

**THE INTERNATIONAL INVESTOR COMPANY K.S.C.
(CLOSED) AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)**

30 JUNE 2006

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**REVIEW REPORT TO THE BOARD OF DIRECTORS OF
THE INTERNATIONAL INVESTOR COMPANY K.S.C. (CLOSED)**

We have reviewed the accompanying consolidated balance sheet of The International Investor Company K.S.C. (Closed) (the parent company) and its subsidiaries (the group) at 30 June 2006, and the related consolidated statement of income for the three month and six month periods then ended and the related consolidated statements of cash flows and changes in equity for the six month period then ended. These interim condensed consolidated financial statements are the responsibility of the group's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of parent company's personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with the basis of presentation set out in Note 2.

Furthermore, based on our review, the interim condensed consolidated financial statements are in agreement with the books of the parent company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association of the parent company have occurred that might have had a material effect on the business of the group or on its financial position.


We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of investment business, and its related regulations during the period ended 30 June 2006.

Without qualifying our report, we draw attention to notes 6 and 12 to the interim condensed consolidated financial statements.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

22 July 2006



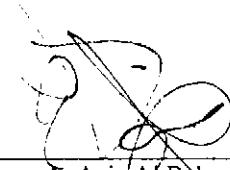
ALI A. AL HASAWI
LICENCE NO. 30 A
BDO BURGAN
INTERNATIONAL ACCOUNTANTS

The International Investor Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 June 2006

		30 June 2006 KD	(Audited) 31 December 2005 KD	30 June 2005 KD
ASSETS				
Cash and bank balances	3	8,336,364	18,432,563	6,376,068
Mutual fund investments	3	5,878,626	4,088,553	659,154
Murabaha investments	3 & 4	20,750,000	12,000,000	1,500,000
Securities carried at fair value through income statement		152,712	159,912	571,838
Receivables	5	2,687,540	2,605,298	5,188,333
Amount paid to DBHC	6	23,926,030	27,812,267	51,930,266
Securities available for sale		2,581,862	1,781,141	883,560
Goodwill		7,312,537	6,717,537	5,054,434
Investment in associated companies	7	2,600,000	3,961,200	954,170
Assets used in operating leases	8	27,712,398	24,081,571	14,953,995
Other assets	9	5,744,139	5,648,583	7,458,860
Furniture and equipment		747,272	22,100	23,088
TOTAL ASSETS		108,429,480	107,310,725	95,553,766
LIABILITIES AND EQUITY				
Liabilities				
Accounts payable and accrued expenses		2,547,398	6,515,281	2,571,387
Due to banks	10	26,724,602	17,886,374	12,531,914
Lease obligations	11	2,918,957	2,812,725	992,685
TOTAL LIABILITIES		32,190,957	27,214,380	16,095,986
Equity attributable to the equity holders of the parent				
Share capital	12	44,747,450	40,679,500	40,365,773
Share premium	12	33,912,433	33,912,433	33,426,160
Statutory reserve		2,355,027	2,355,027	474,052
Retained earnings		11,341,731	16,389,872	5,388,737
Treasury shares	13	(16,934,748)	(15,110,498)	(1,515,516)
Treasury shares reserve		778,454	778,454	306,960
Cumulative changes in fair values		-	-	165,983
Foreign currency translation reserve		(760,961)	39,437	7,555
		75,439,386	79,044,225	78,619,704
Minority interest		799,137	1,052,120	838,076
TOTAL EQUITY		76,238,523	80,096,345	79,457,780
TOTAL LIABILITIES AND EQUITY		108,429,480	107,310,725	95,553,766


 Adnan A. Aziz
 Chairman and Managing Director

The International Investor Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

30 June 2006

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2006	2005	2006	2005
		KD	KD	KD	KD
Management fees		4,848,503	1,548,399	5,062,561	1,633,080
Placement and advisory fees		-	-	-	4,480,500
Murabaha and istisna'a income		119,646	18,101	360,303	28,134
Brokerage fees	6	380,674	-	1,311,675	-
Settlement compensation	6	-	-	1,752,000	-
Rental income from operating lease transactions		-	1,279,103	2,464,172	1,804,756
Gain on sale of assets used in operating leases		53,378	24,249	53,378	32,426
Gain on sale of mutual fund investments		35,809	14,829	148,083	18,403
Gain on sale of investment in associated company		1,637,289	-	1,637,289	-
Realised gain (loss) from sale of securities carried at fair value through income statement		-	13,400	-	(697,950)
Unrealised (loss) gain from securities carried at fair value through income statement		(7,200)	53,909	(7,200)	13,783
Loss from derivative financial instruments		-	(32)	(12,954)	(94,065)
Negative goodwill		-	858,930	-	858,930
Other income		72,947	436,209	180,741	711,546
General and administrative expenses	14	(1,281,263)	(1,273,352)	(2,914,701)	(2,172,126)
Murabaha and finance costs		(496,559)	(419,010)	(939,412)	(736,573)
Depreciation		-	(232,850)	(773,314)	(309,362)
Foreign exchange (loss) gain		(13,330)	661,179	(14,093)	288,447
Impairment losses on financial assets		-	(96,706)	-	(96,706)
Provision release (charge) for credit losses		82,000	(121,451)	82,000	(121,451)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(50,302)	(22,752)	(75,986)	(49,020)
PROFIT BEFORE TAX		5,381,592	2,742,155	8,314,542	5,592,752
Provision for National Labour Support Tax (NLST)		(124,495)	(56,163)	(188,064)	(121,175)
PROFIT FOR THE PERIOD		5,257,097	2,685,992	8,126,478	5,471,577
Attributable to:					
Equity holders of the parent		5,414,231	2,449,165	8,178,808	5,276,510
Minority interest		(157,134)	236,827	(52,330)	195,067
		<u>5,257,097</u>	<u>2,685,992</u>	<u>8,126,478</u>	<u>5,471,577</u>
BASIC EARNINGS PER SHARE	15	13.43 fils	5.59 fils	20.20 fils	12.26 fils
DILUTED EARNINGS PER SHARE	15	11.92 fils	5.09 fils	17.77 fils	11.13 fils

The International Investor Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

30 June 2006

	Notes	Six months ended 30 June	
		2006 KD	2005 KD
OPERATING ACTIVITIES			
Profit for the period		8,126,478	5,471,577
Adjustments for:			
Depreciation		773,314	309,362
Impairment losses on available for sale investments		-	96,706
Provision (release) charge for credit losses		(82,000)	121,451
Foreign exchange loss (gain)		14,093	(288,447)
Negative goodwill		-	(858,930)
Profit on sale of assets used in operating lease		(48,040)	-
Gain on sale of investment in associated company		(1,637,289)	-
		<u>7,146,556</u>	<u>4,851,719</u>
Changes in operating assets and liabilities:			
Receivables		(82,242)	(1,227,319)
Securities carried at fair value through income statement		7,200	4,883,434
Other assets		(95,556)	(4,820,329)
Accounts payable and accrued expenses		(3,248,851)	(1,939,737)
		<u>3,727,107</u>	<u>1,747,768</u>
Cash from operations		3,727,107	1,747,768
Payment of contribution to KFAS		(169,288)	(42,665)
Payment of provision for NLST		(418,837)	(102,470)
Payment of directors fees		(63,000)	(45,000)
		<u>3,075,982</u>	<u>1,557,633</u>
Net cash from operating activities		3,075,982	1,557,633
INVESTING ACTIVITIES			
Partial recovery of amount paid to DBHC		3,886,237	12,730,514
Acquisition of subsidiaries net of cash acquired	16	(595,000)	(7,765,171)
Proceeds from disposal of investment in an associate		2,998,489	-
Proceeds from sale of assets used in operating lease		387,607	-
Purchase of assets used in operating lease		(4,493,967)	(4,334,337)
Purchase of securities available for sale		(800,721)	(13,000)
Purchase of furniture and equipment		(974,913)	(3,634)
		<u>407,732</u>	<u>614,372</u>
Net cash from investing activities		407,732	614,372
FINANCING ACTIVITIES			
Due to banks		8,838,228	2,815,576
Lease obligations		106,232	265,195
Payment of murabaha payable		-	(7,367,500)
Issue of share capital		-	637
Purchase of treasury shares		(1,824,250)	-
Proceeds from sale of treasury shares		-	3,722,815
Net movement in minority interest		(200,653)	346,094
Dividends paid		(9,158,999)	(1,522,668)
		<u>(2,239,442)</u>	<u>(1,739,851)</u>
Net cash used in financing activities		(2,239,442)	(1,739,851)
Foreign currency translation reserve		(800,398)	-
		<u>443,874</u>	<u>432,154</u>
INCREASE IN CASH AND CASH EQUIVALENTS		443,874	432,154
Cash and cash equivalents at 1 January		34,521,116	6,603,068
CASH AND CASH EQUIVALENTS AT 30 JUNE	3	<u>34,964,990</u>	<u>7,035,222</u>

The International Investor Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

30 June 2006

	Share capital KD	Share premium KD	Statutory reserve KD	Retained earnings KD	Treasury shares KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Total KD	Minority interest KD	Total Equity KD
At 31 December 2005	40,679,500	33,912,433	2,355,027	16,389,872	(15,110,498)	778,454	39,437	79,044,225	1,052,120	80,096,345
Foreign currency translation adjustment	-	-	-	-	-	-	(800,398)	(800,398)	-	(800,398)
Net income recognised directly in equity	-	-	-	-	-	-	(800,398)	(800,398)	-	(800,398)
Profit for the period	-	-	-	8,178,808	-	-	-	8,178,808	(52,330)	8,126,478
Total recognised income for the period	-	-	-	8,178,808	-	-	(800,398)	7,378,410	(52,330)	7,326,080
Dividend (Note 15)	4,067,950	-	-	(13,226,949)	-	-	-	(9,158,999)	-	(9,158,999)
Net movement in minority interest	-	-	-	-	-	-	-	-	(200,653)	(200,653)
Purchase of treasury shares	-	-	-	-	(1,824,250)	-	-	(1,824,250)	-	(1,824,250)
At 30 June 2006	44,747,450	33,912,433	2,355,027	11,341,731	(16,934,748)	778,454	(760,961)	75,439,386	799,137	76,238,523

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

The International Investor Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

30 June 2006

	Share capital KD	Share premium KD	Statutory reserve KD	Retained earnings KD	Treasury shares KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Total KD	Minority interest KD	Total Equity KD
At 31 December 2004	40,365,523	33,425,773	474,052	4,076,337	(24,139)	165,983	-	73,576,297	-	73,576,297
Foreign currency translation adjustment	-	-	-	-	-	-	7,555	7,555	-	7,555
Gain on sale of treasury shares	-	-	-	-	331,099	-	-	331,099	-	331,099
Net income recognised directly in equity	-	-	-	-	331,099	-	7,555	338,654	-	338,654
Profit for the period	-	-	-	5,276,510	-	-	-	5,276,510	195,067	5,471,577
Total recognised income for the period	-	-	-	5,276,510	331,099	-	7,555	5,615,164	195,067	5,810,231
Dividend (Note 15)	-	-	-	(3,964,110)	-	-	-	(3,964,110)	-	(3,964,110)
Issue of share capital	250	387	-	-	-	-	-	637	-	637
Acquisition of subsidiary	-	-	-	-	-	-	-	-	643,009	643,009
Sale of treasury shares	-	-	-	-	3,391,716	-	-	3,391,716	-	3,391,716
At 30 June 2005	40,365,773	33,426,160	474,052	5,388,737	306,960	165,983	7,555	78,619,704	838,076	79,457,780

The attached notes 1 to 22 form part of these interim condensed consolidated financial statements.

The International Investor Company K.S.C. (Closed) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 June 2006

1 ACTIVITIES

The interim condensed consolidated financial statements of The International Investor Company K.S.C. (Closed) (the parent company) and its subsidiaries (the group) for the six months ended 30 June 2006 were authorised for issue in accordance with a resolution of the directors on 22 July 2006 and were approved by the relevant regulatory authorities before issuance.

The parent company, The International Investor Company K.S.C. (Closed), was legally incorporated as a closed shareholding company on 29 November 1992 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company.

The parent company is principally engaged in provision of banking and investment advisory and financial services permissible under Islamic sharia. Its registered office is at Wafra Real Estate Building, Ahmed Al-Jaber Street, Sharq, Kuwait.

The group primarily operates in the Gulf Cooperation Council countries and Turkey.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting except as noted below:

The annual consolidated financial statements for the year ended 31 December 2005 were prepared in accordance with the regulations by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described below.

The impairment provision for murabaha receivable complies in all material respect with the specific provision requirements of the Central Bank of Kuwait and IFRS. In addition, in accordance with Central Bank of Kuwait instructions, a minimum general provision of 2% on all receivables net of certain restricted categories of collateral, to which CBK instructions are applicable and not subject to specific provision, is made.

Operating results for the period are not necessarily indicative of the results that may be expected for the year ending 31 December 2006.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2005.

Basis of consolidation

The interim condensed consolidated financial statements comprise of the interim financial statements of The International Investor Company K.S.C. (Closed) (the parent company) and its subsidiaries, as detailed below:

<i>Name</i>	<i>Place of incorporation</i>	<i>Ownership %</i>	<i>Principal activities</i>
DO-CAR Company	Turkey	75	Operating lessor
Al Watheb Consultancy Co.	Kuwait	100	Consultancy and management services
Saalt Management Consultancy Co.	Kuwait	100	Consultancy and management services
Corinthian Super Market	Kuwait	100	Retail trade
TII Global USD Lease Fund I Limited	British Virgin Islands	100	Leasing activities
Bait Almal K.S.C. (Holding)	Kuwait	100	Holding investments

The International Investor Company K.S.C. (Closed) and its Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 STATEMENTS (UNAUDITED)
 30 June 2006

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Name	Place of incorporation	Ownership		Principal activities
		%		
International Vehicles and Steel Company K.S.C. (Closed)	Kuwait	100		Car leasing activities
TII Financial, Economical and Administration Consultancy W.L.L.	Kuwait	100		Consultancy and management services
Al Walaa Holding Company K.S.C. (Holding)	Kuwait	100		Holding investments
Al Sahn Holding Company K.S.C. (Holding)	Kuwait	100		Holding investments
Al Massar Holding Company K.S.C. (Holding)	Kuwait	100		Holding investments

The interim financial statements of the subsidiaries are prepared for the same reporting period as the parent company except in case of DO-CAR Company where the Group has considered the results up to 31 March 2006 in the absence of the relevant financial statements. In the cases where subsidiaries do not prepare financial statements drawn up to the same date as that of the Group, adjustments are made for the effects of any significant events or transactions which have occurred in the months following the quarter end of these subsidiaries.

The interim condensed consolidated financial statements are prepared using uniform accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group. Where there is a loss of control of a subsidiary, the interim condensed consolidated financial statements include the results for the part of the reporting period during which The International Investor Company K.S.C. (Closed) has control.

The interim financial statements of the subsidiary companies are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

3 CASH AND CASH EQUIVALENTS

	<i>(Audited)</i>		
	30 June 2006 KD	31 December 2005 KD	30 June 2005 KD
Cash and bank balances	8,336,364	18,432,563	6,376,068
Mutual fund investments	5,878,626	4,088,553	659,154
Murabaha investments	20,750,000	12,000,000	-
	<u>34,964,990</u>	<u>34,521,116</u>	<u>7,035,222</u>

4 MURABAHA INVESTMENTS

The murabaha investments will mature in July 2006. The profit rate on this transaction is 5.21 % (31 December 2005: 4.7% and 30 June 2005: 3.75%).

The International Investor Company K.S.C. (Closed) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

STATEMENTS (UNAUDITED)

30 June 2006

5 RECEIVABLES

	<i>30 June</i> <i>2006</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2005</i> <i>KD</i>	<i>30 June</i> <i>2005</i> <i>KD</i>
Lease receivables	2,433,599	2,503,878	-
Murabaha and istisna'a	727,896	657,375	3,619,288
Qard Hassan	-	-	2,125,000
Less: Provision for credit losses	<u>(473,955)</u>	<u>(555,955)</u>	<u>(555,955)</u>
	<u><u>2,687,540</u></u>	<u><u>2,605,298</u></u>	<u><u>5,188,333</u></u>

6 AMOUNT PAID TO DBHC

During 2001, TII had entered into an agreement for acquisition of controlling or significant holdings of Sheikh Saleh Kamel, Dallah Albaraka Holding Company EC and related entities (collectively "DBHC") in nine financial institutions in the Middle East, Africa and Europe. In December 2002, the transaction failed and the parties entered into various litigation and arbitration proceedings.

On April 2004 a settlement agreement was reached under which some cash was paid and the remaining balance was to be settled by liquidation of shares of TII provided by DBHC as collateral and acquisition of controlling/significant interest in two entities of DBHC.

On 15 March 2006, a new agreement has been reached for full and final settlement of all balances and compensation payable to TII of KD 1,752,000. Under this agreement, the controlling/significant influence over the two entities of DBHC is given back to DBHC and the balance receivable will now be recovered through liquidation of further TII shares offered as collateral by DBHC. Pending satisfactory legal and financial arrangement, The Arab Investment Company SAA, a party unrelated to both TII and DBHC, has been appointed as the escrow agent.

The amount carried on the balance sheet represents the original amount paid by TII to DBHC to acquire the controlling or significant interest in nine financial institutions less amounts repaid by DBHC and the amounts recovered to date through liquidation of collateral, analysed as follows:

	<i>KD</i>
Amount receivable from DBHC as per settlement agreement of April 2004	64,679,780
Collection during 2005	(12,617,213)
Liquidation of collateral shares	(22,950,000)
Other adjustments	(1,168,000)
Forex differences	(132,300)
	<u>27,812,267</u>
Amount receivable as of 31 December 2005	(522,787)
Collection during the period	(3,363,450)
	<u><u>23,926,030</u></u>

The above amount is secured through 93.828 million shares of TII, which had a market value at 30 June 2006 of KD 26.272 Million. The agreement stipulates that in case of excess sale price of these shares over book value, DBHC does not have right to claim the difference which represents fees due to TII.

Under the settlement agreements reached between TII and DBHC, TII is entitled to a portfolio management fees for the collateral offered by DBHC, which equals any past and present income arising from the collateral; such fee amounted to KD 4,597,593 (30 June 2005: KD 1,359,983). In addition, TII is also entitled to a brokerage fee on liquidation of collateral which amounted to KD 1,311,675 (30 June 2005: KD Nil).

THE INTERNATIONAL INVESTOR COMPANY P.S.C. (IIBSC) AND ITS SUBSIDIARIES
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 STATEMENTS (UNAUDITED)**
 30 June 2006

7 INVESTMENT IN ASSOCIATED COMPANIES

Details of associates are set out below:

<i>Name</i>	<i>(Audited)</i>		<i>Country of incorporation</i>	<i>Voting capital held %</i>	<i>Purpose</i>
	<i>30 June 2006 KD</i>	<i>31 December 2005 KD</i>			
The International Investor – Qatar	-	1,361,200	Qatar	45	Islamic investment banking
Credit one Kuwait for Trading and Programming Company K.S.C. (Closed)	2,600,000	2,600,000	Kuwait	25	Consultancy, feasibility studies, patents relation with production of magnetic car and other investment activities
	<u>2,600,000</u>	<u>3,961,200</u>			
		<u>954,170</u>			

The International Investor Company K.S.C. (Closed) and its Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 STATEMENTS (UNAUDITED)
 30 June 2006

8 ASSETS USED IN OPERATING LEASES

	<i>30 June</i> <i>2006</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2005</i> <i>KD</i>	<i>30 June</i> <i>2005</i> <i>KD</i>
Cost	34,035,727	30,181,270	18,581,856
Accumulated depreciation	<u>(6,323,329)</u>	<u>(6,099,699)</u>	<u>(3,627,861)</u>
Carrying amount	<u>27,712,398</u>	<u>24,081,571</u>	<u>14,953,995</u>

Assets used in operating leases are pledged as security in connection with bank borrowings (Note 10).

9 OTHER ASSETS

	<i>30 June</i> <i>2006</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2005</i> <i>KD</i>	<i>30 June</i> <i>2005</i> <i>KD</i>
Trade receivables	1,039,537	737,300	-
Accrued income	278,413	587,863	1,415,044
Prepaid expenses and other receivables	986,517	406,657	1,147,441
VAT receivable	2,949,507	2,374,804	1,275,000
Amounts due from related parties (Note 17)	483,851	1,085,645	988,875
Refundable deposit	6,314	456,314	2,632,500
	<u>5,744,139</u>	<u>5,648,583</u>	<u>7,458,860</u>

10 DUE TO BANKS

Due to banks represents funds borrowed by the subsidiary company which bears an average interest rates of 6.6%, 6.6% and 21.9% per annum for borrowings in US Dollar, Euro and Turkish Lira respectively. These are maturing over a period of 1 to 3 years from the balance sheet date. These borrowings are secured by assets used in operating leases (Note 8).

11 LEASE OBLIGATIONS

The total lease payments at the balance sheet date are due as follows:

	<i>30 June</i> <i>2006</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2005</i> <i>KD</i>	<i>30 June</i> <i>2005</i> <i>KD</i>
Not later than one year	449,990	471,444	258,695
One to five years	<u>2,468,967</u>	<u>2,341,281</u>	<u>733,990</u>
	<u>2,918,957</u>	<u>2,812,725</u>	<u>992,685</u>

There were no contingent rents recognised as an expense in connection with leases during the period.

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12 SHARE CAPITAL AND SHARE PREMIUM

In July 2001, at an extraordinary meeting the company's shareholders approved an increase in the capital from 176,800,000 shares to 506,800,000 shares by issue of 330,000,000 shares at 255 fils, including a share premium of 155 fils per share.

The increase in the share capital was made through a Private Offering arrangement and shareholders present at the extraordinary meeting in July 2001 waived their pre-emption rights to participate in the increase in capital.

The increase in share capital reflected in the interim condensed consolidated financial statements at 30 June 2006 is made up as follows:

	<i>30 June 2006 KD</i>	<i>(Audited) 31 December 2005 KD</i>	<i>30 June 2005 KD</i>
Authorised capital:			
Shares of KD 0.100 each	<u>44,747,450</u>	<u>50,680,000</u>	<u>50,680,000</u>

Issued and subscribed:

	<i>(Audited)</i>		<i>(Audited)</i>		<i>(Audited)</i>	
	<i>30 June 2006</i>		<i>31 December 2005</i>		<i>30 June 2005</i>	
	<i>Share capital KD'000</i>	<i>Share premium KD'000</i>	<i>Share capital KD'000</i>	<i>Share premium KD'000</i>	<i>Share capital KD'000</i>	<i>Share premium KD'000</i>
<i>Fully paid</i>	44,747	33,912	40,679	33,912	40,287	33,310
<i>Partly paid</i>	-	-	-	-	79	116
Total	<u>44,747</u>	<u>33,912</u>	<u>40,679</u>	<u>33,912</u>	<u>40,366</u>	<u>33,426</u>

A part of the increase in share capital financed part acquisition of certain financial institutions owned by DBHC (defined in Note 6). Consequently, the amount of capital subscribed by DBHC was paid out to DBHC as part settlement of the purchase consideration (see Note 6).

Please refer to Note 6 on the current status on the dispute with DBHC.

A shareholder filed a case to nullify the increase in capital and the court of appeal ruled in favour of the shareholder conflicting with another earlier court of appeal decision which had held the same capital increase as legally valid. The parent company has appealed to the Supreme Court which has suspended the execution of the unfavourable court of the appeal decision and the management is confident that the decision will be reversed.

At the extra ordinary general meeting held on 8 May 2006 the company's shareholders decided to reduce its authorised capital to KD 44,747,450.

13 TREASURY SHARES

Treasury shares comprise of 44,478,500 shares which represents 9.94 % of total issued shares as of 30 June 2006 (31 December 2005: 39,528,500 shares and 30 June 2005: 6,607,368 shares which represented 8.83 % and 1.49 % of the total issued shares respectively). The cost of acquiring these shares was KD 16,934,748 (31 December 2005: KD 15,110,498 and 30 June 2005: KD 1,515,516). These shares are not entitled to receive any cash dividend. The market value of these shares at 30 June 2006 is KD 12,453,980 (31 December 2005: KD 14,913,025 and 30 June 2005: KD 1,531,708).

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14 GENERAL AND ADMINISTRATIVE EXPENSES

Included in general and administrative expenses are staff costs of KD 742,771 (30 June 2005: KD 678,296).

15 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period (adjusted for the effect of dilutive options).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2006</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>
Profit for the period attributable to the equity holders of the parent company (KD)	<u>5,414,231</u>	<u>2,449,165</u>	<u>8,178,808</u>	<u>5,276,510</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (excluding treasury shares)	<u>402,995,998</u>	<u>437,818,850</u>	<u>404,828,318</u>	<u>430,373,741</u>
Effect of dilution from weighted average number of share options outstanding	<u>51,297,072</u>	<u>43,244,940</u>	<u>55,514,714</u>	<u>43,515,813</u>
Adjusted weighted average number of ordinary shares for diluted earnings per share	<u>454,293,070</u>	<u>481,063,790</u>	<u>460,343,032</u>	<u>473,889,554</u>
Basic earnings per share	<u>13.43 fils</u>	<u>5.59 fils</u>	<u>20.20 fils</u>	<u>12.26 fils</u>
Diluted earnings per share	<u>11.92 fils</u>	<u>5.09 fils</u>	<u>17.77 fils</u>	<u>11.13 fils</u>

The board of directors of the parent company have proposed a bonus issue of KD 4,067,950 (2004: nil) representing 10 shares (2004: nil shares) for each 100 shares (2004: nil shares) and cash dividends of 25 fils (2004: KD 10 fils) per share for the year ended 31 December 2005 to the parent company's shareholders on records as of the date of the general assembly. This proposal was approved by the ordinary general assembly of the shareholders of the parent company on 24 April 2006.

Earnings per share for 30 June 2006 have been restated for bonus shares issued in 2006.

16 ACQUISITION OF SUBSIDIARIES

During the period, the parent company acquired three new subsidiaries, Al Sahn Holding Company K.S.C. (Holding), Al Massar Holding Company K.S.C. (Holding) and International Vehicles and Steel Company K.S.C. (Closed). An amount of KD 595,000 was paid to the existing shareholders of these three companies as per agreement signed between both parties. As a result of this, the group has recognised the amount paid as goodwill.

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17 RELATED PARTY TRANSACTIONS

Related party transactions are represented by transactions with shareholders and entities under common ownership or management. Pricing policies and terms of payment relating to these transactions are approved by management.

	30 June 2006 KD	(Audited) 31 December 2005 KD	30 June 2005 KD
Transactions included in the balance sheet:			
Mutual fund investments	5,878,626	4,088,553	659,154
Amounts due from related parties (Note 9)	483,851	1,085,645	988,875
Murabaha receivable	-	-	22,000
Amounts due to related parties	987,322	1,102,864	-
Transactions included in the income statement:			
Management fees	68,371	239,740	-
Gain on mutual fund investments	148,083	72,799	18,403
Key management compensation:			
Salaries and other short term benefits	333,000	761,256	271,554
Terminal benefits	40,450	85,638	37,576

Mutual funds investments are currently invested in funds managed by the parent company.

18 SEGMENTAL ANALYSIS

The company's activities are in three primary business segments: investment management and advisory services (comprising non-discretionary portfolio management, fund management, brokerage and structured finance advisory services) proprietary investment management activities and leasing. The company operates in three geographical regions -Kuwait, other GCC countries and International.

Revenue and net profit

<i>Six months ended 30 June 2006</i>	<i>Kuwait revenue KD'000</i>	<i>GCC revenue KD'000</i>	<i>International revenue KD'000</i>	<i>Total revenue KD'000</i>	<i>Profit KD'000</i>
Investment management and advisory Services	2,747	7,699	-	10,446	8,331
Proprietary investment management	-	-	-	-	-
Leasing	-	-	2,504	2,504	(205)
Total	2,747	7,699	2,504	12,950	8,126
<i>Six months ended 30 June 2005</i>	<i>Kuwait revenue (loss) KD'000</i>	<i>GCC revenue KD'000</i>	<i>International revenue KD'000</i>	<i>Total revenue (loss) KD'000</i>	<i>Profit KD'000</i>
Investment management and advisory Services	4,759	1,366	1	6,126	4,222
Proprietary investment management	(638)	52	-	(586)	469
Leasing	-	741	2,797	3,538	780
Total	4,121	2,159	2,798	9,078	5,471

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18 SEGMENTAL ANALYSIS (continued)

<i>Assets and liabilities</i> 30 June 2006	<i>Kuwait</i> <i>KD'000</i>	<i>GCC</i> <i>KD'000</i>	<i>International</i> <i>KD'000</i>	<i>Total</i> <i>KD'000</i>
Assets:				
Investment management and advisory services	543	49	3	595
Proprietary investment management	30,346	33,667	-	64,013
Leasing	-	-	43,821	43,821
Total assets	30,889	33,716	43,824	108,429
Liabilities:				
Proprietary investment management liabilities	1,708	-	21	1,729
Leasing	-	-	30,462	30,462
Total Liabilities	1,708	-	30,483	32,191
 <i>Assets and liabilities</i> 30 June 2005	 <i>Kuwait</i> <i>KD'000</i>	 <i>GCC</i> <i>KD'000</i>	 <i>International</i> <i>KD'000</i>	 <i>Total</i> <i>KD'000</i>
Assets:				
Investment management and advisory services	5,041	209	12	5,262
Proprietary investment management	10,122	55,011	101	65,234
Leasing	-	2,642	22,416	25,058
Total assets	15,163	57,862	22,529	95,554
Liabilities:				
Investment management and advisory services	-	-	5	5
Proprietary investment management	-	2,082	-	2,082
Leasing	-	-	14,009	14,009
Total Liabilities	-	2,082	14,014	16,096

19 FIDUCIARY ASSETS

The parent company manages funds and portfolios on behalf of others and maintains cash balances and securities in fiduciary accounts which are not reflected in the group's balance sheet. Assets under management at 30 June 2006 amounted to KD 234,513,782 (31 December 2005: KD 289,372,171 and 30 June 2005: KD 231,048,404).

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20 PROFIT-SHARING SCHEME

The parent company operates an employee's share option scheme (as explained in its Articles of Association). Under this scheme the company can increase its share capital up to 12% of the total shares outstanding within a period of 10 years from the date of incorporation.

In 2002, this period expired and company did not issue share options up to the 12% limit. Accordingly, under the terms of this scheme and as provided by the Articles of Association, this period is renewed for a further 10 years, as approved by the Board of Directors and will now expire in 2012.

	<u>30 June 2006</u>		<i>(Audited)</i> <u>31 December 2005</u>		<u>30 June 2005</u>	
	<i>Number of options</i>	<i>Weighted average exercise price in KD</i>	<i>Number of options</i>	<i>Weighted average exercise price in KD</i>	<i>Number of options</i>	<i>Weighted average exercise price in KD</i>
Outstanding at the beginning of the period	77,944,901	0.100	77,944,901	0.100	77,944,901	0.100
Granted during the period	-	-	-	-	-	-
Forfeited during the period	-	-	-	-	-	-
Exercised during the period	-	-	-	-	-	-
Expired during the period	-	-	-	-	-	-
Outstanding at the end of the Period	77,944,901	0.100	77,944,901	0.100	77,944,901	0.100
Exercisable at the end of the Period	77,944,901	0.100	77,944,901	0.100	77,944,901	0.100

The options outstanding at 30 June 2006 had a weighted average exercise price of KD 0.100 and a remaining contractual life of options of 3 years after the date of termination of employees.

There were no options granted or exercised during the current period.

All outstanding options were either granted on or before 7 November 2002 or have been vested before 31 December 2004 and, accordingly, have not been expensed in accordance with IFRS 2. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

21 COMMITMENTS AND CONTINGENCIES

The parent company has commitments in respect of uncalled capital contributions in respect of investments and contingencies amounting to KD 7,500,000 (31 December 2005: KD 7,500,000 and 30 June 2005: KD 7,597,500).

22 COMPARATIVE INFORMATION

The corresponding figures for 2005 have been reclassified in order to conform with the presentation for the current period. Such reclassifications do not affect previously reported profit or equity.