

**Gulf Investment House K.S.C. (Closed) and
Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION**

31 MARCH 2011 (UNAUDITED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Investment House 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 statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity 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 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 condensed 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.



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LICENCE NO. 68 A
OF ERNST & YOUNG



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

Gulf Investment House K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

31 March 2011 (Unaudited)

	Notes	Three months ended 31 March	
		2011 KD	2010 KD
INCOME			
Murabaha and wakala income		17,636	60,413
Placement, arrangement and management fee		89,747	447,705
Realised gain on sale of financial assets at fair value through income statement		11,391	1,163
Unrealised loss on financial assets at fair value through income statement	5	(14,231)	(908,202)
Realised gain on sale of financial assets available for sale		-	1,005,158
Share of results of associates	7	(191,441)	(248,217)
Dividend income		181,294	15,834
Realised gain on sale of investment properties		-	103,181
Realised gain on sale of trading properties		15,000	-
Rental income from investment properties		23,645	29,062
Other income		17,464	36,700
		150,505	542,797
EXPENSES			
Administrative expenses		(109,603)	(126,387)
Staff cost		(153,384)	(306,719)
Foreign exchange loss		(30,561)	(209,209)
(Provision for) reversal of credit losses		(137)	36,645
Impairment of financial assets available for sale		-	(343,993)
Murabaha charges		(639,718)	(787,788)
Investment expenses		(1,676)	(37,864)
		(935,079)	(1,775,315)
LOSS FOR THE PERIOD		(784,574)	(1,232,518)
Basic and diluted loss per share	3	(1.86) fils	(2.92) fils

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME

31 March 2011 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>
Loss for the period	(784,574)	(1,232,518)
Other comprehensive income		
Change in fair value of financial assets available for sale	-	661,165
Transfer to interim condensed consolidated income statement on sale of financial assets available for sale	-	(1,005,158)
Transfer to interim condensed consolidated income statement on impairment	-	343,993
Other comprehensive income	-	-
Total comprehensive loss for the period	(784,574)	(1,232,518)

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011 (Unaudited)

		31 March 2011 KD	(Audited) 31 December 2010 KD	31 March 2010 KD
	<i>Notes</i>			
ASSETS				
Bank balances and short-term deposits	4	2,900,430	3,089,635	8,976,942
Financial assets at fair value through income statement	5	6,773,804	7,107,535	10,838,373
Trading properties		-	865,000	865,000
Financial assets available for sale	6	17,066,531	17,066,531	22,534,771
Wakala receivables		2,759,426	6,404,995	2,989,355
Investment in associates	7	40,570,434	40,761,875	46,537,701
Investment properties		4,751,185	4,751,185	5,777,091
Other assets		1,224,958	1,499,499	1,821,217
Furniture and equipment		128,882	115,132	220,510
TOTAL ASSETS		76,175,650	81,661,387	100,560,960
EQUITY AND LIABILITIES				
Equity				
Share capital		44,219,114	44,219,114	44,219,114
Share premium		658,108	658,108	658,108
Share options reserve		737,322	737,322	737,322
Other reserves		15,021,094	15,021,094	15,021,094
Cumulative changes in fair values		(1,136,360)	(1,136,360)	(1,035,306)
Treasury shares	8	(7,847,874)	(7,847,874)	(7,847,874)
Treasury shares reserve		940,578	940,578	940,578
Accumulated losses		(29,093,270)	(28,308,696)	(11,967,981)
Total equity		23,498,712	24,283,286	40,725,055
Liabilities				
Murabaha payables	9	50,963,324	55,146,578	57,764,692
Other liabilities		1,713,614	2,231,523	2,071,213
Total liabilities		52,676,938	57,378,101	59,835,905
TOTAL EQUITY AND LIABILITIES		76,175,650	81,661,387	100,560,960

Waleed Abdul Rahman Al-Rowaih
(Vice Chairman)

Bader Abdullah Al Ali
(Chief Executive Officer)

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

31 March 2011 (Unaudited)

	Notes	Three months ended	
		31 March	
		2011	2010
		KD	KD
OPERATING ACTIVITIES			
Loss for the period		(784,574)	(1,232,518)
<i>Non-cash adjustment to reconcile loss for the period to net cash flows:</i>			
Depreciation		28,250	39,141
Share of results of associates	7	191,441	248,217
Realised gain on sale of financial assets available for sale		-	(1,005,158)
Realised gain on sale of investment properties		-	(103,181)
Realised gain on sale of trading properties		(15,000)	-
Dividend income		(181,294)	(15,834)
Provision for (reversal of) credit losses		137	(36,645)
Impairment of financial assets available for sale		-	343,993
Murabaha charges		639,718	787,788
Working capital adjustments:			
Financial assets at fair value through income statement		333,731	918,703
Wakala receivables		3,645,432	1,326,171
Other assets		274,541	317,532
Other liabilities		(499,229)	73,886
Net cash from operating activities		<u>3,633,153</u>	<u>1,662,095</u>
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(42,000)	-
Capital redemption of financial assets available for sale		-	148,961
Proceeds from sale of financial assets available for sale		-	2,276,062
Investment in associates		-	(802,000)
Dividends received from others		181,294	8,640
Proceeds from sale of investment properties		-	857,562
Proceeds from sale of trading properties		880,000	-
Net cash from investing activities		<u>1,019,294</u>	<u>2,489,225</u>
FINANCING ACTIVITIES			
Dividends paid		(18,680)	(17,701)
Net movement in murabaha payables		(4,183,254)	(2,352,410)
Murabaha charges paid		(639,718)	(787,788)
Net movement in restricted bank accounts		18,680	17,701
Net cash used in financing activities		<u>(4,822,972)</u>	<u>(3,140,198)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(170,525)	1,011,122
Cash and cash equivalents at beginning of the period		<u>2,637,803</u>	<u>7,441,508</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4	<u><u>2,467,278</u></u>	<u><u>8,452,630</u></u>

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 March 2011 (Unaudited)

	Share capital KD	Share premium KD	Share options reserve KD	Other reserves				Cumulative changes in fair values KD	Treasury shares reserve KD	Accumulated losses KD	Total equity KD
				Statutory reserve KD	Voluntary reserve KD	Sub-total KD	Treasury shares KD				
At 1 January 2011	44,219,114	658,108	737,322	8,755,890	6,265,204	15,021,094	(1,136,360)	940,578	(28,308,696)	24,283,286	
Loss and total comprehensive loss for the period	-	-	-	-	-	-	-	-	(784,574)	(784,574)	
As at 31 March 2011	44,219,114	658,108	737,322	8,755,890	6,265,204	15,021,094	(1,136,360)	940,578	(29,093,270)	(23,498,712)	
At 1 January 2010	44,219,114	658,108	737,322	8,755,890	6,265,204	15,021,094	(1,035,306)	940,578	(10,735,463)	41,957,573	
Loss and total comprehensive loss for the period	-	-	-	-	-	-	-	-	(1,232,518)	(1,232,518)	
As at 31 March 2010	44,219,114	658,108	737,322	8,755,890	6,265,204	15,021,094	(1,035,306)	940,578	(11,967,981)	40,725,055	

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2011 (Unaudited)

1 CORPORATE INFORMATION

This interim condensed consolidated financial information of Gulf Investment House K.S.C. (Closed) (the "Parent Company") and its subsidiaries (the "Group") for the period ended 31 March 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 16 May 2011.

The Annual General Assembly for the year ended 31 December 2010 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2010 have not yet been approved.

The Parent Company is a Kuwaiti closed shareholding company registered and incorporated in State of Kuwait on 8 September 1998 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.

The Group is primarily engaged in investment activities and related financial and advisory services. All activities of the Group are carried out in compliance with the Noble Islamic Sharee'a, as approved by the Parent Company's Fatwa and Sharee'a Supervisory Board.

The Parent Company's registered head office is at Dar Al-Awadi Tower, Sharq, Kuwait City, P.O. Box 28808 Safat, 13149 Safat, Kuwait.

The major shareholders of the Parent Company have announced their intention to pursue a merger of the Parent Company with First Investment Company K.S.C. (Closed). Detailed studies were completed during the year ended 31 December 2010, however, the final decision is still pending with the major shareholders of the Parent Company and First Investment Company K.S.C. (Closed).

2 BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group is prepared in accordance with IAS 34, "Interim Financial Reporting" except as noted below:

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2010. The audited consolidated financial statements for the year ended 31 December 2010 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collateral) that are not provided specifically.

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2011:

IAS 24 Related party disclosures (Revised)

The amended Standard clarified the definition of a related party and laid down additional requirement for disclosure of outstanding commitments to related parties. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 34 Interim Financial Reporting

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 interim condensed consolidated financial information does not contain all information and disclosures required for full financial information prepared in accordance with the International Financial Reporting Standards, 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 period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2011 (Unaudited)

3 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed by dividing the loss for the period by the weighted average number of shares of the Parent Company, less treasury shares, outstanding during the period.

Diluted loss per share is calculated by dividing the loss for the period by the weighted average number of shares of the Parent Company, less treasury shares, outstanding during the period (adjusted for the effects of dilutive share options).

Basic and diluted loss per share for the period presented in the interim condensed consolidated income statement is calculated as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>
Loss for the period	(784,574)	(1,232,518)
	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares for basic and diluted loss per share (excluding treasury shares)	421,655,945	421,655,945
	<i>Fils</i>	<i>Fils</i>
Basic and diluted loss per share	(1.86)	(2.92)

During the current period, the effect of outstanding share options has not been considered in the computation of diluted loss per share as the result is anti-dilutive.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following amounts:

	<i>31 March</i>	<i>(Audited)</i>	
		<i>31 December</i>	<i>31 March</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and short-term deposits	2,900,430	3,089,635	8,976,942
Less: balances in restricted bank accounts	(433,152)	(451,832)	(524,312)
	2,467,278	2,637,803	8,452,630

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>31 March</i>	<i>(Audited)</i>	
		<i>31 December</i>	<i>31 March</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Held for trading:			
Quoted securities	-	32,000	27,400
Designated at fair value through income statement:			
Quoted securities	1,476,399	1,772,791	1,546,844
Unquoted securities	4,596,676	4,596,676	8,316,282
Quoted funds managed by external fund managers	700,729	706,068	947,847
	6,773,804	7,107,535	10,838,373

Gulf Investment House K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2011 (Unaudited)

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT (continued)

Fair values of certain unquoted equity investments are determined using valuation techniques that are not based on observable market prices or rates.

Unrealised loss is analysed as follows:

	Three months ended	
	31 March	
	2011	2010
	KD	KD
<i>Held for trading:</i>		
- Quoted securities	-	(998)
<i>Designated at fair value through income statement:</i>		
- Quoted securities	(8,892)	(64,041)
- Unquoted securities	-	(843,163)
- Quoted funds managed by external fund managers	(5,339)	-
	<u>(14,231)</u>	<u>(908,202)</u>

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	(Audited)		
	31 March	31 December	31 March
	2011	2010	2010
	KD	KD	KD
Investments carried at fair value	7,781,900	7,781,900	12,220,718
Investments carried at cost less impairment	9,284,631	9,284,631	10,314,053
	<u>17,066,531</u>	<u>17,066,531</u>	<u>22,534,771</u>

Financial assets available for sale represent investments which are acquired with the intention of capital appreciation over a medium to long-term time frame. The nature of some of these investments is such that a reasonable estimate of fair value can only be determined when the individual investments are realised or disposed of. Based on specific information, the management has recorded impairment loss of KD Nil (period ended 31 March 2010: KD 343,993) in the interim condensed consolidated income statement.

7 INVESTMENT IN ASSOCIATES

	(Audited)		
	31 March	31 December	31 March
	2011	2010	2010
	KD	KD	KD
<i>Carrying amount of investment in associates</i>			
Balance at the beginning of the period	40,761,875	45,983,918	45,983,918
Additions	-	802,000	802,000
Share of results	(191,441)	(5,833,943)	(248,217)
Dividends received	-	(190,100)	-
	<u>40,570,434</u>	<u>40,761,875</u>	<u>46,537,701</u>

Gulf Investment House K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2011 (Unaudited)

8 TREASURY SHARES

	31 March 2011	<i>(Audited)</i> 31 December 2010	31 March 2010
Number of treasury shares	20,535,195	20,535,195	20,535,195
Percentage of issued shares	4.64%	4.64%	4.64%
Market value (KD)	1,067,830	893,281	1,451,154

9 MURABAHA PAYABLES

	31 March 2011 KD	<i>(Audited)</i> 31 December 2010 KD	31 March 2010 KD
Gross amount	51,473,450	55,926,513	58,518,405
Less: deferred cost	(510,126)	(779,935)	(753,713)
	<u>50,963,324</u>	<u>55,146,578</u>	<u>57,764,692</u>

10 RELATED PARTY TRANSACTIONS

These represent transactions with major shareholders, directors and executive officers of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The Parent Company's management approves pricing policies and terms of these transactions. Significant transactions with Group's related parties included are as follows:

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	<i>Major shareholders KD</i>	<i>Other related parties KD</i>	31 March 2011 KD	<i>(Audited)</i> 31 December 2010 KD	31 March 2010 KD
Bank balances and short-term deposits	2,880,631	-	2,880,631	3,062,542	5,317,517
Staff loans receivables	-	14,121	14,121	16,106	12,955
Murabaha payables	46,466,698	-	46,466,698	46,968,888	33,535,390

Transactions with related parties included in the interim condensed consolidated income statement are as follows:

	<i>Major shareholders KD</i>	<i>Other related parties KD</i>	<i>Three months ended 31 March</i>	
			2011 KD	2010 KD
Murabaha charges	567,234	-	567,234	381,946
Realised gain on sale of trading properties	15,000	-	15,000	-
Realised gain on sale of financial assets at fair value through income statement	12,457	-	12,457	-

Gulf Investment House K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2011 (Unaudited)

10 RELATED PARTY TRANSACTIONS (continued)

Key management compensation:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	107,095	137,700
Terminal benefits	5,209	153,430
	112,304	291,130

11 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into three main business segments based on internal reporting provided to the chief operating decision maker:

Islamic financing : Providing a range of Islamic products to corporate customers;
 Investment : Managing direct investments and investments in subsidiaries and associates; and
 Real estate : Managing trading and investment properties.

	<i>Islamic financing</i>	<i>Investment</i>	<i>Real estate</i>	<i>Unallocated</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Three months ended					
31 March 2011					
Segment income	<u>17,636</u>	<u>76,760</u>	<u>38,645</u>	<u>17,464</u>	<u>150,505</u>
Segment result	<u>17,499</u>	<u>(564,634)</u>	<u>38,645</u>	<u>(276,084)</u>	<u>(784,574)</u>
31 March 2011					
Total assets	<u>2,759,426</u>	<u>68,536,157</u>	<u>4,751,185</u>	<u>128,882</u>	<u>76,175,650</u>
Three months ended					
31 March 2010					
Segment income	<u>60,413</u>	<u>313,441</u>	<u>132,243</u>	<u>36,700</u>	<u>542,797</u>
Segment result	<u>(690,730)</u>	<u>(261,720)</u>	<u>116,338</u>	<u>(396,406)</u>	<u>(1,232,518)</u>
31 March 2010					
Total assets	<u>2,989,355</u>	<u>90,709,004</u>	<u>6,642,091</u>	<u>220,510</u>	<u>100,560,960</u>

12 COMMITMENTS

At 31 March 2011, there is a commitment in respect of financial assets available for sale for uncalled capital amounting to KD 967,785 (31 December 2010: KD 4,527,315 and 31 March 2010: KD 1,296,315).