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

Interim Condensed Consolidated Financial Information
And Review Report
31 March 2010
(Unaudited)

Deloitte.

AL-HUMAIDI & PARTNERS
Independent Member of Baker Tilly International

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

Interim Condensed Consolidated Financial Information
And review report
31 March 2010 (Unaudited)

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

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Finance and Investment Company (K.S.C Closed) ("the Parent Company") and its subsidiaries (together referred to as "the Group") as of 31 March 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with basis of preparation as mentioned 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 condensed consolidated 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 period ended 31 March 2010 that might have had a material effect on the business of the Group or on its consolidated 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 Organization of Banking Business and its related regulations during the period ended 31 March 2010.

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Kuwait
26 May 2010

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

Interim Condensed Consolidated Statement of Financial Position as of 31 March 2010
(Unaudited)
(All amounts are in Kuwaiti Dinars)

	Note	31 March 2010	31 December 2009 (Audited)	31 March 2009
ASSETS				
Cash and cash equivalents		12,024,006	16,283,476	6,318,268
Investments at fair value through profit or loss	3	30,649,690	31,178,453	30,611,939
Finance receivables	4	61,738,428	60,708,479	81,853,253
Investments available for sale	5	28,150,775	22,650,964	24,595,229
Investments in associates		22,254,720	22,425,834	26,254,172
Other assets	6	3,551,967	2,552,651	5,810,091
Property and equipment		1,256,092	1,377,651	831,951
Intangible assets		22,735,927	22,739,241	22,749,216
TOTAL ASSETS		182,361,605	179,916,749	199,024,119
LIABILITIES AND EQUITY				
LIABILITIES				
Bank overdraft		9,006,122	9,597,765	12,921,403
Term loans	7	114,978,000	114,881,333	119,978,166
Bonds	7	21,500,000	21,493,792	21,465,854
Other liabilities		1,315,132	2,440,963	1,915,934
		146,799,254	148,413,853	156,281,357
EQUITY				
Equity attributable to the shareholders of the Parent Company				
Share capital	8	41,930,970	41,930,970	41,930,970
Share premium		2,210,849	2,210,849	2,210,849
Treasury shares	9	(10,945,477)	(10,945,477)	(11,153,795)
Statutory reserve		8,948,771	8,948,771	8,948,771
General reserve		6,371,986	6,371,986	6,481,578
Change in fair value reserve		(2,495,483)	(5,407,145)	(2,226,312)
Foreign currency translation reserve		1,646,173	1,494,826	1,777,934
Equity transactions reserve		130,781	130,781	130,781
Accumulated losses		(24,219,590)	(25,314,775)	(18,859,186)
		23,578,980	19,420,786	29,241,590
Non controlling interest		11,983,371	12,082,110	13,501,172
Total equity		35,562,351	31,502,896	42,742,762
TOTAL LIABILITIES AND EQUITY		182,361,605	179,916,749	199,024,119

The accompanying notes form an integral part of the interim condensed consolidated financial information.

Sana Jumah
Chief Executive Officer

Saleh Yacoub Al Humaizi
Chairman

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

Interim Condensed Consolidated Statement of Income
For the three months period ended 31 March 2010
(Unaudited)
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March 2010	2009
Revenues			
Finance income		1,276,629	2,457,948
Investments income / (losses)	10	2,448,690	(6,110,699)
Group's share in associates' results		(157,292)	274,709
Losses from sale of share in associate		-	(70,649)
Management and advisory fees		334,640	345,122
Net brokerage commissions		776,825	585,428
Foreign currency losses		(10,246)	(349,810)
Other income		44,695	144,143
		4,713,941	(2,723,808)
Expenses			
Finance cost		1,809,344	2,441,070
Staff expenses		971,852	795,737
Depreciation and amortization		152,044	109,757
Other operating expenses		584,666	495,333
Provisions for credit loss		194,273	400,686
National Labour Support Tax		26,789	-
Zakat expense		8,333	-
		3,747,301	4,242,583
Net profit / (loss) for the period		966,640	(6,966,391)
Attributable to:			
Shareholders of the Parent Company		1,095,185	(6,089,735)
Non controlling interest		(128,545)	(876,656)
Net profit/ (loss) for the period		966,640	(6,966,391)
Earnings/ (losses) per share attributable to shareholders of the Parent Company (fils)	11	2.84	(15.83)

The accompanying notes form an integral part of the interim condensed consolidated financial information.

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

Interim Condensed Consolidated Statement of Comprehensive Income
For the three months period ended 31 March 2010
(Unaudited)
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended 31 March	
		2010	**2009**
Net profit/ (loss) for the period		966,640	(6,966,391)
Other comprehensive income:			
Available for sale investments	12	2,866,816	2,513,751
Foreign currency translation differences		225,999	2,078,713
		3,092,815	4,592,464
Total comprehensive income/ (loss) for the period		4,059,455	(2,373,927)
Allocated as follows:			
Shareholders of the Parent Company		4,158,194	(2,146,042)
Non controlling interest		(98,739)	(227,885)
		4,059,455	(2,373,927)

The accompanying notes form an integral part of the 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 three months period ended 31 March 2010
(Unaudited)
(All amounts are in Kuwaiti Dinars)

	Equity attributable to the shareholders of the Parent Company											Non-controlling interest	Total
	Share capital	Share premium	Treasury shares	Statutory reserve	General reserve	Change in fair value reserve	Treasury shares reserve	Foreign currency translation reserve	Equity transactions reserve	Accumulated losses	Total		
Balance as at 31 December 2008	41,930,970	2,210,849	(13,836,304)	8,948,771	7,704,302	(4,777,937)	162,389	385,866	130,781	(12,769,451)	30,090,236	13,729,057	43,819,293
Purchase of treasury shares	-	-	(543,043)	-	-	-	-	-	-	-	(543,043)	-	(543,043)
Sale of treasury shares	-	-	3,225,552	-	(1,222,724)	-	(162,389)	-	-	-	1,840,439	-	1,840,439
Total comprehensive income/ (loss) for the period	-	-	-	-	-	2,551,625	-	1,392,068	-	(6,089,735)	(2,146,042)	(227,885)	(2,373,927)
Balance as at 31 March 2009	41,930,970	2,210,849	(11,153,795)	8,948,771	6,481,578	(2,226,312)	-	1,777,934	130,781	(18,859,186)	29,241,590	13,501,172	42,742,762
Balance as at 31 December 2009	41,930,970	2,210,849	(10,945,477)	8,948,771	6,371,986	(5,407,145)	-	1,494,826	130,781	(25,314,775)	19,420,786	12,082,110	31,502,896
Total comprehensive income/ (loss) for the period	-	-	-	-	-	2,911,662	-	151,347	-	1,095,185	4,158,194	(98,739)	4,059,455
Balance as at 31 March 2010	41,930,970	2,210,849	(10,945,477)	8,948,771	6,371,986	(2,495,483)	-	1,646,173	130,781	(24,219,590)	23,578,980	11,983,371	35,562,351

The accompanying notes form an integral part of the interim condensed consolidated financial information.

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

Interim Condensed Consolidated Statement of Cash Flows
For the three months ended 31 March 2010
(Unaudited)
(All amounts are in Kuwaiti Dinars)

	Three months ended 31 March	
	2010	**2009**
Operating Activities		
Net profit/ (loss) for the period	966,640	(6,966,391)
Adjustments:		
Investment (income) / losses from available for sale investments	(1,543,290)	3,443,176
Group's share in associates' results	157,292	(274,709)
Finance cost	1,809,344	2,441,070
Provisions for credit loss	194,273	400,686
Depreciation and amortisation	152,044	109,757
Amortisation of bond issue fees	6,208	9,312
Operating profit / (losses) before changes in operating assets and liabilities	1,742,511	(837,099)
Finance receivables	(1,224,222)	6,307,538
Investments at fair value through profit or loss	528,763	(1,521,829)
Other assets	(999,317)	(1,954,941)
Other liabilities	(562,764)	(1,403,245)
Net cash (used in) / generated from operating activities	(515,029)	590,424
Investing Activities		
Property and equipment	(27,172)	(29,674)
Dividends received	93,305	779,886
Acquisition of additional share in associate	(59,503)	(788,265)
Proceeds from sale of associate	-	281,519
Purchase of available for sale investments	(17,112,341)	(3,187,370)
Proceeds from sale of available for sale investments	16,065,828	7,304,125
Net cash (used in) / generated from investing activities	(1,039,883)	4,360,221
Financing Activities		
Term loans and overdraft facilities	(494,976)	124,087
Finance cost paid	(2,209,582)	(3,040,549)
Purchase of treasury shares	-	(543,043)
Sale of treasury shares	-	1,840,439
Net cash used in financing activities	(2,704,558)	(1,619,066)
(Decrease)/ increase in cash and cash equivalents	(4,259,470)	3,331,579
Cash and cash equivalents at beginning of period	16,283,476	2,986,689
Cash and cash equivalents at end of period	12,024,006	6,318,268

The accompanying notes form an integral part of the interim condensed consolidated financial information.

1. Incorporation and activities

Kuwait Finance and Investment Company K.S.C. (Closed) (the Parent Company) is a Kuwaiti Shareholding Closed Company incorporated on 29 March 2000 in accordance with Commercial Companies Law No. 15 of 1960. The Parent Company is regulated by the Central Bank of Kuwait as an investment Company and its shares are listed on the Kuwait Stock Exchange and the Dubai Financial Market.

The Parent Company's registered office is at Arbia Tower-Sharq-Kuwait-city.

The Parent Company and its following subsidiaries (the Group) are principally engaged in consumer and commercial financing activities, managing funds and portfolios on behalf of clients, investing in securities, brokerage activities and providing consulting services.

The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries "KFIC Financial Brokerage" and its fund "KFIC Private Equity Fund" together referred to as "The Group".

	Activity	Ownership		
		31 March 2010	31 December 2009 (Audited)	31 March 2009
KFIC Financial Brokerage Company K.S.C.C.	Brokerage	94%	94%	94%
KFIC Private Equity Fund – Limited.	Investment	66.97%	66.97%	66.97%

In September 2008, the shareholders of the Parent Company resolved to appoint an independent consultant to evaluate the feasibility to transfer the Group's activities to be Sharia Compliant subject to the Central Bank of Kuwait approval.

This interim condensed consolidated financial information of Kuwait Finance and Investment Company KSC (Closed) was authorized for issue by the Board of Directors on 26 May 2010.

The general assembly meeting has not been held to approve the consolidate

ed financial statement for year ended 31 December 2009 till the date of issuance of this interim condensed consolidated financial information.

2. Basis of Preparation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS - 34) (Interim Financial Reporting). The interim financial information do not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting standards (IFRS) as adopted for use in the State of Kuwait for financial institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective provision, which has been replaced by the Central Bank of Kuwait's requirements for a minimum general provision.

The Group's policy in calculating the impairment provision for finance receivables complies in all material respects with the specific provision requirements of the Central Bank of Kuwait and IFRS. On 12 March 2007, the Central Bank of Kuwait issued a circular amending the basis of making minimum general provision on financing receivables, changing the rate from 2% to 1% for cash facilities and 2% to 0.5% for non-cash facilities. The revised rates were applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral during the reporting period.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the period ended 31 March 2010 are not necessarily indicative of the results that may be expected for the year ended 31 December 2010. For further information, it is possible to refer to the consolidated financial statements for the year ended 31 December 2009.

3. Investments at fair value through profit or loss

	31 March 2010	31 December 2009 (Audited)	31 March 2009
Held for trading investments – quoted equity	6,981,534	7,327,662	2,746,478
Designated as at fair value at inception – quoted equity	2,698,045	3,025,713	444,684
Designated as at fair value at inception – unquoted equity	20,970,111	20,825,078	27,420,777
	30,649,690	31,178,453	30,611,939

Geographical analysis of investments at fair value through profit or loss:

	31 March 2010	31 December 2009 (Audited)	31 March 2009
Middle East countries	30,478,810	31,178,453	30,559,958
Other countries	170,880	-	51,981
	30,649,690	31,178,453	30,611,939

4. Finance receivables

	31 March 2010	31 December 2009 (Audited)	31 March 2009
Gross receivables	69,043,236	67,900,530	92,336,351
Less: discount effect	(3,658,993)	(3,740,509)	(7,234,458)
	65,384,243	64,160,021	85,101,893
Less: Provision for credit losses	(3,645,815)	(3,451,542)	(3,248,640)
	61,738,428	60,708,479	81,853,253

The effective interest rate on finance receivables was 5.98% (7.75% - 31 December 2009 and 7.80% - 31 March 2009).

5. Investments available for sale

	31 March 2010	31 December 2009 (Audited)	31 March 2009
Quoted securities	22,496,160	15,801,557	17,332,816
Unquoted securities	5,654,615	6,849,407	7,262,413
	28,150,775	22,650,964	24,595,229

Geographical analysis of available for sale investments:

	31 March 2010	31 December 2009 (Audited)	31 March 2009
Middle East countries	24,719,571	19,291,506	23,328,959
Other countries	3,431,204	3,359,458	1,266,270
	28,150,775	22,650,964	24,595,229

6. Other assets

	31 March 2010	31 December 2009 (Audited)	31 March 2009
Kuwait Clearing Company	426,765	97,091	949,558
Other receivables	770,461	616,961	2,072,438
Accrued income	1,400,671	1,481,951	2,398,142
Payments for establishing a subsidiary	500,000	-	-
Prepayments	204,070	106,648	139,953
Deposit with Kuwait Clearing Company	250,000	250,000	250,000
	3,551,967	2,552,651	5,810,091

7. Borrowings

Term loans

The term loans have been obtained from financial institutions with interest rates of 4.91% (5.26% - 31 December 2009, 6.20% - 31 March 2009).

Term loans mature as follows:

	31 March 2010	31 December 2009 (Audited)	31 March 2009
Within one year	108,978,000	108,881,333	111,978,166
Between one and two years	2,000,000	2,000,000	8,000,000
Between two and five years	4,000,000	4,000,000	-
	114,978,000	114,881,333	119,978,166

Bonds

The bond holders approved in their meeting in February 2010 extension of the repayment date of the bond to 31 December 2012 in addition to an increase in the interest rate to be 2% above CBK discount rate for years 2010 and 2011 and 4% above CBK discount rate for the year 2012. Such interest is payable on a quarterly basis.

Restructuring

Subsequent to the date of this interim financial information, the terms of rescheduling of all of the Parent Company's borrowings have been initially agreed between the Parent Company and its lenders, in which the Group's entire debts from different local and foreign banks including the bonds will be transferred into a single syndicated loan comprising of four tranches, the related contracts are in process of being signed. The syndicated loan to be secured by all of the Group's assets and with a commitment from the main shareholders to underwrite share capital increase by the end of 31 December 2010.

The four tranches are repayable as follows:

- Tranche A: - KD 64 million will be settled in five years in equal quarterly installments starting from the date of signing the syndicated loan contracts.
- Tranche B: - KD 71.5 million will be totally secured by the Group's investments and any proceed from sale of such investments will be used for partial settlement of Tranche B with final maturity not exceeding 31 December 2012.
- Tranche C: - KD 3.8 million will be settled immediately after signing the syndication contracts.
- Tranche D: - KD 5.7 million will be settled within 18 months on an equal quarterly installment starting from the date of signing the syndicated loan contracts.

The interest rate on the syndicated loans will be 2% above the CBK discount rate for the first two years and 4% above the CBK discount rate for the remaining three years.

8. Share capital

The paid up and issued capital of the Parent Company is to KD 41,930,970 comprising of 419,309,700 shares 100 fils per share as of 31 March 2010 (31 December 2009 : KD 41,930,970 – 31 March 2009 : KD 41,930,970).

9. Treasury shares

	31 March 2010	31 December 2009 (Audited)	31 March 2009
Number of shares (share)	34,324,453	34,324,453	35,004,453
Percentage of the share capital (%)	8.19	8.19	8.35
Market value (KD)	5,919,624	5,751,109	7,251,374

10. Investments income /(losses)

	Three months ended 31 March	
	2010	2009
Available for sale investments:		
Dividend income	93,305	779,886
Impairment losses	-	(1,098,876)
Gain / (losses) on sale	1,449,985	(3,124,186)
	1,543,290	(3,443,176)
At fair value through profit or loss:		
Gain on sale	674,837	94,372
Change in fair value	211,017	(2,861,226)
Dividend income	-	85,902
	885,854	(2,680,952)
Interest income	19,546	13,429
	2,448,690	(6,110,699)

11. Earnings /(losses) per share

Earnings/ (losses) per share are computed by dividing the net profit / (losses) for the period attributable to the shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period as follows:

	Three months ended 31 March	
	2010	2009
Net profit / (loss) for the period attributable to shareholders of the Parent Company	1,095,185	(6,089,735)
Weighted average number of ordinary shares outstanding during the period	384,985,251	384,778,973
Earnings / (losses) per share (fils)	2.84	(15.83)

12. Other comprehensive income

The following is an analysis of other comprehensive income of available for sale investments:

	Three months ended 31 March	
	2010	2009
Change in fair value	1,713,953	(1,384,513)
Transferred on sale to the statement of income	1,152,863	2,799,388
Impairment losses	-	1,098,876
	2,866,816	2,513,751

13. Transactions with related parties

Related parties represent major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by Group management.

The related party transactions included in the interim condensed consolidated financial information are as follows:

	Number of related parties			Amounts		
	31 March 2010	31 December 2009	31 March 2009	31 March 2010	31 December 2009	31 March 2009
Finance receivables	7	7	7	10,542,210	10,527,556	11,277,814

Related parties balances

	31 March 2010	31 December 2009	31 March 2009
Investments and funds managed in a fiduciary capacity	87,637,976	85,404,323	110,587,026

Related parties transactions

	31 March 2010	31 March 2009
Management fees earned	88,874	86,824
Interest income	143,269	185,302
Key management compensation:		
Salaries and other short term benefits	144,300	135,942

14. Segment Information

The Group's activities are concentrated in four major segments; finance, investment and corporate finance, asset management, and financial brokerage and online trading. Segment results in addition to net results of the Group, assets and liabilities according to the geographical distribution are reported to the executive management of the Group. Revenue, profit, assets and liabilities are measured in accordance with the same accounting policies used in preparing the consolidated financial statements.

	Finance		Investment and corporate finance		Asset management		Financial brokerage and online trading		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Segment revenues	1,264,668	2,361,088	187,550	(2,045,681)	2,319,825	(3,358,855)	941,898	319,640	4,713,941	(2,723,808)
Allocated expenses	1,419,085	1,895,370	1,017,950	1,152,749	689,668	643,704	585,476	550,760	3,712,179	4,242,583
Segment (loss)/ profit	(154,417)	465,718	(830,400)	(3,198,430)	1,630,157	(4,002,559)	356,422	(231,120)	1,001,762	(6,966,391)
Unallocated expenses	-	-	-	-	-	-	-	-	35,122	-
Net profit/ (loss)	-	-	-	-	-	-	-	-	966,640	(6,966,391)
Segment assets	68,220,153	87,246,923	53,640,692	65,000,704	35,982,739	19,954,409	24,518,021	26,822,083	182,361,605	199,024,119
Segment liabilities	50,073,454	67,178,020	59,248,756	62,723,977	37,271,687	25,683,755	205,357	695,605	146,799,254	156,281,357

15. Fiduciary assets

Portfolios under management of the Parent Company were KD 357,916,737 (31 December 2009 - KD 347,744,634 - 31 March 2009 - KD 384,067,885).