

**First Investment Company K.S.C. (Closed) and
its Subsidiaries**

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

30 SEPTEMBER 2008

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF FIRST INVESTMENT COMPANY K.S.C. (CLOSED)

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of First Investment Company K.S.C. (Closed) ("the parent company") and its Subsidiaries ("the group") as at 30 September 2008 and the related interim condensed consolidated income statement for the three month and nine month periods then ended, the interim condensed consolidated cash flow statement and the interim condensed statement of 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. 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 the 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 presentation set out in Note 2.

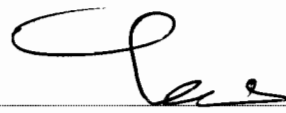
Report on Other Legal and Regulatory Requirements

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, 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 nine month period ended 30 September 2008 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, we have not become aware of any 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 month period ended 30 September 2008.



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LICENCE NO. 68 A
OF ERNST & YOUNG



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

First Investment Company K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the period ended 30 September 2008

	Notes	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
INCOME					
Murabaha, ijara and sukuk income		331,012	951,389	939,222	2,502,539
Realised (loss) gain on investments carried at fair value through income statement		(1,222,839)	801,155	4,860,781	2,611,309
Unrealised gain on investments carried at fair value through income statement		2,251,518	3,115,450	6,401,939	6,948,922
Gain on disposal of available for sale investments		491,462	4,115,619	7,463,036	9,714,647
Gain on sale of associated companies		-	-	100,145	-
Negative goodwill	10	764,791	-	764,791	-
Placement and arrangement fees		27,088	105,215	257,893	4,810,189
Management fees		106,250	264,076	1,168,763	480,745
Dividend income		448,302	468,505	705,586	1,751,299
Share of results of associates		4,445,315	333,327	5,753,918	580,714
		<u>7,642,899</u>	<u>10,154,736</u>	<u>28,416,074</u>	<u>29,400,364</u>
EXPENSES					
Impairment of other receivables	3	-	-	924,359	-
Staff costs		453,628	487,955	1,623,237	2,140,985
Cost of share based transaction with employees	4	-	-	879,700	1,320,000
(Gain) loss on foreign exchange		(256,549)	133,973	902,535	175,667
Depreciation		25,797	21,393	71,058	72,646
Finance costs		1,729,427	1,078,714	4,364,884	2,630,326
Other expenses		133,216	212,429	460,753	1,003,616
		<u>2,085,519</u>	<u>1,934,464</u>	<u>9,226,526</u>	<u>7,343,240</u>
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT					
Contribution to KFAS		5,557,380	8,220,272	19,189,548	22,057,124
Contribution to KFAS		(50,016)	(73,982)	(172,706)	(198,514)
Contribution to NLST		(138,935)	(205,507)	(479,739)	(551,428)
Zakat		(55,573)	-	(191,895)	-
		<u>5,312,856</u>	<u>7,940,783</u>	<u>18,345,208</u>	<u>21,307,182</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY					
		<u>5,312,856</u>	<u>7,940,783</u>	<u>18,345,208</u>	<u>21,307,182</u>
Basic and diluted earnings per share attributable to equity holders of the parent company					
	5	<u>8.16 fils</u>	<u>12.28 fils</u>	<u>28.28 fils</u>	<u>36.05 fils</u>


The attached notes 1 to 22 form part of this interim condensed consolidated financial information.


First Investment Company K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

At 30 September 2008

		(Audited)	
	30 September	31 December	30 September
	2008	2007	2007
	KD	KD	KD
Notes			
ASSETS			
Bank balances and cash	1,532,495	656,868	1,112,214
Investments carried at fair value through income statement	6 28,754,492	49,218,375	34,830,373
Murabaha and ijara receivables	14,967,832	12,686,327	10,441,621
Amount due from a bank	7 13,273,300	-	-
Other assets	8 5,662,728	7,812,456	13,062,081
Available for sale investments	9 122,358,184	104,166,778	93,993,343
Investment in associates	10 57,836,464	40,999,431	44,814,998
Properties under development	11 29,961,041	-	-
Furniture and equipment	166,211	103,388	120,207
TOTAL ASSETS	274,512,747	215,643,623	198,374,837
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	12 65,107,055	58,767,323	58,767,323
Share premium	32,909,612	32,446,612	32,446,612
Treasury shares	13 (446,384)	(3,865,269)	-
Statutory reserve	6,945,122	6,945,122	4,308,984
General reserve	6,384,300	6,384,300	3,748,162
Share options reserve	3,016,890	2,137,190	2,137,190
Treasury shares reserve	1,129,490	999,939	997,592
Cumulative changes in fair value	5,660,585	14,227,683	7,923,929
Foreign currency translation reserve	(5,948,277)	(4,086,344)	(2,740,500)
Retained earnings	20,545,434	25,707,155	26,911,123
	135,303,827	139,663,711	134,500,415
Minority interests	8,413,998	31,500	-
Total equity	143,717,825	139,695,211	134,500,415
Liabilities			
Murabaha payables	14 100,678,238	66,174,452	57,168,581
Amount due to a bank	7 18,460,111	-	-
Other liabilities	16 11,656,573	9,773,960	6,705,841
Total liabilities	130,794,922	75,948,412	63,874,422
TOTAL EQUITY AND LIABILITIES	274,512,747	215,643,623	198,374,837


 Dr. Mohammed A. Al-Alloush
 Chairman


 Khalid S. Al-Sanaousi
 Managing Director and Chief Executive Officer

The attached notes 1 to 22 form part of this interim condensed consolidated financial information.

First Investment Company K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the period ended 30 September 2008

	<i>Nine months ended 30 September</i>	
	2008	2007
	KD	KD
OPERATING ACTIVITIES		
Profit for the period	18,345,208	21,307,182
Adjustments for:		
Realised gain on investments at fair value through income statement	(4,860,781)	(2,611,309)
Unrealised gain on investments at fair value through income statement	(6,401,939)	(6,948,922)
Gain on disposal of available for sale investments	(7,463,036)	(9,714,647)
Dividend income	(705,586)	(1,751,299)
Share of results of associates	(5,753,918)	(580,714)
Gain on sale of associated companies	(100,145)	-
Negative goodwill	(764,791)	-
Impairment of other receivables	924,359	-
Depreciation	71,058	72,646
Cost of share based payment	879,700	1,320,000
Finance cost	4,364,884	2,630,326
Murabaha, ijara and sukuk income	(939,222)	(2,502,539)
	<u>(2,404,209)</u>	<u>1,220,724</u>
Changes in operating assets and liabilities:		
Investments carried at fair value through income statement	(72,830)	(5,273,374)
Murabaha and ijara receivables	(2,227,475)	4,735,880
Amount due from bank	(13,273,300)	-
Amount due to bank	18,460,111	-
Other assets	(414,488)	1,508,582
Other liabilities	1,269,440	(1,110,177)
	<u>1,337,249</u>	<u>1,081,635</u>
Cash flows from operating activities	1,337,249	1,081,635
Murabaha, ijara and sukuk income received	1,340,735	2,502,539
Finance cost paid	(3,917,804)	(2,630,326)
	<u>(1,239,820)</u>	<u>953,848</u>
Net cash (used in) from operating activities	(1,239,820)	953,848
INVESTING ACTIVITIES		
Dividends income received	705,586	1,751,299
Purchase of available for sale investments	(37,377,214)	(27,402,803)
Proceeds from disposal of available for sale investments	23,483,944	16,471,291
Purchase of investments in associates	(6,721,859)	(32,274,183)
Proceeds from disposal of investment in associates	38,500	-
Dividend received from associate	663,869	-
Purchase of furniture and equipments	(133,881)	(37,434)
	<u>(19,341,055)</u>	<u>(41,491,830)</u>
Net cash used in investing activities	(19,341,055)	(41,491,830)
FINANCING ACTIVITIES		
Movement in murabaha payables	34,503,786	12,544,917
Purchase and sale of treasury shares, net	3,548,436	9,515,032
Issue of share capital	926,000	31,664,095
Dividends	(17,521,720)	(12,475,141)
	<u>21,456,502</u>	<u>41,248,903</u>
Net cash from financing activities	21,456,502	41,248,903
INCREASE IN BANK BALANCES AND CASH		
Net foreign exchange difference	-	(2,740,500)
Bank balances and cash at 1 January	656,868	3,141,793
	<u>875,627</u>	<u>710,921</u>
BANK BALANCES AND CASH AT 30 SEPTEMBER	<u><u>1,532,495</u></u>	<u><u>1,112,214</u></u>

The attached notes 1 to 22 form part of this interim condensed consolidated financial information.

First Investment Company K.S.C. (Closed) and its Subsidiaries
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 September 2008

	<i>Attributable to equity holders of the parent company</i>										
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	General reserve KD	Share options reserve KD	Treasury shares reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub total KD
Balance at 1 January 2008	58,767,323	32,446,612	(3,865,269)	6,945,122	6,384,300	2,137,190	999,939	14,227,683	(4,086,344)	25,707,155	139,663,711
Net realised gains on available for sale investments	-	-	-	-	-	-	-	(7,463,036)	-	-	(7,463,036)
Net unrealised gains on available for sale investments	-	-	-	-	-	-	-	(1,104,062)	-	-	(1,104,062)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(1,861,933)	-	(1,861,933)
Total income and expenses for the period recognised directly in equity	-	-	-	-	-	-	-	(8,567,098)	(1,861,933)	-	(10,429,031)
Profit for the period	-	-	-	-	-	-	-	-	-	18,345,208	18,345,208
Total income and expenses for the period	-	-	-	-	-	-	-	(8,567,098)	(1,861,933)	18,345,208	7,916,177
Cost of share based payment	-	-	-	-	-	879,700	-	-	-	-	879,700
Purchase of treasury shares	-	-	(554,859)	-	-	-	-	-	-	-	(554,859)
Sale of treasury shares	-	-	3,973,744	-	-	-	129,551	-	-	-	4,103,295
Issue of share capital	463,000	463,000	-	-	-	-	-	-	-	-	926,000
Bonus shares issued (Note 15)	5,876,732	-	-	-	-	-	-	-	-	(5,876,732)	-
Dividends paid (Note 15)	-	-	-	-	-	-	-	-	-	(17,630,197)	(17,630,197)
Minority interest on subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Balance at 30 September 2008	65,107,055	32,909,612	(446,384)	6,945,122	6,384,300	3,016,890	1,129,490	5,660,585	(5,948,277)	20,545,434	135,303,827

The attached notes 1 to 22 form part of this interim condensed consolidated financial information.

First Investment Company K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2008

	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	General reserve KD	Share options reserve KD	Treasury shares reserve KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Retained earnings KD	Sub total KD	Minority interest KD	Total KD
Balance at 1 January 2007	41,583,802	13,807,658	(8,877,658)	4,308,984	3,748,162	817,190	360,218	9,056,448	-	22,237,462	87,042,266	-	87,042,266
Net realised gain on fair value of available for sale investments during the period	-	-	-	-	-	-	-	(9,714,647)	-	-	(9,714,647)	-	(9,714,647)
Net unrealised gain on available for sale investments	-	-	-	-	-	-	-	8,582,128	-	-	8,582,128	-	8,582,128
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	(2,740,500)	-	(2,740,500)	-	(2,740,500)
Total income and expenses for the period recognised directly in equity	-	-	-	-	-	-	-	(1,132,519)	(2,740,500)	21,307,182	(3,873,019)	-	(3,873,019)
Profit for the period	-	-	-	-	-	-	-	-	-	21,307,182	21,307,182	-	21,307,182
Total income and expenses for the period	-	-	-	-	-	-	-	(1,132,519)	(2,740,500)	21,307,182	17,434,163	-	17,434,163
Cost of share based payment	-	-	-	-	-	1,320,000	-	-	-	-	1,320,000	-	1,320,000
Sale of treasury shares	-	-	8,877,658	-	-	-	637,374	-	-	-	9,515,032	-	9,515,032
Issue of share capital	13,025,141	18,638,954	-	-	-	-	-	-	-	-	31,664,095	-	31,664,095
Bonus shares issued	4,158,380	-	-	-	-	-	-	-	-	(4,158,380)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	(12,475,141)	(12,475,141)	-	(12,475,141)
Balance at 30 September 2007	58,767,323	32,446,612	-	4,308,984	3,748,162	2,137,190	997,592	7,923,929	(2,740,500)	26,911,123	134,500,415	-	134,500,415

The attached notes 1 to 22 form part of this interim condensed consolidated financial information.

First Investment Company K.S.C. (Closed) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2008

1 ACTIVITIES

The interim condensed consolidated financial information of First Investment Company K.S.C. (Closed) ("the parent company") and its Subsidiaries ("the group") for the nine months ended 30 September 2008 was authorised for issue in accordance with a resolution of the board of directors on 29 October 2008.

The parent company is a Kuwaiti closed shareholding company incorporated on 26 July 1997 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is registered with the Central Bank of Kuwait as an investment company and is listed on the Kuwait Stock Exchange.

The parent company's registered office is at Souk Al Safat, Abdullah Mubarak Street, Kuwait City.

The group is principally engaged in the provision of investment and financial services. All activities of the group are carried out in compliance with the Islamic Sharia.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the group is prepared in accordance with International Accounting Standard (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 2007.

The annual consolidated financial statements for the year ended 31 December 2007 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 a collective impairment provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described below.

In March 2007, the Central Bank of Kuwait issued a circular amending the basis of making minimum general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non cash facilities would be retained as a general provision until further directive from the Central Bank of Kuwait.

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 2007. In addition, results for the nine months ended 30 September 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008.

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 2007, except as follows:

Implementation of amendments to IAS 39, Financial Instrument: Recognition and Measurement:

On 13 October 2008, the International Accounting Standards Board (IASB) approved and published amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures to allow reclassifications of certain financial instruments held for trading to either held to maturity, loans and receivables or available for sale categories with effect from 1 July 2008.

2 BASIS OF PREPARATION (continued)

Implementation of amendments to IAS 39, Financial Instrument: Recognition and Measurement: (continued)

The group has implemented the amendments to IAS 39. As a result, the group has reclassified certain trading investments with a fair value of KD15,465,195 from the 'fair value through income statement' category to the 'available for sale' category with effect from 1 July 2008 as these investments are no longer held for the purpose of selling or repurchasing in the near term due to the impact of the global financial crisis on the local and regional equity markets.

The group has recorded unrealised losses of KD 2,156,383 in respect of the reclassified investments in cumulative changes in fair value within equity. Had the group not implemented the amendments to IAS 39, these unrealised losses would have been recorded in the interim condensed consolidated income statement.

Properties under development

Properties under development are stated at cost and are included under non-current assets. Such properties will be reclassified, after completion of construction and development, as investment in properties.

3 IMPAIRMENT OF OTHER RECEIVABLES

This pertains to management fees receivable from a related party, towards services rendered in 2006 and included in management fees receivable under 'Other Assets' in the comparative period, which was written off as a part of settlement of the outstanding balance during the three months period ended 31 March 2008 (Note 17).

4 EMPLOYEE STOCK OPTION PLAN

The parent company operates an employee stock option plan. Under this plan, the parent company may issue shares for cash to eligible employees by increasing its share capital.

On 26 March 2008 the Annual General Assembly of the parent company approved the increase of authorised share capital by 4,630,000 shares (30 September 2007: 5,500,000 shares) to cover the issuance of options to employees.

The difference between market value and exercise price of shares was KD 0.190 (30 September 2007: KD 0.240) for which an expense of KD 879,700 has been recognized in the interim condensed consolidated income statement (30 September 2007: KD 1,320,000).

During the period, all the options were exercised and 4,630,000 shares (30 September 2007: 5,500,000 shares) were issued to employees according to the purchase scheme (Note 12).

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing the profit for the period by the weighted average number of shares outstanding during the period after adjusting for treasury shares as follows:

	<u>Three months ended 30 September</u>		<u>Nine months ended 30 September</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Profit for the period (KD)	<u>5,312,856</u>	<u>7,940,783</u>	<u>18,345,208</u>	<u>21,307,182</u>
Weighted average number of shares outstanding during the period	<u>651,065,367</u>	<u>646,440,551</u>	<u>648,787,522</u>	<u>591,045,033</u>
Basic and diluted earnings per share	<u>8.16 fils</u>	<u>12.28 fils</u>	<u>28.28 fils</u>	<u>36.05 fils</u>

The earnings per share reported for the period ended 30 September 2007 has been restated for the issue of bonus shares at 10% of the paid up capital approved by the shareholders in the General Assembly meeting held on 26 March 2008.

First Investment Company K.S.C. (Closed) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2008

6 INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	30 September	<i>(Audited)</i>	
	2008	31 December	30 September
	KD	2007	2007
		KD	KD
Held for trading:			
Quoted equity securities	3,887,722	24,214,565	23,161,612
Managed funds	1,910,956	3,796,724	2,344,946
Designated:			
Real estate portfolio	22,759,257	21,010,528	8,894,060
Unquoted equity securities	196,557	196,558	429,755
	<u>28,754,492</u>	<u>49,218,375</u>	<u>34,830,373</u>

Managed funds are primarily invested in quoted securities and money market instruments. Certain managed funds are registered in the name of nominees, as nominees for the parent company.

Certain investments with a fair value of KD15,465,195 have been reclassified to available for sale investments following the implementation of amendments to IAS 39, Financial Instruments: Recognition and Measurement (Note 2).

7 AMOUNT DUE FROM (TO) BANKS

Amount due from (to) banks represents exchange of deposits with a high credit quality bank in local and foreign currencies with the legal right reserved to set off such deposits exchanged in the event that the counter party fails to repay or becomes insolvent.

8 OTHER ASSETS

	30 September	<i>(Audited)</i>	
	2008	31 December	30 September
	KD	2007	2007
		KD	KD
Receivable on sale of investments / real estate portfolio	-	-	7,410,000
Due from related parties (Note 17)	3,319,503	3,836,130	-
Other assets	2,252,082	1,024,771	4,152,081
Management fees receivable	91,143	1,767,241	1,500,000
Advance paid for the acquisition of real estate portfolio	-	1,184,314	-
	<u>5,662,728</u>	<u>7,812,456</u>	<u>13,062,081</u>

	30 September	<i>(Audited)</i> 31 December	30 September
	2008	2007	2007
	KD	KD	KD
Unquoted equity securities	42,978,358	44,290,497	43,698,271
Quoted equity securities	52,688,216	28,526,979	24,072,343
Sukuk	22,593,900	23,175,840	16,069,992
Real estate portfolio	3,267,224	6,953,510	7,084,967
Unquoted funds	814,489	1,203,955	1,671,010
Managed funds	15,997	15,997	1,396,760
	<u>122,358,184</u>	<u>104,166,778</u>	<u>93,993,343</u>

Certain unquoted equity investments amounting to KD 3,160,000 (31 December 2007: KD 3,080,190 and 30 September 2007: KD 8,895,655) are carried at cost as the acquisition price of these investments is deemed to be the fair value as these securities relates to either recently formed or acquired companies.

Certain unquoted investments amounting to KD 11,355,933 (31 December 2007: KD 7,062,819 and 30 September 2007: KD 3,026,969) are carried at cost because fair value cannot be reliably measured. Management has commenced a detailed review of its unquoted investments to assess whether impairment has occurred in the value of these investments due to the impact of the global financial crisis.

Available for sale investments include investments amounting to KD 28,462,425 (31 December 2007: KD 34,147,488 and 30 September 2007: KD 31,489,648) whose fair values are determined using recent market transactions and valuation techniques that are not based on observable market prices or rates.

Certain investments in quoted equity securities amounting to KD 12,387,176 (31 December 2007: KD 10,605,836 and 30 September 2007: KD 7,426,950) are registered in the name of nominees, as nominees for the parent company.

Sukuk are carried at cost as their fair values cannot be measured reliably. Management is of the opinion that there has been no impairment in value of these investments and, given the difficulty in arriving at a reliable and small range of valuations, believe it is more appropriate to carry these at cost. Sukuk have an original maturity of 25 years.

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10 INVESTMENT IN ASSOCIATES

	County of incorporation	Percentage of ownership	30 September 2008 KD	Percentage of ownership	(Audited) 31 December 2007 KD	Percentage of ownership	30 September 2007 KD
First Arabian Equity 2000 Fund	Kuwait	48.16%	1,212,410	47.81%	1,219,805	47.81%	1,174,161
First Real Estate Investment Company K.S.C.(Closed)	Kuwait	19.79%	3,885,933	19.79%	2,580,633	19.79%	2,562,555
First Education Company K.S.C.(Closed)	Kuwait	16.49%	2,800,504	16.49%	2,722,665	16.49%	2,722,665
First Energy Resource Company K.S.C.(Closed)	Kuwait	33.21%	9,774,595	33.29%	8,323,250	33.43%	8,358,250
Arkan Al-Kuwait Real Estate Company K.S.C.(Closed)	Kuwait	26.65%	10,488,988	21.79%	8,272,689	20.83%	7,484,483
Asian Petroleum Facilities Maintenance Company W.L.L.	Kuwait	50.00%	147,753	-	-	-	-
Q80 Valve Industries Factory	Kuwait	50.00%	475,000	-	-	-	-
First Investment Bank B.S.C.(Closed)	Bahrain	26.66%	8,546,262	24.63%	6,874,372	24.63%	7,132,756
First Gulf Equity Fund	Bahrain	19.88%	643,622	26.24%	613,014	26.24%	612,942
Sahab Al-Khalij Real Estate Company B.S.C.(Closed)	Bahrain	35.29%	2,253,556	-	-	-	-
Mashair Al-Ola L.L.C.	Saudi Arabia	30.00%	4,309,460	30.00%	4,484,525	30.00%	4,598,976
Al Madina Real Estate Tourism Company	Saudi Arabia	-	-	-	-	25.00%	6,166,080
Taameer Investment Company (O.L.L.C.)	Oman	37.40%	13,298,381	50.00%	5,908,478	28.82%	4,002,130
			<u>57,836,464</u>		<u>40,999,431</u>		<u>44,814,998</u>

During the three month period ended 31 March 2008, Taameer Investment Company (O.L.L.C.) has issued additional equity shares, which were not subscribed by the parent company. As a result of this parent company's shareholding in Taameer Investment Company (O.L.L.C.) was diluted from 50% to 27.02%.

During the three month period ended 30 September 2008, the parent company purchased additional shares in Taameer Investment Company (O.L.L.C.) amounting to KD 2,926,760 which represents an additional shareholding of 10.38%. The proportionate net assets acquired at fair value amounted to KD3,691,551 resulting in negative goodwill amounting to KD764,791.

Classification of an investment as an investment in associate where the group holds less than 20 percent of the voting power of the investee is based on the existence of significant influence exercised by the group. This is evidenced by the group's representation on the board of directors and participation in the policy and decision making process of the investee to a sufficient degree for the group to demonstrate that it has significant influence over the associate.

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11 PROPERTIES UNDER DEVELOPMENT

During the three month period ended 30 September 2008, the parent company has fair valued three plots of land in the Kingdom of Saudi Arabia resulting in unrealized gain of KD 714,529 and subsequently transferred the plots of land to a subsidiary at a carrying amount of KD29,961,041 (SAR 421,689,533).

The properties under development consist of:

	<i>KD</i>
Properties	29,485,750
Construction costs incurred to date	475,291
	<u>29,961,041</u>

12 SHARE CAPITAL

On 26 March 2008, the Annual General Meeting of the shareholders of the parent company approved the increase of authorised share capital from KD 58,767,323 to KD 65,107,055 through the following:

- 1) 58,767,323 bonus shares of 100 fils each equivalent to 10 % of paid-up share capital as at 31 December 2007.
- 2) 4,630,000 shares to cover issuance of options to employees (Note 4).

At 30 September 2008, issued and fully paid up capital of the parent company amounted to 651,070,551 shares (31 December 2007: 587,673,228 and 30 September 2007: 587,673,226 shares) of 100 fils each.

13 TREASURY SHARES

The details of treasury shares are as follows:

	<i>30 September 2008</i>	<i>31 December 2007 (Audited)</i>	<i>30 September 2007</i>
Number of shares	1,380,000	7,900,000	-
Percentage holding	0.21%	1.34%	-
Carrying cost (KD)	446,384	3,865,269	-
Market value (KD)	400,200	3,831,500	-

14 MURABAHA PAYABLES

Murabaha payables represent murabaha contracts with local financial institutions maturing within 6 months from the balance sheet date. The average effective cost attributable to these contracts ranges from 5.67 % to 10% per annum (31 December 2007: 4.5 % to 8.5 % and 30 September 2007: 6.15 % to 8.5 %).

15 BONUS SHARES ISSUED AND DIVIDEND DECLARED

On 26 March 2008, the Annual General Assembly of the shareholders of the parent company approved issue of bonus shares of 10% of paid up share capital amounting to KD 5,876,732 and cash dividend of 30 fils per share amounting to KD 17,630,197.

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16 OTHER LIABILITIES

	30 September 2008 KD	<i>(Audited)</i> 31 December 2007 KD	30 September 2007 KD
Other payables	8,138,648	5,764,724	6,705,841
Accrued expenses	3,517,925	3,909,236	-
Director's fees	-	100,000	-
	<u>11,656,573</u>	<u>9,773,960</u>	<u>6,705,841</u>

17 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel 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 group's management.

Transactions with related parties are as follows:

	<i>Associates</i> KD	<i>Other related parties</i> KD	<i>Nine months ended 30 September</i>	
			<i>2008</i> Total KD	<i>2007</i> Total KD
Interim condensed consolidated income statement				
Management fees	67,565	2,833	70,398	24,150
Impairment of other receivables	-	924,359	924,359	-
	<i>Associates</i> KD	<i>Other related parties</i> KD	<i>30 September 2008</i> Total KD	<i>(Audited)</i> <i>31 December 2007</i> 30 September 2007 KD
Interim condensed consolidated balance sheet				
Due from related parties	3,319,503	-	3,319,503	3,836,130
Murabaha and ijara receivables	-	378,780	378,780	104,000
Management fees receivable	91,143	-	91,143	1,550,678
Murabaha payables	5,497,000	-	5,497,000	7,874,952
				3,503,232

Key management compensation:

	<i>Nine months ended 30 September</i>	
	<i>2008</i> KD	<i>2007</i> KD
Key management fee	613,500	787,500
Salaries and other short term benefits	336,900	200,250
Terminal benefits	27,134	16,688
Cost of share based transaction with employees	482,125	720,000

Assets amounting to KD 10,455,207 (31 December 2007: KD 17,416,803 and 30 September 2007: KD 11,975,000) are being managed on behalf of related parties.

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18 SEGMENTAL INFORMATION

Primary segment information

For management purposes the group is organised into two major business segments. The principal activities and services under these segments are as follows:

- Islamic financing : Providing a range of Islamic products to corporate and individual customers.
 Investment : Managing real estate investments, investment securities and investment in associates.

	<i>Islamic financing KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
For the nine month period ended 30 September 2008				
Segment revenue	1,151,615	27,264,459	-	28,416,074
Segment results	777,693	18,411,855	-	19,189,548
As at 30 September 2008				
Assets and liabilities				
Segmental assets	28,241,132	238,910,181	7,361,434	274,512,747
Segmental liabilities	119,138,349	-	11,656,573	130,794,922
	<i>Islamic financing KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
For the nine month period ended 30 September 2007				
Segment revenue	2,752,857	26,647,507	-	29,400,364
Segment results	2,318,506	19,738,618	-	22,057,124
As at 30 September 2007				
Assets and liabilities				
Segmental assets	10,441,621	173,638,714	14,294,502	198,374,837
Segmental liabilities	57,168,581	-	6,705,841	63,874,422

19 FIDUCIARY ACCOUNTS

The group manages 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 September 2008 amounted to KD 79,102,574 (31 December 2007: KD 67,156,597 and 30 September 2007: KD 180,683,723).

Management fees from fiduciary activities amounted to KD 1,168,763 (30 September 2007: KD 480,745).

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20 COMMITMENTS AND CONTINGENCIES

At 30 September 2008, there are commitments in respect of available for sale investments for uncalled capital amounting to KD 3,327,075 (31 December 2007: KD 443,250 and 30 September 2007: KD 7,890,541).

There are commitments in respect of investments in associates for uncalled capital amounting to KD 9,482,000 (31 December 2007: KD 10,640,750 and 30 September 2007: KD 10,675,750).

At 30 September 2008, the group had contingent liability in respect of bank guarantees for which the management anticipates that no material liabilities will arise, amounting to KD 1,464,769 (31 December 2007: KD 1,464,769 and 30 September 2007: KD 1,364,769).

21 SUBSEQUENT EVENTS

The group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments carried at fair value through income statement (including trading securities) or available for sale investments.

Subsequent to the balance sheet date, as a result of the volatility in the GCC equity markets, there has been a decline in the some of the investments held by the group.

The decline in stock market indices subsequent to the balance sheet date up to 31 October 2008, and its approximate impact on the group, was as follows:

	<i>Effect on profit</i> KD	<i>Effect on equity</i> KD
Investments carried at fair value through income statement	(213,400)	-
Available for sale investments	-	(12,844,887)

The decline in the value of available for sale investments relates to trading investments reclassified from investments carried at fair value through income statement to available for sale investments (Note 2).

22 LIQUIDITY RISK

Liquidity risk is the risk that the group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

The table below summarises the maturity profile of the group's assets and liabilities. The maturity profile of bank balances and cash, murabaha and ijara receivables, amount due to/from bank and murabaha payables at the period end is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on the management estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

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22 LIQUIDITY RISK

The maturity profile of the assets, equity and liabilities at 30 September 2008, 31 December 2007 and 30 September 2007 was as follows:

<i>30 September 2008</i>	<i>Within 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS					
Bank balances and cash	1,532,495	-	-	-	1,532,495
Investments carried at fair value through income statement	28,754,492	-	-	-	28,754,492
Murabaha and ijara receivables	13,270,341	-	1,697,491	-	14,967,832
Amount due from bank	13,273,300	-	-	-	13,273,300
Other assets	5,662,728	-	-	-	5,662,728
Available for sale investments	-	27,863,898	-	94,494,286	122,358,184
Investment in associates	-	1,799,540	-	56,036,924	57,836,464
Properties under development	-	14,680,910	-	15,280,131	29,961,041
Furniture and equipment	-	-	-	166,211	166,211
TOTAL ASSETS	62,493,356	44,344,348	1,697,491	165,977,552	274,512,747
EQUITY AND LIABILITIES					
Equity	-	-	-	143,717,825	143,717,825
Murabaha payables	86,878,238	13,800,000	-	-	100,678,238
Amount due to bank	18,460,111	-	-	-	18,460,111
Other liabilities	11,656,573	-	-	-	11,656,573
TOTAL EQUITY AND LIABILITIES	116,994,922	13,800,000	-	143,717,825	274,512,747
NET LIQUIDITY GAP	(54,501,566)	30,544,348	1,697,491	22,259,727	-

Based on contractual maturities, murabaha payables amounting to KD 39,237,388 matured in October 2008, which have been renewed for a further period of three months.

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22 LIQUIDITY RISK (continued)

<i>31 December 2007</i>	<i>Within 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS					
Bank balances and cash	656,868	-	-	-	656,868
Investments carried at fair value through income statement	49,218,375	-	-	-	49,218,375
Murabaha and ijara receivables	9,174,972	1,909,874	1,008,119	593,362	12,686,327
Amount due from bank	-	-	-	-	-
Other assets	7,780,956	-	-	31,500	7,812,456
Available for sale investments	-	-	-	104,166,778	104,166,778
Investment in associates	-	-	-	40,999,431	40,999,431
Properties under development	-	-	-	-	-
Furniture and equipment	-	-	-	103,388	103,388
TOTAL ASSETS	66,831,171	1,909,874	1,008,119	145,894,459	215,643,623
EOUITY AND LIABILITIES					
Equity	-	-	-	139,695,211	139,695,211
Murabaha payables	50,884,452	10,000,000	5,290,000	-	66,174,452
Amount due to bank	-	-	-	-	-
Other liabilities	9,773,960	-	-	-	9,773,960
TOTAL EQUITY AND LIABILITIES	60,658,412	10,000,000	5,290,000	139,695,211	215,643,623
NET LIQUIDITY GAP	6,172,759	(8,090,126)	(4,281,881)	6,199,248	-

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22 LIQUIDITY RISK (continued)

<i>30 September 2007</i>	<i>Within 3 months KD</i>	<i>3 to 6 months KD</i>	<i>6 to 12 months KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS					
Bank balances and cash	1,112,214	-	-	-	1,112,214
Investments carried at fair value through income statement	34,830,373	-	-	-	34,830,373
Murabaha and ijara receivables	7,906,740	1,245,508	1,289,373	-	10,441,621
Amount due from bank	-	-	-	-	-
Other assets	13,062,081	-	-	-	13,062,081
Available for sale investments	-	-	-	93,993,343	93,993,343
Investment in associates	-	-	-	44,814,998	44,814,998
Properties under development	-	-	-	-	-
Furniture and equipment	-	-	-	120,207	120,207
TOTAL ASSETS	56,911,408	1,245,508	1,289,373	138,928,548	198,374,837
EQUITY AND LIABILITIES					
Equity	-	-	-	134,500,415	134,500,415
Murabaha payables	44,331,105	2,837,476	10,000,000	-	57,168,581
Amount due to bank	-	-	-	-	-
Other liabilities	6,705,841	-	-	-	6,705,841
TOTAL EQUITY AND LIABILITIES	51,036,946	2,837,476	10,000,000	134,500,415	198,374,837
NET LIQUIDITY GAP	5,874,462	(1,591,968)	(8,710,627)	4,428,133	-

As a result of the ongoing global credit crisis, financial markets around the region have been subject to certain liquidity stresses. The management is currently reviewing its asset realisation strategy, funding arrangements etc. and the above liquidity risk table reflects the management's current intention for assets liquidation and contractual maturity of financial assets and undiscounted financial liabilities.