

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

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

31 MARCH 2011

Ali Al Hassawi & Partners

P.O. Box: 22351 Safat 13084 Kuwait
Sharq - Dasman Complex - Block 2 - 9 Floor
Tel 22464574-6 /22426862-3 Fax: 22414956
Email: info-kuwait@rodime.com
www.rodime.com

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

Report on the Interim Condensed Consolidated Financial Information*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of First Investment Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (the "Group") as at 31 March 2011 and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three month 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 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.

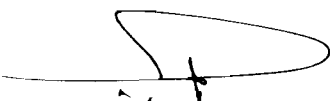
Conclusion

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.

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 account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Commercial Companies Law of 1960, as amended, or of the Articles of Association of the Parent Company during the period ended 31 March 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 three month period ended 31 March 2011.



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



ALI A. AL-HASAWI
LICENCE NO. 30 A
RÖDL MIDDLE EAST
BURGAN - INTERNATIONAL ACCOUNTANTS

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period ended 31 March 2011

	Notes	<i>Three months ended 31 March</i>	
		<i>2011</i>	<i>2010</i>
		<i>KD</i>	<i>KD</i>
INCOME			
Murabaha and ijara income		18,400	70,414
Realised (loss) gain on financial assets at fair value through income statement		(845,801)	277,901
Unrealised gain on financial assets at fair value through income statement		1,691,405	110,521
Loss on disposal of investment properties		(94,002)	-
(Loss) gain on disposal of financial assets available-for-sale		(30,234)	799,541
Gain on disposal of properties under development		1,600,864	-
Management fees		109,062	137,467
Dividend income		44,582	56,563
Share of results of associates		(1,414)	(1,419,885)
Other income		59,398	78,016
		<u>2,552,260</u>	<u>110,538</u>
EXPENSES			
Provision against murabaha and ijara receivables - net		134,431	-
Impairment of financial assets available-for-sale	6	12,573	-
Provision for other assets		-	479,425
Staff costs		256,843	248,599
Foreign exchange loss (gain)		493,694	(98,091)
Depreciation		12,744	14,235
Finance costs		1,304,135	1,515,807
Other expenses		126,684	79,531
		<u>2,341,104</u>	<u>2,239,506</u>
PROFIT (LOSS) FOR THE PERIOD		<u>211,156</u>	<u>(2,128,968)</u>
Attributable to:			
Owners of the Parent Company		(194,719)	(2,127,997)
Non-controlling interests		405,875	(971)
		<u>211,156</u>	<u>(2,128,968)</u>
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	3	<u>(0.30) fils</u>	<u>(3.27) fils</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 31 March 2011

	<i>Three months ended 31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>
Profit (loss) for the period	211,156	(2,128,968)
Other comprehensive income		
Financial assets available-for-sale:		
Unrealised loss on financial assets available-for-sale	(349,088)	(2,239,563)
Impairment of financial assets available-for-sale	12,573	-
Net unrealised loss on financial assets available-for-sale	(336,515)	(2,239,563)
Share of other comprehensive (loss) income of associates	(320,049)	152,326
Exchange differences on translation of foreign operations	(843,980)	524,236
Other comprehensive loss for the period	(1,500,544)	(1,563,001)
Total comprehensive loss for the period	(1,289,388)	(3,691,969)
Attributable to:		
Owners of the Parent Company	(1,519,294)	(3,792,000)
Non-controlling interests	229,906	100,031
	(1,289,388)	(3,691,969)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2011

		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
<i>Notes</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS			
Bank balances and cash	4	5,907,514	9,054,170
Financial assets at fair value through income statement	5	23,480,501	20,993,238
Murabaha and ijara receivables		2,828,376	2,995,217
Financial assets available-for-sale	6	88,993,730	90,187,508
Investment in associates	7	48,893,066	49,208,962
Properties under development	8	27,701,737	36,771,351
Investment properties		-	1,950,803
Other assets	9	9,415,067	7,734,077
Furniture and equipment		62,947	78,493
TOTAL ASSETS		207,282,938	218,973,819
EQUITY AND LIABILITIES			
Equity			
Share capital	10	65,107,055	65,107,055
Share premium		21,490,583	21,490,583
Statutory reserve		7,275,988	7,275,988
General reserve		-	7,046,396
Share options reserve		3,016,890	3,016,890
Treasury shares reserve		1,090,539	1,090,539
Cumulative changes in fair value		(3,132,089)	(2,735,106)
Foreign currency translation reserve		(607,970)	319,622
Accumulated losses		(10,710,928)	(10,516,209)
Equity attributable to owners of the Parent Company		83,530,068	85,049,362
Non-controlling interests		9,161,806	8,931,900
Total equity		92,691,874	93,981,262
Liabilities			
Murabaha and sukuk payables	11	108,431,792	108,303,095
Other liabilities	12	6,159,272	16,689,462
Total liabilities		114,591,064	124,992,557
TOTAL EQUITY AND LIABILITIES		207,282,938	218,973,819

Mohammad M. Al-Gharaiba
Chairman

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

First Investment Company K.S.C. (Closed) and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
 Period ended 31 March 2011

	<i>Atributable to owners of the Parent Company</i>										<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i> <i>KD</i>	<i>Share premium</i> <i>KD</i>	<i>Statutory reserve</i> <i>KD</i>	<i>General reserve</i> <i>KD</i>	<i>Share options reserve</i> <i>KD</i>	<i>Treasury shares reserve</i> <i>KD</i>	<i>Cumulative changes in fair value</i> <i>KD</i>	<i>Foreign currency translation reserve</i> <i>KD</i>	<i>Accumulated losses</i> <i>KD</i>	<i>Sub total</i> <i>KD</i>		
As at 1 January 2011	65,107,055	21,490,583	7,275,988	-	3,016,890	1,090,539	(2,735,106)	319,622	(10,516,209)	85,049,362	8,931,900	93,981,262
(Loss) profit for the period	-	-	-	-	-	-	-	-	(194,719)	(194,719)	405,875	211,156
Other comprehensive loss for the period	-	-	-	-	-	(396,983)	(927,592)	-	-	(1,324,575)	(175,969)	(1,500,544)
Total comprehensive (loss) income for the period	-	-	-	-	-	(396,983)	(927,592)	(194,719)	(194,719)	(1,519,294)	229,906	(1,289,388)
At 31 March 2011	65,107,055	21,490,583	7,275,988	-	3,016,890	1,090,539	(3,132,089)	(607,970)	(10,710,928)	83,530,068	9,161,806	92,691,874
As at 1 January 2010	65,107,055	32,909,612	7,275,988	7,046,396	3,016,890	1,090,539	(821,862)	2,306,257	(18,465,425)	99,465,450	9,394,740	108,860,190
Loss for the period	-	-	-	-	-	-	-	-	(2,127,997)	(2,127,997)	(971)	(2,128,968)
Other comprehensive (loss) income for the period	-	-	-	-	-	(2,239,563)	575,560	-	-	(1,664,003)	101,002	(1,563,001)
Total comprehensive (loss) income for the period	-	-	-	-	-	(2,239,563)	575,560	(2,127,997)	(2,127,997)	(3,792,000)	100,031	(3,691,969)
At 31 March 2010	65,107,055	32,909,612	7,275,988	7,046,396	3,016,890	1,090,539	(3,061,425)	2,881,817	(20,593,422)	95,673,450	9,494,771	105,168,221

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

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(UNAUDITED)

Period ended 31 March 2011

	Notes	Three months ended 31 March	
		2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit (loss) for the period		211,156	(2,128,968)
Adjustments for:			
Depreciation		12,744	14,235
Finance costs		1,304,135	1,515,807
Murabaha and ijara income		(18,400)	(70,414)
Realised loss (gain) on financial assets at fair value through income statement		845,801	(277,901)
Unrealised gain on financial assets at fair value through income statement		(1,691,405)	(110,521)
Loss (gain) on disposal of financial assets available-for-sale		30,234	(799,541)
Gain on disposal of properties under development		(1,600,864)	-
Loss on disposal of investment properties		94,002	-
Dividend income		(44,582)	(56,563)
Share of results of associates		1,414	1,419,885
Impairment of financial assets available-for-sale	6	12,573	-
Provision against murabaha and ijara receivables – net		134,431	-
Provision against other assets		-	479,425
Foreign exchange loss (gain)		493,694	(98,091)
		(215,067)	(112,647)
Changes in operating assets and liabilities:			
Financial assets at fair value through income statement		(2,018,646)	(680,598)
Murabaha and ijara receivables		39,250	33,000
Other assets		138,562	(516,223)
Other liabilities		(91,491)	(697,321)
		(2,147,392)	(1,973,789)
Murabaha and ijara income received		11,560	5,014
Finance costs paid		(3,214,824)	(1,086,327)
Net cash flows used in operating activities		(5,350,656)	(3,055,102)
INVESTING ACTIVITIES			
Dividend income received		44,582	34,703
Proceeds from disposal of financial assets available-for-sale		77,464	1,960,744
Proceeds from disposal of investment properties		1,856,801	-
Purchase of investment in associates		(5,567)	-
Additions to properties under development		-	(478,567)
Purchase of furniture and equipment		(619)	-
Net cash flows from investing activities		1,972,661	1,516,880
FINANCING ACTIVITIES			
Net movement in murabaha and sukuk payables		231,339	1,327,742
Net cash flows from financing activities		231,339	1,327,742
NET DECREASE IN BANK BALANCES AND CASH		(3,146,656)	(210,480)
Bank balances and cash at 1 January		9,054,170	2,591,465
BANK BALANCES AND CASH AT 31 MARCH	4	5,907,514	2,380,985

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2011

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of First Investment Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively the "Group") for the three months period ended 31 March 2011 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 12 June 2011.

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 and is regulated by the Central Bank of Kuwait (CBK) as an investment company. The Parent Company's registered office is at Souk Al Safat, Abdullah Mubarak Street, Kuwait City.

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

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2011 have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* except as noted below.

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 CBK. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for IAS 39 *Financial Instruments: Recognition and Measurement* requirement for a collective impairment provision, which has been replaced by CBK's requirement for a minimum general provision made on all applicable credit facilities that are not provided specifically.

The interim condensed consolidated financial information does not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010. 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 three months period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010 except for the adoption of new standards and interpretations as of 1 January 2011, noted below:

IAS 24 Related Party Transactions (Amendment)

The IASB has issued an amendment to IAS 24 that clarifies the definition of a related party. The new definition emphasise a symmetrical view of related party transactions as well as clarifying in which circumstances persons and key management personnel affect related party relationship of an entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 34 Interim Financial Reporting (Revised)

Improvement to IAS 34 introduces the concept of "Significant events and transactions" and has brought in additional disclosures for changes in business and economic circumstances, transfers between levels of the fair value hierarchy used and changes in the classification of financial assets resulting from change in the purpose or use of those assets. Adoption of this improvement did not have any material impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2011

3 BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

Basic and diluted loss per share is computed by dividing the loss for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended 31 March</i>	
	<u>2011</u>	<u>2010</u>
Loss for the period attributable to owners of the Parent Company (KD)	<u>(194,719)</u>	<u>(2,127,997)</u>
Weighted average number of shares outstanding during the period	<u>651,070,551</u>	<u>651,070,551</u>
Basic and diluted loss per share attributable to owners of the Parent Company	<u>(0.30) fils</u>	<u>(3.27) fils</u>

The Parent Company had no outstanding dilutive potential shares.

4 BANK BALANCES AND CASH

	<i>31 March</i>	<i>(Audited)</i> <i>31 December</i>	<i>31 March</i>
	<u>2011</u> <i>KD</i>	<u>2010</u> <i>KD</i>	<u>2010</u> <i>KD</i>
Cash	400	400	400
Bank balances	<u>5,907,114</u>	<u>9,053,770</u>	<u>2,380,585</u>
	<u>5,907,514</u>	<u>9,054,170</u>	<u>2,380,985</u>

Bank balances include KD 2,765,394 (31 December 2010: KD 4,754,636 and 31 March 2010: KD 828,151), held with portfolio managers, which can only be used for trading in securities listed on the Saudi Stock Exchange.

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>31 March</i>	<i>(Audited)</i> <i>31 December</i>	<i>31 March</i>
	<u>2011</u> <i>KD</i>	<u>2010</u> <i>KD</i>	<u>2010</u> <i>KD</i>
Held for trading			
Quoted equity securities	1,206,488	124,707	5,902,936
Managed funds	591,899	657,223	781,364
Designated			
Real estate portfolio	21,485,556	20,014,750	22,372,237
Unquoted equity securities	196,558	196,558	196,558
	<u>23,480,501</u>	<u>20,993,238</u>	<u>29,253,095</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2011

6 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	<i>31 March</i>	<i>(Audited)</i>	
	<i>2011</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD</i>	<i>2010</i>	<i>2010</i>
		<i>KD</i>	<i>KD</i>
Unquoted equity securities	46,868,817	47,321,330	34,602,450
Quoted equity securities	17,708,185	18,132,385	34,055,181
Sukuk	23,538,042	23,831,238	24,498,720
Unquoted funds	571,498	583,676	653,567
Managed funds	307,188	318,879	181,788
	<u>88,993,730</u>	<u>90,187,508</u>	<u>93,991,706</u>

Unquoted equity securities amounting to KD 33,003,088 (31 December 2010: KD 33,455,601 and 31 March 2010: KD 34,602,450) are carried at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these investments and the Group intends to hold them for the long term. Management has performed a review of its unquoted equity securities to assess whether impairment has occurred in the value of these investments. Based on the latest available financial information, management is of the view that no further impairment is required as at 31 March 2011 in respect of these investments.

Certain investments in unquoted equity securities amounting to KD 8,504,938 (31 December 2010: KD 8,621,979 and 31 March 2010: KD 8,779,302) are registered in the names of nominees, as nominees for the Parent Company. These nominees have confirmed in writing that the Parent Company is the beneficial owner of these quoted equity securities.

During the current period, the Group has recorded impairment loss of KD 12,573 (31 March 2010: Nil) on quoted equity securities where there has been a significant or prolonged decline in fair value.

Sukuk are carried at cost as their fair values cannot be measured reliably. Management is of the opinion that there is no impairment in the value of these sukuk and given the difficulty in arriving at a reliable valuation, it is more appropriate to carry these at cost. The issuer of the sukuk has confirmed its commitment to buy back these sukuk.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2011

7 INVESTMENT IN ASSOCIATES

	County of incorporation	(Audited)					
		31 March 2011		31 December 2010		31 March 2010	
		Percentage of ownership	KD	Percentage of ownership	KD	Percentage of ownership	KD
Adeem Capital (Saudi Closed Joint Stock Company)	Saudi Arabia	40.00%	1,730,979	40.00%	1,786,060	40%	1,958,398
Arkan Al-Kuwait Real Estate Company K.S.C. (Closed)	Kuwait	28.90%	9,966,763	28.86%	9,879,337	28.86%	10,107,152
Asian Petroleum Facilities Maintenance Company W.L.L.	Kuwait	50.00%	-	50.00%	-	50%	70,487
First Arabian Equity 2000 Fund	Bahrain	-	-	-	-	42.73%	644,617
First Education Company K.S.C. (Closed)	Kuwait	16.49%	2,324,638	16.49%	2,324,638	16.49%	2,243,492
First Energy Resource Company K.S.C. (Closed)	Kuwait	33.21%	6,312,969	33.21%	6,457,228	33.21%	7,309,680
First Investment Bank B.S.C. (Closed)	Bahrain	26.66%	8,316,864	26.66%	8,449,886	26.66%	8,650,964
First Real Estate Investment Company K.S.C. (Closed)	Kuwait	19.79%	3,111,792	19.79%	3,089,598	19.79%	3,017,277
Mashair Al-Ola L.L.C.	Saudi Arabia	30.00%	4,497,980	30.00%	4,554,008	30.00%	4,681,560
Q80 Valve Industries Factory	Kuwait	50.00%	325,534	50.00%	325,534	50.00%	475,000
Sahab Al-Khalij Real Estate Company B.S.C. (Closed)	Bahrain	35.29%	1,858,011	35.29%	1,888,160	35.29%	2,026,984
Taameer Investment Company (O.L.L.C.)	Oman	37.40%	10,447,536	37.40%	10,454,513	37.40%	11,018,934
			48,893,066		49,208,962		52,204,545

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2011

8 PROPERTIES UNDER DEVELOPMENT

	<i>31 March 2011 KD</i>	<i>(Audited) 31 December 2010 KD</i>	<i>31 March 2010 KD</i>
At 1 January	36,771,351	34,725,180	34,725,180
Additions	1,777,771	2,792,450	478,567
Disposals	(10,524,469)	-	-
Foreign currency adjustment	(322,916)	(746,279)	235,979
	<u>27,701,737</u>	<u>36,771,351</u>	<u>35,439,726</u>

9 OTHER ASSETS

	<i>31 March 2011 KD</i>	<i>(Audited) 31 December 2010 KD</i>	<i>31 March 2010 KD</i>
Advance paid for acquisition of property under development	-	3,520,024	3,554,603
Receivable for sale of property under development	3,597,323	-	-
Due from related parties	3,319,503	3,319,503	3,319,503
Other receivables	4,839,129	5,247,278	3,989,198
Management fees receivable	98,290	97,248	58,145
	<u>11,854,245</u>	<u>12,184,053</u>	<u>10,921,449</u>
	<u>(2,439,178)</u>	<u>(4,449,976)</u>	<u>(2,790,224)</u>
	<u>9,415,067</u>	<u>7,734,077</u>	<u>8,131,225</u>

Movement in provision for other assets is as follows:

	<i>31 March 2011 KD</i>	<i>(Audited) 31 December 2010 KD</i>	<i>31 March 2010 KD</i>
At 1 January	4,449,976	2,310,799	2,310,799
Charge for the period	-	2,246,076	479,425
Utilised	(2,010,798)	(106,899)	-
	<u>2,439,178</u>	<u>4,449,976</u>	<u>2,790,224</u>

10 SHARE CAPITAL AND DIVIDENDS

At 31 March 2011, the authorised, issued and fully paid up capital of the Parent Company amounted to 651,070,551 (31 December 2010: 651,070,551 and 31 March 2010: 651,070,551) shares of 100 fils each.

On 9 May 2011, the Annual General Assembly of the shareholders of the parent company approved no cash dividends or bonus shares for the year ended 31 December 2010. It was further approved to write-off accumulated losses of KD 10,516,209 against statutory reserve of KD 7,275,988 and share premium of KD 3,240,221.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2011

11 MURABAHA AND SUKUK PAYABLES

	<i>31 March</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>31 March</i> <i>2010</i> <i>KD</i>
Murabaha payables	66,334,792	66,206,095	112,947,373
Sukuk payable (Note 13)	42,097,000	42,097,000	-
	<u>108,431,792</u>	<u>108,303,095</u>	<u>112,947,373</u>

Murabaha payables represent murabaha contracts with various financial institutions which includes KD 5,000,000 (31 December 2010: KD 5,700,000 and 31 March 2010: KD 5,700,000) from a related party (Note 13). The average effective cost attributable to these contracts ranges from 1.95% to 5.00% (31 December 2010: 3.13% to 7.75% and 31 March 2010: 3.25% to 7.75%) per annum.

Murabaha facility amounting to KD 5,181,330 (31 December 2010: KD 5,245,872 and 31 March 2010: KD 6,548,400) is for a period of one year. The terms of the financing agreement restrict the use of the facility to trading in Tadawul listed Shariah compliant shares.

On 16 September 2010, the Parent Company entered into a restructuring agreement with one financial institution, a related party, which settled its entire obligations and liabilities under murabaha payables amounting to KD 42,097,000 by issuing a sukuk certificate by FIC Sukuk Company Limited, a Cayman Island special purpose vehicle ("SPV"). The SPV has been established by the Parent Company to hold on trust all rights, title interests and benefits of the sukuk assets for the sukuk holders pro rata according to the principal amount of certificates held by each sukuk holder under the terms of the restructuring agreement with the financial institutions. As part of the restructuring agreement, the Parent Company will transfer the beneficial interest of certain assets (includes financial assets at fair value through income statement, financial assets available-for-sale and investment in associates) ("Sukuk Assets") to the SPV which will hold these assets in trust for the sukuk held by the financial institution.

On 20 February 2011, the Parent Company entered into a revised restructuring agreement (which included the financial institution referred to above), with a group of financial institutions ("Sukuk Holders"), that will settle the Parent Company's total obligations and liabilities of KD 92,190,000, comprising sukuk payables of KD 42,097,000 and murabaha payable of KD 50,093,000. Under the terms of the revised restructuring agreement, the Parent Company is required to transfer the beneficial interest of certain assets in addition to the Sukuk Assets ("Total Sukuk Assets") to the SPV. The SPV will issue sukuk certificates to Sukuk Holders after;

- a) transfer of all Kuwaiti Sukuk Assets within 90 days, and
- b) transfer of 80% of Total Sukuk Assets within 180 days of the agreement date by the Parent Company to SPV.

The proceeds from sale of the Total Sukuk Assets will be used by the SPV for repayment of the sukuk payables. The revised agreement also requires that the value of Sukuk Assets shall not be less than 150% of the sukuk payables.

Repayment of the sukuk payables will be after every six months with the first payment due on 31 March 2012 and the last payment due on 30 September 2015. The profit rate of the sukuk payables is 6 month CBK discount rate plus 250 basis points per annum.

The terms of the revised restructuring agreement include, among other things, certain restrictions on the payment of dividends and a requirement to maintain a minimum ratio of total liabilities to total equity of 1.5:1 of the Group.

12 OTHER LIABILITIES

	<i>31 March</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>31 March</i> <i>2010</i> <i>KD</i>
Advance received for sale of properties under Development	-	8,498,309	-
Other payables	4,645,334	4,735,986	5,712,678
Accrued expenses	1,513,938	3,455,167	2,807,088
	<u>6,159,272</u>	<u>16,689,462</u>	<u>8,519,766</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2011

13 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, managed funds, 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:

Interim condensed consolidated income Statement	Associates KD	Other related parties KD	Three months ended 31 March	
			Total 2011 KD	Total 2010 KD
Management fees	-	39,605	39,605	32,140
Finance costs	21,637	519,004	540,641	652,126

Interim condensed consolidated statement of financial position	Associates KD	Other related parties KD	Total 31 March 2011 KD	(Audited)	
				31 December 2010 KD	31 March 2010 KD
Murabaha payables (Note 11)	5,000,000	-	5,000,000	5,700,000	5,700,000
Sukuk payable (Note 11)	-	42,097,000	42,097,000	42,097,000	-
Management fees receivable	-	26,931	26,931	25,441	31,078
Due from related parties (Note 9)	3,319,503	-	3,319,503	3,319,503	3,319,503
Provision for due from related parties	1,659,752	-	1,659,752	1,659,752	-

Key management personnel compensation

	Three months ended 31 March	
	2011 KD	2010 KD
Salaries and other short term benefits	50,900	58,275
Terminal benefits	12,598	7,900
	<u>63,498</u>	<u>66,175</u>

Other transactions

The Group also manages portfolios on behalf of related parties amounting to KD 41,450,936 (31 December 2010: KD 41,575,048 and 31 March 2010: KD 46,191,113) which are not reflected in the Group's interim condensed consolidated statement of financial position.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2011

14 SEGMENTAL INFORMATION

For management purposes, the Group is organised into three major geographical segments:

- Kuwait
- Saudi Arabia
- Others

Management monitors the operating results of its geographical segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

The following table presents segment results, assets and liabilities information regarding the Group's geographical segments:

	Kuwait		Saudi Arabia		Others		Total	
	2011 KD	2010 KD	2011 KD	2010 KD	2011 KD	2010 KD	2011 KD	2010 KD
Three months ended 31 March								
Segment revenue	5,481	(1,158,184)	2,519,370	1,303,816	27,409	(35,094)	2,552,260	110,538
Segment expenses	(2,301,845)	(2,208,315)	(39,259)	(31,191)	-	-	(2,341,104)	(2,239,506)
Segment results	(2,296,364)	(3,366,499)	2,480,111	1,272,625	27,409	(35,094)	211,156	(2,128,968)
At 31 March								
Segment assets	48,221,317	49,768,341	117,203,598	133,496,400	41,858,023	43,370,619	207,282,938	226,635,360
Segment liabilities	100,205,392	103,557,011	9,098,196	12,210,128	5,287,476	5,700,000	114,591,064	121,467,139

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2011

15 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 has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of bank balances and cash, 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, and murabaha payables at the reporting date is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on management's estimate of liquidation of those financial assets. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of assets and liabilities are as follows:

	<i>Maturing within one year</i>			<i>Sub-total</i>	<i>Over 1 year</i>	<i>Total</i>
	<i>Within 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>			
<i>At 31 March 2011</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
TOTAL ASSETS	5,054,893	40,248,694	27,618,403	72,921,990	134,360,948	207,282,938
TOTAL LIABILITIES	7,866,303	56,912,004	2,627,247	67,405,554	47,185,510	114,591,064
NET LIQUIDITY GAP	(2,811,410)	(16,663,310)	24,991,156	5,516,436	87,175,438	92,691,874

	<i>Maturing within one year</i>			<i>Sub-total</i>	<i>Over 1 year</i>	<i>Total</i>
	<i>Within 3 months</i>	<i>3 to 6 months</i>	<i>6 to 12 months</i>			
<i>At 31 December 2010 (Audited)</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
TOTAL ASSETS	11,160,671	46,077,866	26,421,253	83,659,790	135,314,029	218,973,819
TOTAL LIABILITIES	62,830,535	8,722,784	6,162,346	77,715,665	47,276,892	124,992,557
NET LIQUIDITY GAP	(51,669,864)	37,355,082	20,258,907	5,944,125	88,037,137	93,981,262

As disclosed in the tables above, the Group's liabilities due within three months exceed its assets by KD 2,811,410 (31 December 2010: KD 51,669,864) and due within three to six months exceed by KD 16,663,310 (31 December 2010: Nil)

The Group is dependent on availability of continued support from the financial institutions. As at 31 March 2011, murabaha payable of KD 3,260,742 had matured but not settled.

Subsequent to the reporting date up to the date of issuance of this interim condensed consolidated financial information, murabaha payables of KD 7,799,720 have matured. Management has renewed the terms of settlement of matured murabaha payable of KD 7,699,720 and paid KD 100,000.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2011

16 COMMITMENTS AND CONTINGENCIES

Commitments

	<i>31 March</i>	<i>(Audited)</i>	
	<i>2011</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD</i>	<i>2010</i>	<i>2010</i>
		<i>KD</i>	<i>KD</i>
Uncalled capital of financial assets available-for-sale	250,000	250,000	375,000
Uncalled capital of investment in associates	-	-	8,323,250
Capital commitments for properties under development	-	-	8,847,713
Operating lease rentals due within one year	54,248	72,330	82,197
Contingent liability in respect of bank guarantees	-	-	1,919,305
Total commitments	<u>304,248</u>	<u>322,330</u>	<u>19,547,465</u>

Contingencies

At the reporting date, the Group had bank guarantees amounting to KD 1,364,769 (31 December 2010: KD 1,364,769 and 31 March 2010: KD 1,919,305) for which the management anticipates that no material liabilities will arise. These expire within a period of 12 months from the reporting date.