances with banks	158,912	-	-	158,912
Investments	12,767,796	31,936	3,059,708	15,859,440
Deferred payment sale receivables	-	3,680,203	-	3,680,203
Investment properties	-	-	18,474,757	18,474,757
Other assets	900,996	-	484,878	1,385,874
Property and equipment	-	-	2,963,735	2,963,735
Total assets	13,827,704	3,712,139	24,983,078	42,522,921
Liabilities				
Due to a financial institution	3,670,202	-	-	3,670,202
Murabaha payable	3,229,064	-	-	3,229,064
Other liabilities	69,751	-	570,424	640,175
Total liabilities	6,969,017	-	570,424	7,539,441
OFF-BALANCE SHEET ITEMS:				
EQUITY OF INVESTMENT ACCOUNTHOLDERS	5,670,202	10,558,259	317,689	16,546,150

Geographical concentration

Assets and liabilities of the Bank as at 31 March 2012 and 31 December 2011 are primarily concentrated in the Middle East region.