Kuwait Finance and Investment Company K.S.C. (Closed) and its subsidiaries

Interim Condensed Consolidated Financial Information
And review Report
30 June 2008 (Unaudited)

PRICEWATERHOUSECOOPERS

AL-HUMAIDI & PARTNERS
Independent Member of Baker Tilly International

Kuwait Finance and Investment Company K.S.C. (Closed)
And its subsidiaries

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Kuwait Finance and Investment Company K.S.C (Closed)
Kuwait

Report on Review of Interim Condensed Consolidated Financial Information to the Board of Directors

Introduction

We have reviewed the accompanying interim condensed balance sheet of Kuwait Finance and Investment Company (K.S.C. – Closed) "The Parent Company" and its subsidiaries together referred "the Group" as of 30 June 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with basis of preparation as disclosed in (Note 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 preparation as disclosed in Note (2).

Report on Review of Other Legal and Regulatory Requirements

Further, 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, no violations of the Commercial Companies Law of 1960, as amended, or of the Articles of Association of the Parent Company have occurred during the six-month period ended 30 June 2008 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 during the six month period ended 30 June 2008 of the provisions of Law No. 32 of 1968 as amended, concerning currency, the Central Bank of Kuwait and the Organization of Banking Business and its related regulations.

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Kuwait
7 August 2008

Kuwait Finance and Investment Company K.S.C. (Closed)
And its subsidiaries

Interim Condensed Consolidated Balance Sheet as at 30 June 2008
(Unaudited)
(All amounts are in Kuwaiti Dinars)

	Note	30 June 2008	31 December 2007 (Audited)	30 June 2007
ASSETS				
Bank balances	3	6,172,524	5,547,387	6,890,296
Investments at fair value through profit or loss	4	69,900,739	69,863,210	45,636,054
Finance receivables	5	103,606,909	94,347,910	89,495,253
Investment properties		-	-	5,250,000
Investments available for sale		36,915,407	22,890,438	50,314,348
Investment in unconsolidated subsidiary		-	-	13,618,424
Other assets	6	9,227,928	5,201,198	5,367,633
Property and equipment		995,477	947,040	710,396
Intangible assets		24,738,491	24,745,141	24,751,791
TOTAL ASSETS		251,557,475	223,542,324	242,034,195
LIABILITIES AND EQUITY				
LIABILITIES				
Bank overdraft	3	3,875,670	9,213,370	5,800,703
Term loans	7	127,509,333	81,306,333	115,634,900
Bonds		21,437,917	21,419,292	21,400,667
Other liabilities		2,573,406	4,975,104	6,690,249
		155,396,326	116,914,099	149,526,519
EQUITY				
Equity attributable for the parent company's shareholders				
Share capital	8	41,930,970	34,942,475	34,942,475
Share premium		2,210,849	2,210,849	2,210,849
Treasury shares	9	(5,563,474)	(5,316,181)	(2,522)
Statutory reserve		8,948,771	8,948,771	6,681,717
General reserve		7,704,302	7,704,302	5,752,124
Fair value reserve		(849,615)	(216,106)	1,538,357
Treasury shares reserve		88,269	85,410	81,231
Foreign currency translation reserve		(1,083,360)	15,038	-
Reserve resulted on increasing the holding of subsidiary		751,127	-	-
Retained earnings		21,600,234	29,636,168	30,939,275
		75,738,073	78,010,726	82,143,506
Minority interest		20,423,076	28,617,499	10,364,170
Total equity		96,161,149	106,628,225	92,507,676
TOTAL LIABILITIES AND EQUITY		251,557,475	223,542,324	242,034,195

The attached notes form an integral part of this interim condensed consolidated financial information.

Saleh Yacoub Al Homaizi
Chairman

Sana Jumah
Chief Executive Officer

Interim Condensed Consolidated Statement of Income for the six months ended 30 June 2008
(Unaudited)
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2008	**2007**	**2008**	**2007**
Revenues					
Finance income		3,536,010	2,764,960	6,335,061	5,312,696
Investments income	10	4,437,573	10,540,843	6,757,967	14,986,709
Management and advisory fees		1,944,695	2,400,460	4,002,554	4,513,434
Net brokerage commissions		848,375	1,110,007	1,816,233	1,110,007
Other income		66,781	180,854	303,650	183,315
		10,833,434	16,997,124	19,215,465	26,106,161
Expenses					
Finance cost		2,752,597	2,357,873	5,039,844	4,062,926
Staff expenses		645,942	451,063	1,202,480	855,258
Depreciation and amortization		103,221	77,275	209,123	125,967
Marketing expenses		18,853	107,298	103,990	179,008
Other operating expenses		708,805	480,542	1,111,550	755,708
Provisions		172,724	71,188	518,824	205,339
Contribution to Kuwait Foundation for the Advancement of Science (KFAS)		46,028	110,474	75,345	168,705
National labour support tax		126,311	306,874	209,866	468,626
Zakat		46,639	-	73,154	-
		4,621,120	3,962,587	8,544,176	6,821,537
Net profit for the period		6,212,314	13,034,537	10,671,289	19,284,624
Attributable to:					
Shareholders of the Parent Company		5,040,730	12,622,617	9,092,553	18,872,704
Minority interest		1,171,584	411,920	1,578,736	411,920
Net profit for the period		6,212,314	13,034,537	10,671,289	19,284,624
Earnings per share (fils)	11	12. 9	30.4	22.4	45.4

The attached notes form an integral part of this interim condensed consolidated financial information.

Kuwait Finance and Investment Company K.S.C. (Closed)
and its subsidiaries

Interim Condensed Consolidated Statement of Changes in Equity for the six months ended 30 June 2008
(Unaudited)

(All amounts are in Kuwaiti Dinars)

	Equity of the Parent Company's shareholders												
	Share capital	Share premium	Treasury shares	Statutory reserve	General reserve	Fair value reserve	Treasury shares reserve	Foreign currency translation reserve	Reserve resulted on increasing the holding of subsidiary	Retained earnings	Total	Minority Interest	Total
Balance as of 1 January 2007	30,384,761	2,210,849	(5,556,022)	6,681,717	5,752,124	3,015,552	1,094,117	-	-	31,751,416	75,334,514	-	75,334,514
Acquisition portion of subsidiary	-	-	-	-	-	-	-	-	-	-	-	9,952,250	9,952,250
Change in fair value of available for sales investments	-	-	-	-	-	505,365	-	-	-	-	505,365	-	505,365
Transferred to the statement of Income on sales of investments	-	-	-	-	-	(1,982,560)	-	-	-	-	(1,982,560)	-	(1,982,560)
Loss recognized directly in equity	-	-	-	-	-	(1,477,195)	-	-	-	-	(1,477,195)	-	(1,477,195)
Net profit for the period	-	-	-	-	-	-	-	-	-	18,872,704	18,872,704	411,920	19,284,624
Total recognized (losses)/ profits	-	-	-	-	-	(1,477,195)	-	-	-	18,872,704	17,395,509	411,920	17,807,429
Issue of bonus shares	4,557,714	-	-	-	-	-	-	-	-	(4,557,714)	-	-	-
Cash dividends for 2006	-	-	-	-	-	-	-	-	-	(15,127,131)	(15,127,131)	-	(15,127,131)
Purchase of treasury shares	-	-	(16,968,024)	-	-	-	-	-	-	-	(16,968,024)	-	(16,968,024)
Sale of treasury shares	-	-	22,521,524	-	-	-	(1,012,886)	-	-	-	21,508,638	-	21,508,638
Balance as of 30 June 2007	34,942,475	2,210,849	(2,522)	6,681,717	5,752,124	1,538,357	81,231	-	-	30,939,275	82,143,506	10,364,170	92,507,676
Balance as of 1 January 2008	34,942,475	2,210,849	(5,316,181)	8,948,771	7,704,302	(216,106)	85,410	15,038	-	29,636,168	78,010,726	28,617,499	106,628,225
Change in fair value of available for sales investments	-	-	-	-	-	(1,305,545)	-	-	-	-	(1,305,545)	(678,800)	(1,984,345)
Transferred to the statement of Income on sales of investments	-	-	-	-	-	672,036	-	-	-	-	672,036	-	672,036
Reserve resulted on increasing the holding of subsidiary (Note: 14)	-	-	-	-	-	-	-	-	751,127	-	751,127	-	751,127
Loss on foreign currency translation	-	-	-	-	-	-	-	(1,098,398)	-	-	(1,098,398)	(513,232)	(1,611,630)
Gain on sale of treasury shares	-	-	-	-	-	-	2,859	-	-	-	2,859	-	2,859
(Loss)/profit recognized directly in equity	-	-	-	-	-	(633,509)	2,859	(1,098,398)	751,127	-	(977,921)	(1,192,032)	(2,169,953)
Net profit for the period	-	-	-	-	-	-	-	-	-	9,092,553	9,092,553	1,578,736	10,671,289
Total recognized (losses)/ profit	-	-	-	-	-	(633,509)	2,859	(1,098,398)	751,127	9,092,553	8,114,632	386,704	8,501,336
Purchase of shares in subsidiary (Note: 14)	-	-	-	-	-	-	-	-	-	-	-	(8,581,127)	(8,581,127)
Issue of bonus shares	6,988,495	-	-	-	-	-	-	-	-	(6,988,495)	-	-	-
Cash dividend for 2007	-	-	-	-	-	-	-	-	-	(10,139,992)	(10,139,992)	-	(10,139,992)
Purchase of treasury shares	-	-	(1,930,717)	-	-	-	-	-	-	-	(1,930,717)	-	(1,930,717)
Sale of treasury shares	-	-	1,683,424	-	-	-	-	-	-	-	1,683,424	-	1,683,424
Balance as of 30 June 2008	41,930,970	2,210,849	(5,563,474)	8,948,771	7,704,302	(849,615)	88,269	(1,083,360)	751,127	21,600,234	75,738,073	20,423,076	96,161,149

Interim Condensed Consolidated Statement of Cash Flows for the six months ended 30 June 2008
(Unaudited)
(All amounts are in Kuwaiti Dinars)

	Note	2008	2007
Operating Activities			
Net profit for the period		10,671,289	19,284,624
Adjustments:		-	
Depreciation and amortisation		209,123	125,967
Provisions		518,824	205,339
Amortisation of bond issue fees		18,625	18,625
Negative goodwill resulted from acquisition of subsidiary		-	(5,482,752)
Investments available for sale		(1,630,642)	(4,301,361)
Finance cost		5,039,844	4,062,926
Operating profit before changes in operating assets and liabilities		14,827,063	13,913,368
Finance receivables		(9,777,823)	1,637,174
Investments at fair value through profit or loss		(13,229,948)	(1,012,472)
Other assets		(4,026,730)	(1,339,337)
Other liabilities		(3,395,831)	349,933
Net cash(used in)/ generated from operating activities		(15,603,269)	13,548,666
Investing Activities			
Purchase of property and equipment		(250,910)	(47,024)
Paid for acquisition of further shares in subsidiary		(7,830,000)	-
Dividends received		1,019,221	36,648
Purchase of investment properties		-	(5,250,000)
Purchase of shares in unconsolidated subsidiaries		-	(13,618,424)
Paid for acquisition of subsidiary		-	(12,013,965)
Purchase of available for sale investments		(18,669,279)	(58,237,334)
Proceeds from sale of available for sale investments		16,716,243	48,788,817
Net cash used in investing activities		(9,014,725)	(40,341,282)
Financing Activities			
Term loans		46,203,000	47,679,400
Finance cost paid		(5,237,743)	(4,062,926)
Purchase of treasury shares		(1,930,717)	(16,968,024)
Sale of treasury shares		1,686,283	21,508,638
Dividends paid		(10,139,992)	(15,127,131)
Net cash generated from financing activities		30,580,831	33,029,957
Increase in cash and cash equivalents		5,962,837	6,237,341
Cash and cash equivalents at beginning of period		(3,665,983)	(5,147,748)
Cash and cash equivalents at end of period	3	2,296,854	1,089,593

The attached notes form an integral part of this interim condensed consolidated financial information.

1. Parent Company

Kuwait Finance and Investment Company K.S.C. (Closed) (The Parent Company) is a Kuwaiti closed shareholding Company incorporated on 29 March 2000 in accordance with Commercial Companies Law No. 15 of 1960. The Company is regulated by the Central Bank of Kuwait as an investment Company.

The Company is principally engaged in consumer and commercial financing activities and managing funds and portfolios on behalf of other parties, investments in shares and providing consultancy services. Its registered office is in Building No. 2, Rashid Salim Ali Al-Rashid Building, Murqab, Kuwait City.

The interim condensed consolidated financial information include the financial information of the Parent Company and its subsidiary "KFIC financial Brokerage" (Formerly Al Ahliya Financial Brokerage Company K.S.C.C) and its fund "KFIC Private Equity Fund" together referred to as "The Group".

The interim condensed consolidated financial information includes, the financial statements of the Parent's Company, its subsidiary, and its fund together referred to as "The Group" as follows:

	Ownership			Activity
	30 June 2008	31 December 2007	30 June 2007	
KFIC financial Brokerage (Formerly Al Ahliya Financial Brokerage Company K.S.C.C.)	94%	65%	65%	Brokerage
KFIC Private Equity Fund – WLL	57.5%	54.7%	-	Investment

The interim condensed consolidated financial information of Kuwait Finance and Investment Company KSC (Closed) for the six months ended 30 June 2008 were authorized for issue by the Board of Directors on 07 August 2008

2. Basis of preparation

- These interim condensed consolidated financial information have been prepared in accordance with International Accounting Standard (34), applicable for the Interim Financial Reporting.

  The provision for impairment in finance receivables is determined according to Central Bank of Kuwait requirements in respect of the specific provisions. Further, the Central Bank of Kuwait requires creation of a general provision on all credit facilities not subject to specific provisions after disposal of some categories of guarantee that are under instruction of Central Bank of Kuwait is provided.

  In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included in the financial information. The operating results for the six months period ended 30 June 2008 are not necessarily indicative of the results that may be expected for the year ending 31 December 2008.

  The interim condensed consolidated financial information do not include all the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards as adopted in the State of Kuwait. For further information, refer to the financial statements and notes thereto for the year ended 31 December 2007.

  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 financial statements for the year ended 31 December 2007.

- **Transaction with minority shareholders**

  The group applies a policy of treating transactions with minority interests as transactions with equity owners of the group. For purchases from minority interest, the difference between any consideration paid and the relevant shares acquired of the carrying value of net assets of the subsidiary is

deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity.

3. Cash and cash equivalents

	30 June 2008	31 December 2007 (Audited)	30 June 2007
Bank balances	6,172,524	5,547,387	6,890,296
Less: Bank overdraft	(3,875,670)	(9,213,370)	(5,800,703)
	2,296,854	(3,665,983)	1,089,593

4. Investments at fair value through profit or loss

	30 June 2008	31 December 2007 (Audited)	30 June 2007
Held for trading investments – quoted	38,854,452	12,652,831	15,939,592
Designed at fair value at inception	31,046,287	57,210,379	29,696,462
	69,900,739	69,863,210	45,636,054

5. Finance receivables

	30 June 2008	31 December 2007 (Audited)	30 June 2007
Gross receivables	119,853,623	109,317,194	102,278,422
Less: deferred income	(12,641,756)	(11,883,150)	(9,947,335)
	107,211,867	97,434,044	92,331,087
Less: Provision for credit losses	(3,604,958)	(3,086,134)	(2,835,834)
	103,606,909	94,347,910	89,495,253

The average effective interest rate on the finance receivables amounted to 9.75% as at 30 June 2008 (10.20% as at 31 December 2007 10.20% as at 30 June 2007).

6. Other assets

	30 June 2008	31 December 2007 (Audited)	30 June 2007
Kuwait Clearing Company	661,182	160,232	-
Other debit balances	2,578,621	1,362,304	1,276,258
Receivable on sale of investments	893,493	-	-
Accrued income	4,566,039	3,147,953	3,427,973
Prepayments	278,593	280,709	413,402
Guarantee of brokerage operation	250,000	250,000	250,000
	9,227,928	5,201,198	5,367,633

7. Term loans

The term loans have been obtained from financial institutions and local mutual funds, with average interest rate 7.39 % as at 30 June 2008 (7.3% as at 31 December 2007 – 7.40% as at 30 June 2007).

Term loans includes a syndicated US Dollar loan equivalent to KD 19,205,333 against a promise of a negative pledge on any of the Parent Company's assets, other than what has been disclosed, during the duration period of the loan which is three years.

Term loans mature as follows:

	30 June 2008	31 December 2007 (Audited)	30 June 2007
Within one year	113,906,666	58,000,000	90,429,567
From one and two years	11,602,667	11,602,667	11,602,667
From two and five years	2,000,000	11,703,666	13,602,666
	127,509,333	81,306,333	115,634,900

8. Share Capital

On 9 April 2008, the general assembly meeting approved bonus shares of 20%. Accordingly the paid up capital of the company as of 30 June 2008 is KD 41,930,970 distributed over 419,309,700 shares with par value 100 fils per share. (KD 34,942,475 distributed over 349,424,750 shares with par value 100 fils per share as of 31 December 2007, KD 34,942,475 distributed over 349,424,750 shares with par value 100 fils per share as of 30 June 2007).

9. Treasury shares

	30 June 2008	31 December 2007 (Audited)	30 June 2007
Number of shares (share)	14,980,000	11,525,000	5,000
Percentage of the share capital (%)	3.6%	3.3%	0.001%
Market value (KD)	5,093,200	4,494,750	2,471

10. Investments income

	Three months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
Available for sale investments:				
Cash dividends	420,913	29,648	1,019,221	36,648
Gains on sale	779,764	488,178	611,421	4,264,713
	1,200,677	517,826	1,630,642	4,301,361
At fair value through profit and loss:				
Gains on sale	794,792	2,229,237	1,526,766	3,223,825
Change in fair value	2,079,409	2,294,551	2,737,331	1,962,294
Dividend income	340,928	-	826,496	-
	3,215,129	4,523,788	5,090,593	5,186,119
Interest income	21,767	16,477	36,732	16,477
Negative goodwill resulted from acquisition of a subsidiary	-	5,482,752	-	5,482,752
	4,437,573	10,540,843	6,757,967	14,986,709

11. Earnings per share

Earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	Three months ended 30 June		Six months ended 30 June	
	2008	2007 (Restated)	2008	2007 (Restated)
Net profit for the period	5,040,730	12,622,617	9,092,553	18,872,704
Weighted average number of ordinary Shares outstanding during the period	390,965,749	414,571,196	405,059,428	415,300,849
Earnings per share (fils)	12.9	30.4	22.4	45.4

The bonus share dividends which was approved by the shareholders' general assembly (Note 12) has been taken into consideration when calculating the earnings per share for the current and comparative period.

12. Dividends

On 9 April 2008, the shareholders approved the financial statements for the year ended 31 December 2007 and the following dividends for the year 2007:

- Cash dividends of 30 fils per share after deducting treasury share.
- Bonus shares dividends of 20% from the paid up capital.

13. Related parties transactions

These represent transactions with related parties i.e. the Parent Company's shareholders, Board of Directors' members and their related concerns. The Parent Company's management approved pricing policies and terms of these transactions.Transactions with related parties included in the statement of income are as follows:

	Six months ended 30 June	
	2008	2007
Management and advisory fees	105,436	325,638
Off balance sheet items		
Investment portfolios managed for others	42,086,823	74,796,193

Transactions with related parties are subject to the shareholders' approval.

14. Acquisition of further shares in subsidiary.

During the period the parent Co acquired additional shares of 29% of its subsidiary KFIC brokerage, accordingly the Parent Company's shares becoming 94%. The following is statement of the fair values of assets and liabilities acquired as of 31 March 2008 (the acquisition date).

Cash and cash equivalent	2,531,388
Receivables	353,690
Investments at fair value through profit or loss	6,612,382
Guarantee of Brokerage operation	250,000
Investments available for sale	9,923,933
Fixed and intangible assets	188,703
License	24,708,608
Payables	(14,930,547)
End of service indemnity	(48,065)
Net assets value on acquisition	29,590,092
New shares acquired	29%
Net assets acquired	8,581,127
Paid for acquisition	7,830,000
Reserve resulted on increasing the holding of subsidiary	751,127

The difference between amount paid on acquisition and the corresponding share of net asset value was included in equity as **"Reserve resulted on increasing the holding of subsidiary"**.

15. Segment Information

The Company is organized in two major business segments operating principally in the state of Kuwait.

	Finance		Investment		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007	2008	2007
Segment results	6,638,711	5,486,408	12,576,754	20,619,753	19,215,465	26,106,161
Allocated expenses	3,607,244	3,036,303	4,578,567	3,147,903	8,185,811	6,184,206
Unallocated Expenses	-		-		358,365	637,331
Net profit	3,031,467	2,450,105	7,998,187	17,471,850	10,671,289	19,284,624
Segment assets	112,103,290	93,272,615	139,454,185	140,113,566	251,557,475	233,386,182
Segment liabilities	137,891,441	147,098,573	17,504,885	2,427,946	155,396,326	149,526,519

16. Fiduciary assets

As at 30 June 2008, portfolios under the Parent Company's management amounted to KD 796,057,584 (KD 782,768,240 as at 31 December 2007 – KD 742,223,670 as at 30 June 2007).

17. Subsequent event

17.1 The board of Directors of the parent company in its meeting held on 15 July 2008 proposed an increase of 52% in paid up capital of the parent company. According to the proposal the share capital will be increased from KD 41,930,970 to KD 63,735,075 by issuing 218,041,046 new shares. The new shares will be issued in the following proportion.

- issuance of 104,827,426 shares at 200 fils per share to the existing share holders registered in parent company's records at the date of the general assembly meeting. The issue price of 200 fils per share represents par value of 100 fils per share, a premium of 95 fils per share and issuing expense of 5 fils per share. The issuing expense is to be paid in lump sum cash.

- issuance of 104,827,426 shares at 250 fils per share to new share holders. The issue price represents par value of 100 fils per share, a premium of 145 fils per share and issuing expense of 5 fils per share. The issuing expense is to be paid in lump sum cash.

- issuance of 8,386,194 shares for the first stage at 170 fils per share to be used in employees share options plan after getting the approval of Ministry of Commerce and Industry and Regulatory authorities.

These recommendations are subject to approval of Parent Co shareholders in the general assembly meeting.

17.2 The Board of Directors recommended to change the activities of the Parent Co to make it in accordance with Noble Islamic Shariah after getting the approval of Regulatory authorities.