

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

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

30 SEPTEMBER 2011



01 MAR 2012

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Rödi Middle East
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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF
THE INTERNATIONAL INVESTOR COMPANY K.S.C. (CLOSED)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The International Investor Company K.S.C. (Closed) (“the Parent Company”) and its Subsidiaries (collectively “the Group”) as at 30 September 2011 and the related interim condensed consolidated statements of income and comprehensive income for the three months and nine months period then ended, and the related interim condensed consolidated statements of cash flows and changes in equity for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2.2. Our responsibility is to express a conclusion on this interim condensed consolidated 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 condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.2.

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF
THE INTERNATIONAL INVESTOR COMPANY K.S.C. (CLOSED) (continued)**

Emphasis of Matter

Without qualifying our conclusion above,

- a) We draw attention to the Note 10 to the interim condensed consolidated financial information, which describes a potential dispute in respect of a Mudaraba agreement with a foreign bank.
- b) We draw attention to Note 2.1 to the interim condensed consolidated financial information which indicates that the Group has accumulated losses of KD 29,726,446 (31 December 2010: KD 30,062,321 and 30 September 2010: KD 29,163,363). These conditions indicate the existence of a material uncertainty about the Group's ability to continue as a going concern. The management has taken certain steps in this respect which are mentioned in Note 2.1.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the Parent Company during the nine months period ended 30 September 2011 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, 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 banking business, and its related regulations, during the nine months period ended 30 September 2011.

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

 ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS
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ALI A. AL-HASAWI
LICENCE NO. 30 A
RÖDL MIDDLE EAST
BURGAN - INTERNATIONAL ACCOUNTANTS

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The International Investor Company K.S.C. (Closed) and Subsidiaries
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)**
At 30 September 2011

		(Audited)	
	30 September	31 December	30 September
	2011	2010	2010
Notes	KD	KD	KD
ASSETS			
Cash and bank balances	877,872	1,826,958	2,311,895
Financial assets at fair value through income statement	8,913,435	7,965,950	7,987,011
Receivables	1,482	10,128	604,928
Assets used in operating leases	31,227,198	28,159,880	28,249,066
Other assets	14,144,312	10,302,268	4,879,608
Inventories	1,088,597	2,098,444	2,460,353
Financial assets available for sale	8,069,717	8,420,371	16,510,813
Investment in associates	15,842,746	14,876,996	12,757,897
Investment property	930,962	930,962	930,962
Furniture and equipment	4,904,255	5,257,827	5,555,463
Goodwill	11,578,082	11,818,670	12,682,281
TOTAL ASSETS	97,578,658	91,668,454	94,930,277
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accruals	16,108,301	17,493,048	18,507,958
Due to banks	67,498,326	59,628,546	59,476,618
Lease obligations	82,502	68,238	79,414
TOTAL LIABILITIES	83,689,129	77,189,832	78,063,990
Equity			
Share capital	49,222,195	49,222,195	49,222,195
Treasury shares	(7,118,591)	(7,118,591)	(7,118,591)
Accumulated losses	(29,726,446)	(30,062,321)	(29,163,363)
Foreign currency translation reserve	(6,499,627)	(5,513,581)	(5,717,226)
Cumulative changes in fair values	(4,149)	(98,114)	628,361
Equity attributable to shareholders of the Parent Company	5,873,382	6,429,588	7,851,376
Non-controlling interests	8,016,147	8,049,034	9,014,911
TOTAL EQUITY	13,889,529	14,478,622	16,866,287
TOTAL LIABILITIES AND EQUITY	97,578,658	91,668,454	94,930,277

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Adnan A. Aziz Al Bahar
Chairman and Managing Director

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The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

The International Investor Company K.S.C. (Closed) and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

Period ended 30 September 2011

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
<i>Note</i>	2011	2010	2011	2010
	KD	KD	KD	KD
Management fees	256,209	10,311	741,394	47,403
Murabaha income	2,506	84,839	252	86,620
Rental income from operating lease transactions	1,647,568	1,553,899	5,473,008	6,869,252
Gain on sale of assets used in operating leases	278,435	300,872	789,441	555,654
Unrealised (loss) gain on financial assets at fair value through income statement	-	(65,934)	947,485	466,602
Realised loss on sale of financial assets available for sale	-	(306,684)	(16,001)	(188,543)
Gain on sale of mutual fund investment	-	32,463	-	123,437
Dividend income	-	-	-	138,750
Finance income	466,220	326,481	1,149,177	963,057
Foreign exchange (loss) gain	(60,604)	(26,905)	(638,386)	521,898
Recovery from mudaraba contract	-	-	-	331,914
Other income	374,454	321,542	3,588,705	1,493,153
INCOME	2,964,788	2,230,884	12,035,075	11,409,197
General and administrative expenses	1,510,793	2,718,557	5,142,957	6,476,889
Murabaha and finance costs	1,433,793	1,271,013	3,606,090	3,784,753
Depreciation	1,079,074	1,096,926	3,193,342	4,390,643
Share of results of associates	(263,444)	499,752	215,331	1,932,656
Reversal of provision for credit losses	-	(22,795)	-	3,816,600
Impairment of financial assets available for sale	-	309,000	-	309,000
Loss on sale of investment in an associate	-	-	-	103,536
EXPENSES	3,760,216	5,872,453	12,157,720	20,814,077
LOSS BEFORE TAX	(795,428)	(3,641,569)	(122,645)	(9,404,880)
Release of deferred tax liability	77,778	704,316	251,624	704,316
Provision for National Labour Support Tax (NLST)	20,012	-	-	-
Provision for Zakat	8,005	-	-	-
(LOSS) PROFIT FOR THE PERIOD	(689,633)	(2,937,253)	128,979	(8,700,564)
Attributable to:				
Equity holders of the Parent Company	(528,902)	(2,444,279)	335,875	(7,868,070)
Non-controlling interests	(160,731)	(492,974)	(206,896)	(832,494)
	(689,633)	(2,937,253)	128,979	(8,700,564)
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE	(1.14) Fils	(5.28) Fils	0.73 Fils	(17.09) Fils

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 30 September 2011

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2011</i> <i>KD</i>	<i>2010</i> <i>KD</i>	<i>2011</i> <i>KD</i>	<i>2010</i> <i>KD</i>
(Loss) profit for the period	(689,633)	(2,937,253)	128,979	(8,700,564)
Other comprehensive loss:				
Changes in fair values of financial assets available for sale	(41,595)	63,750	165,415	83,715
Foreign currency translation adjustment	(308,649)	(691,056)	(814,925)	(772,948)
Other comprehensive loss for the period	(350,244)	(627,306)	(649,510)	(689,233)
Total comprehensive loss for the period	(1,039,877)	(3,564,559)	(520,531)	(9,389,797)
Attributable to:				
Equity holders of the Parent Company	(1,050,267)	(2,715,905)	(556,206)	(8,251,003)
Non-controlling interests	10,390	(848,654)	35,675	(1,138,794)
	(1,039,877)	(3,564,559)	(520,531)	(9,389,797)

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The International Investor Company K.S.C. (Closed) and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

Period ended 30 September 2011

Nine months ended 30 September

OPERATING ACTIVITIES	2011	2010
	KD	KD
Profit (loss) for the period	128,979	(8,700,564)
Adjustments for:		
Depreciation	3,193,342	4,390,643
Reversal of provision for credit losses	-	3,816,600
Impairment of financial assets available for sale	-	309,000
Unrealised gain on financial assets at fair value through income statement	(947,485)	(466,602)
Gain on sale of assets used in operating lease	(789,441)	(555,654)
Realised loss on sale of financial assets available for sale	16,001	188,543
Loss on sale of investment in an associate	-	103,536
Dividend income	-	(138,750)
Share of results of associates	215,331	1,932,656
Finance income	(1,149,177)	(963,057)
Loss recovery from mudaraba contract	-	(331,914)
	667,550	(415,563)
Changes in operating assets and liabilities:		
Inventories	1,009,847	1,340,575
Receivables	8,544	27,660
Other assets	(3,592,134)	(816,354)
Accounts payable and accruals	(1,384,733)	2,229,803
Net cash flows used in operating activities	(3,290,926)	(315,029)
INVESTING ACTIVITIES		
Proceeds from sale of financial assets available for sale	500,068	366,583
Purchase of assets used in operating leases	(15,757,492)	(17,085,359)
Proceeds from disposal of assets used in operating leases	5,889,182	16,599,013
Dividend income received	-	138,750
Net cash flows (used in) from investing activities	(9,368,242)	18,987
FINANCING ACTIVITIES		
Due to banks	7,869,780	(448,736)
Lease obligations	14,264	(723,577)
Net movement in non controlling interests	(68,562)	1,201,019
Net cash flows from financing activities	7,815,482	28,706
Foreign currency translation adjustment	3,894,600	(1,017,661)
DECREASE IN CASH AND BANK BALANCES	(949,086)	(1,284,997)
Cash and bank balances at 1 January	1,826,958	3,596,892
CASH AND BANK BALANCES AT 30 SEPTEMBER	877,872	2,311,895

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 September 2011

Attributable to the equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury Shares KD	Treasury shares reserve KD	Statutory reserve KD	Accumulated Losses KD	Foreign currency translation reserve KD	Cumulative changes in fair values KD	Sub total KD	Non-controlling interests KD	Total Equity KD
At 1 January 2011	49,222,195	-	(7,118,591)	-	-	(30,062,321)	(5,513,581)	(98,114)	6,429,588	8,049,034	14,478,622
Profit (loss) for the period	-	-	-	-	-	335,875	-	-	335,875	(206,896)	128,979
Other comprehensive (loss) income	-	-	-	-	-	-	(986,046)	93,965	(892,081)	242,571	(649,510)
Total comprehensive income (loss)	-	-	-	-	-	335,875	(986,046)	93,965	(556,206)	35,675	(520,531)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(68,562)	(68,562)
At 30 September 2011	49,222,195	-	(7,118,591)	-	-	(29,726,446)	(6,499,627)	(4,149)	5,873,382	8,016,147	13,889,529
At 1 January 2010, as previously stated	49,222,195	26,972,353	(11,817,466)	4,267	1,180,931	(44,805,079)	(5,090,627)	471,148	16,137,722	9,546,564	25,684,286
Effect of restatement (Note 11)	-	-	-	-	-	(690,852)	(139,629)	53,176	(777,305)	(593,878)	(1,371,183)
At 1 January 2010, as restated	49,222,195	26,972,353	(11,817,466)	4,267	1,180,931	(45,495,931)	(5,230,256)	524,324	15,360,417	8,952,686	24,313,103
Loss for the period	-	-	-	-	-	(7,868,070)	-	-	(7,868,070)	(832,494)	(8,700,564)
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(486,970)	104,037	(382,933)	(306,300)	(689,233)
Total comprehensive (loss) income	-	-	-	-	-	(7,868,070)	(486,970)	104,037	(8,251,003)	(1,138,794)	(9,389,797)
Transferred to accumulated losses	-	(26,972,353)	-	-	(1,180,931)	28,153,284	-	-	-	-	-
Sale of treasury shares	-	-	4,698,875	-	-	(3,952,646)	-	-	4,698,875	-	4,698,875
Loss on sale of treasury shares	-	-	-	(4,267)	-	-	-	-	(3,956,913)	-	(3,956,913)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	1,201,019	1,201,019
At 30 September 2010	49,222,195	-	(7,118,591)	-	-	(29,163,363)	(5,717,226)	628,361	7,851,376	9,014,911	16,866,287

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

At 30 September 2011 (Unaudited)

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1 CORPORATE INFORMATION

The interim condensed consolidated financial information of The International Investor Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively "the Group") for the nine months period ended 30 September 2011 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 2011 and were approved by the relevant regulatory authorities before issuance.

The Parent Company was legally incorporated as a closed shareholding company on 29 November 1992 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. Its shares are listed on the Kuwait Stock Exchange. The Parent Company is regulated by the Central Bank of Kuwait as an investment company.

The Parent Company operates under the Islamic Shareea'a and is principally engaged in providing investment advisory and financial services permissible under Islamic Shareea'a. Its registered office is at Wafra Real Estate Building, Ahmad Al-Jaber Street, Sharq, Kuwait.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Group has total accumulated losses of KD 29,726,446 (31 December 2010: KD 30,062,321 and 30 September 2010: KD 29,163,363).

The ability of the Group to continue as a going concern is dependent on availability of the continued support from the financial institutions (i.e. rescheduling of the profit bearing murabaha payables and other bank borrowings) and its shareholders, and the ability of the Group to improve profitability and cash flows.

The management of the Parent Company has been evaluating various strategies to improve the operating performance, financial position and adequacy of financial resources of the Group to enable the Group to continue to operate as a going concern.

If the Group is unable to continue in operational existence for the foreseeable future, it may be unable to discharge its liabilities in the normal course of business. Accordingly, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the interim condensed consolidated statement of financial position. In addition, the Group may have to reclassify the maturity analysis of its assets and liabilities. No such adjustments have been made to the interim condensed consolidated financial information.

2.2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34, Interim Financial Reporting except as noted below. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2010.

The annual consolidated financial statements for the year ended 31 December 2010 were prepared in accordance with the regulations of 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 made on all applicable credit facilities (net of certain categories of collateral) that are not provided specifically.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2010. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. In addition, results for the nine month ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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The International Investor Company K.S.C. (Closed) and Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

At 30 September 2011

3 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>30 September</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 September</i> <i>2010</i> <i>KD</i>
Designated on initial recognition:			
Quoted equity securities	-	-	21,061
Unquoted equity securities	8,913,435	7,965,950	7,965,950
	8,913,435	7,965,950	7,987,011

Quoted equity securities represent investments in local shares quoted on the Kuwait Stock Exchange.

The fair value of certain unquoted equity securities of KD 7,394,068 (31 December 2010: KD 6,446,583 and 30 September 2010: KD 3,700,800) has been determined using an acceptable method of valuation by an independent valuer. Based on such valuation, unrealised gain of KD 947,485 (30 September 2010: KD 575,542) was recorded in the interim condensed consolidated statement of income.

Fair value of certain unquoted equity securities of KD Nil (30 December 2010: KD Nil and 30 September 2010: KD 2,745,783) has been determined by management using valuation techniques that are not based on observable market prices or rates.

Financial assets carried at fair value through income statement of KD 1,519,367 (31 December 2010: KD 1,519,367 and 30 September 2010: KD 1,519,367) have been carried at cost due to the non-availability of publicly available fair value information or other reliable measures of their fair values. Management believes that there is no impairment in values of unquoted securities.

4 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>30 September</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 September</i> <i>2010</i> <i>KD</i>
Quoted equity securities	242,904	242,904	3,254,141
Unquoted equity securities	7,826,813	8,177,467	13,256,672
	8,069,717	8,420,371	16,510,813

At 30 September 2011, unquoted securities are carried at cost due to the non-availability of fair value information for these investments or other reliable measures of their fair values. Management carried out a detailed review of these investments based on the latest financial information available to them and accordingly believes that there is no impairment in values of unquoted securities.

Quoted financial assets amounting to KD 242,904 (31 December 2010: KD 242,904 and 30 September 2010: KD 2,876,356) have been provided as collateral against murabaha payables.

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 Budget based on the latest Accounting
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The International Investor Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2011

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5 TREASURY SHARES

	30 September 2011	<i>(Audited)</i> 31 December 2010	30 September 2010
Number of treasury shares	29,580,000	29,580,000	29,580,000
Percentage of treasury shares (%)	6.01	6.01	6.01
Cost of treasury shares (KD)	7,118,591	7,118,591	7,118,591
Market value of treasury shares (KD)	739,500	739,500	872,610

29,580,000 treasury shares (31 December 2010: 29,580,000 and 30 September 2010: 29,580,000) have been pledged as collateral in respect of a mudaraba payable (included within due to banks).

6 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share is calculated by dividing the (loss) profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period after adjusting for treasury shares.

	<i>Three months ended</i> 30 September		<i>Nine months ended</i> 30 September	
	2011	2010	2011	2010
(Loss) profit for the period attributable to the equity holders of the Parent Company (KD)	(528,902)	(2,444,279)	335,875	(7,868,070)
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	462,641,950	462,641,950	462,641,950	460,274,294
Basic and diluted (loss) earnings per share	(1.14) Fils	(5.28) Fils	0.73 Fils	(17.09) Fils

7 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and senior management of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management of the Parent Company. Related party balances and transactions consist of the following:

	30 September 2011	<i>(Audited)</i> 31 December 2010	30 September 2010
	KD	KD	KD
Transactions included in the interim condensed consolidated statement of financial position:			

Amounts due from related parties:

Due from associate

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12,993

3,190

42,726

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 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

At 30 September 2011

7 RELATED PARTY TRANSACTIONS (continued)

	<i>Nine months period ended</i>	
	<i>30 September 2011 KD</i>	<i>30 September 2010 KD</i>
Transactions included in the interim condensed consolidated statement of income:		
Finance income (from associate)	1,149,177	963,057
Key management compensation:		
Salaries and other short term benefits	410,202	510,626
Employees' end of service benefits	32,524	51,399

8 SEGMENTAL ANALYSIS

For management purposes, the Group is organised in two operating segments based on business units as follows:

- Investments management and advisory services: comprising non-discretionary portfolio management, fund management, brokerage and structured finance advisory services.
- Leasing: engaged in automotive leasing

<i>Nine months ended 30 September 2011</i>	<i>Investments management and advisory services KD</i>	<i>Leasing KD</i>	<i>Total KD</i>
Segment revenue	4,971,720	7,063,355	12,035,075
Segment expenses	10,312,680	1,845,040	12,157,720
Segment results before tax	(5,340,960)	5,218,315	(122,645)
Total assets	53,326,779	44,251,879	97,578,658

<i>Nine months ended 30 September 2010</i>	<i>Investments management and advisory services KD</i>	<i>Leasing KD</i>	<i>Total KD</i>
Segment revenue	3,302,568	8,106,629	11,409,197
Segment expenses	(11,505,479)	(9,308,598)	(20,814,077)
Segment results before tax	(8,202,911)	(1,201,969)	(9,404,880)
Total assets	55,189,805	39,740,472	94,930,277

9 CONTINGENCIES AND COMMITMENTS

There were no material changes in contingencies and commitments since 31 December 2010.

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The International Investor Company K.S.C. (Closed) and Subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2011

10 ACCOUNTING FOR MUDARABA CONTRACT

On 13 November 2007, the Parent Company (the "Mudarib") entered into a 3 year Mudaraba contract with a foreign bank ("Rab Al Mal") in the ratio of 88.25% and 11.75% respectively. As part of the Mudaraba contract 49,100,000 shares of the Parent Company and 40% shares of a local subsidiary were pledged as guarantee of the Mudaraba capital in the event of misconduct or gross negligence by the Mudarib in managing the Mudaraba assets.

Furthermore, the Mudarib is not guaranteeing to Rab Al Mal the Mudarib capital except in case of misconduct or gross negligence subject to proof by Rab Al Mal.

As of 31 December 2010 the total Mudaraba loss sustained by the foreign bank is USD 30,463,549 and the total payments made to Rab Al Mal were USD 9,755,649. The foreign bank has a negative balance of USD 5,219,198 which is due to the Mudarib and should be paid back to the Parent Company.

The management is not able to obtain confirmation for the foreign bank allocated losses or the outstanding negative balance of USD 5,219,198.

In the opinion of external legal counsel, as supported by the bank Sharia'a board opinion, the Parent Company bears no liability towards the foreign bank for the allocated losses that took place in their Mudaraba contract as a result of the 2008 worldwide economic meltdown and global financial crisis which caused a combination of mounting losses and falling assets prices globally which is beyond the control of the Parent Company. The Mudaraba contract has expired on 13 November 2010.

11 COMPARATIVE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2009 included the consolidated management accounts of Bayt Al Mal Holding Company K.S.C. (Holding) (a "subsidiary"). In 2010, the management of the Parent Company adjusted its prior year balances based on the audited consolidated financial statements of the subsidiary. Accordingly the comparative figures are restated.

The result of above restatement is summarised as follows:

	<i>At 1 January 2010</i>
	<i>KD</i>
Net decrease in assets	1,291,748
Net increase in liabilities	79,435
Net increase in loss for the year	1,212,233
Net decrease in total equity	1,371,183


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