

**Privatization Holding Company K.S.C. (Closed)
and its Subsidiaries**

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

30 SEPTEMBER 2012

Auditors & Consultants

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

We have reviewed the accompanying interim condensed consolidated statement of financial position of Privatization Holding Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 September 2012 and the related interim condensed consolidated statements of income, comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows 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 International Financial Reporting Standard, IAS 34, *Interim Financial Reporting* ("IAS 34"). 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 IAS 34.

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, as amended, during the nine months period ended 30 September 2012 that might have had a material effect on the business of the Parent Company or on its financial position.



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



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LICENCE NO. 94-A
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AL-QATAMI, AL-AIBAN & PARTNERS

Privatization Holding Company K.S.C. (Closed) and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

Period ended 30 September 2012

		Three months ended 30 September		Nine months ended 30 September	
	Notes	2012 KD	2011 KD	2012 KD	2011 KD
CONTINUED OPERATIONS					
INCOME					
Realised gain on financial assets at fair value through income statement		75,435	125,572	160,120	188,233
Unrealised gain (loss) on financial assets at fair value through income statement		272,951	(754,033)	74,812	(2,514,293)
Gain on sale of financial assets available-for-sale		11,295	354,842	130,172	6,923,191
Dividend income		587	15,516	1,983,634	2,331,943
Interest income		108,497	60,102	224,992	121,890
Murabaha income		104,795	-	104,795	-
Share of results of associates	5	215,339	24,362	547,361	211,653
Gain (loss) on sale of investment in associates	5 (b)	3,362,504	-	3,362,504	(163,639)
Gain on sale of an equity interest in a subsidiary	5 (a)	-	-	37,802	-
Foreign exchange (loss) gain		(88,610)	(113,911)	(250,874)	493,594
Revenue from services		1,904,619	1,918,538	3,875,358	2,615,813
Other income (expense)	3	2,950	42,031	1,089,898	(3,533)
		<u>5,970,362</u>	<u>1,673,019</u>	<u>11,340,574</u>	<u>10,204,852</u>
EXPENSES					
Cost of services rendered		(1,316,693)	(1,569,915)	(2,557,167)	(2,209,875)
Administrative expenses		(509,992)	(300,152)	(1,669,699)	(965,426)
Portfolio management fees		(22,398)	(18,957)	(50,641)	(57,681)
Finance costs		(596,941)	(466,314)	(1,535,801)	(1,470,248)
Revaluation loss on an investment property		-	-	(496,559)	-
Impairment loss on financial assets available-for-sale		-	(181,227)	(1,163,560)	(1,937,412)
Amortisation of intangibles		(69,916)	(69,915)	(209,748)	(209,747)
		<u>(2,515,940)</u>	<u>(2,606,480)</u>	<u>(7,683,175)</u>	<u>(6,850,389)</u>
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS BEFORE TAXATION					
		<u>3,454,422</u>	<u>(933,461)</u>	<u>3,657,399</u>	<u>3,354,463</u>
Taxation		(127,419)	43,626	(127,911)	(103,604)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS					
		<u>3,327,003</u>	<u>(889,835)</u>	<u>3,529,488</u>	<u>3,250,859</u>
DISCONTINUED OPERATIONS					
Gain on sale of a subsidiary	8 (b)	-	-	-	394,485
PROFIT (LOSS) FOR THE PERIOD					
		<u>3,327,003</u>	<u>(889,835)</u>	<u>3,529,488</u>	<u>3,645,344</u>
Attributable to:					
Equity holders of the Parent Company		3,283,078	(975,653)	3,554,037	3,373,112
Non-controlling interests		43,925	85,818	(24,549)	272,232
		<u>3,327,003</u>	<u>(889,835)</u>	<u>3,529,488</u>	<u>3,645,344</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>4.5 fils</u>	<u>(1.3) fils</u>	<u>4.9 fils</u>	<u>4.6 fils</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>4.5 fils</u>	<u>(1.3) fils</u>	<u>4.9 fils</u>	<u>4.0 fils</u>

The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

Privatization Holding Company K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 30 September 2012

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit (loss) for the period	3,327,003	(889,835)	3,529,488	3,645,344
Other comprehensive income				
Change in fair values of financial assets available-for-sale	6,605,674	(7,697,955)	4,703,354	(17,490,319)
Realised gain on sale of financial assets available-for-sale	(11,295)	(354,842)	(130,172)	(6,923,191)
Change in fair value on reclassification from available-for-sale investment to associate	-	-	-	313,459
Impairment loss on financial assets available-for-sale transferred to the interim condensed consolidated statement of income	-	181,227	1,163,560	1,937,412
Share of cumulative changes in fair values of associates (Note 5)	67,452	(183,655)	33,195	(292,453)
Share of foreign currency translation reserve of associates (Note 5)	12,177	25,631	83,090	(212,688)
Other comprehensive income (loss) for the period	6,674,008	(8,029,594)	5,853,027	(22,667,780)
Total comprehensive income (loss) for the period	10,001,011	(8,919,429)	9,382,515	(19,022,436)
Attributable to:				
Equity holders of the Parent Company	9,944,972	(8,996,574)	9,368,831	(19,281,480)
Non-controlling interests	56,039	77,145	13,684	259,044
	10,001,011	(8,919,429)	9,382,515	(19,022,436)


The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

Privatization Holding Company K.S.C. (Closed) and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)

At 30 September 2012

		30 September 2012 KD	(Audited) 31 December 2011 KD	30 September 2011 KD
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment		9,383,250	11,352,100	7,020,186
Intangible assets		2,359,919	2,816,144	2,886,060
Investment in associates	5	13,461,152	14,865,658	14,725,462
Held-to-maturity investment		2,700,000	2,700,000	-
Murabaha receivable	6	15,104,795	-	-
Financial assets available-for-sale	7	76,823,113	70,496,564	65,662,754
Investment property		2,634,555	3,131,114	3,137,476
Due from sale of investment in a subsidiary		-	-	965,016
		<u>122,466,784</u>	<u>105,361,580</u>	<u>94,396,954</u>
Current assets				
Due from sale of investment in subsidiaries	8	1,650,000	74,722,640	73,822,640
Accounts receivable and prepayments		25,180,737	12,488,073	10,779,266
Financial assets at fair value through income statement	9	15,027,319	16,182,161	18,404,501
Bank balances and cash	10	7,565,085	19,169,536	25,220,782
		<u>49,423,141</u>	<u>122,562,410</u>	<u>128,227,189</u>
TOTAL ASSETS		<u>171,889,925</u>	<u>227,923,990</u>	<u>222,624,143</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		73,828,000	73,828,000	73,828,000
Share premium		24,761,544	24,761,544	24,761,544
Statutory reserve		633,735	633,735	206,369
General reserve		633,735	633,735	206,369
Treasury shares	11	(615,886)	(456,873)	(269,459)
Treasury shares reserve		1,539,865	1,316,339	1,304,884
Cumulative changes in fair value		2,520,278	(3,211,426)	(4,584,910)
Foreign currency translation reserve		(250)	(83,340)	(161,140)
Retained earnings		5,129,050	5,266,413	5,324,148
Equity attributable to equity holders of the Parent Company		<u>108,430,071</u>	<u>102,688,127</u>	<u>100,615,805</u>
Non-controlling interests		287,990	902,793	741,140
Total equity		<u>108,718,061</u>	<u>103,590,920</u>	<u>101,356,945</u>
Non-current liabilities				
Term loan	12	15,000,000	-	6,850,000
Employees' end of service benefits		487,420	382,305	359,316
		<u>15,487,420</u>	<u>382,305</u>	<u>7,209,316</u>
Current liabilities				
Accounts payable and accruals		2,380,573	3,405,882	1,559,283
Bank overdraft	10	5,164,666	7,960,436	7,036,138
Term loans	12	40,139,205	112,584,447	105,462,461
		<u>47,684,444</u>	<u>123,950,765</u>	<u>114,057,882</u>
Total liabilities		<u>63,171,864</u>	<u>124,333,070</u>	<u>121,267,198</u>
TOTAL EQUITY AND LIABILITIES		<u>171,889,925</u>	<u>227,923,990</u>	<u>222,624,143</u>


Riyadh S.A. Edrees
Chairman


Dr. Mithqal Sartawi
Managing Director

The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

Privatization Holding Company K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 September 2012

	Attributable to equity holders of the Parent Company											
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2012	73,828,000	24,761,544	633,735	633,735	(456,873)	1,316,339	(3,211,426)	(83,340)	5,266,413	102,688,127	902,793	103,590,920
Profit (loss) for the period	-	-	-	-	-	-	-	-	3,554,037	3,554,037	(24,549)	3,529,488
Other comprehensive income for the period	-	-	-	-	-	-	5,731,704	83,090	-	5,814,794	38,233	5,853,027
Total comprehensive income for the period	-	-	-	-	-	-	5,731,704	83,090	3,554,037	9,368,831	13,684	9,382,515
Purchase of treasury shares	-	-	-	-	(1,015,671)	-	-	-	-	(1,015,671)	-	(1,015,671)
Sale of treasury shares	-	-	-	-	856,658	223,526	-	-	-	1,080,184	-	1,080,184
Disposal of an indirectly held subsidiary (Note 5)	-	-	-	-	-	-	-	-	-	-	-	-
Dividend (Note 14)	-	-	-	-	-	-	-	-	(3,691,400)	(3,691,400)	(320,517)	(320,517)
At 30 September 2012	73,828,000	24,761,544	633,735	633,735	(615,886)	1,539,865	2,520,278	(250)	5,129,050	108,430,071	287,990	108,718,061
As at 1 January 2011	79,380,000	24,761,544	206,369	206,369	(5,547,736)	1,298,027	17,856,994	51,548	1,951,036	120,164,151	138,370	120,302,521
Profit for the period	-	-	-	-	-	-	-	-	3,373,112	3,373,112	272,232	3,645,344
Other comprehensive loss for the period	-	-	-	-	-	-	(22,441,904)	(212,688)	-	(22,654,592)	(13,188)	(22,667,780)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(22,441,904)	(212,688)	3,373,112	(19,281,480)	259,044	(19,022,436)
Purchase of treasury shares	-	-	-	-	(289,186)	-	-	-	-	(289,186)	-	(289,186)
Sale of treasury shares	-	-	-	-	19,727	2,593	-	-	-	22,320	-	22,320
Cancellation of treasury shares	(5,552,000)	-	-	-	5,547,736	4,264	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
Disposal of indirectly held subsidiary	-	-	-	-	-	-	-	-	-	-	(180,000)	(180,000)
Acquisition of indirectly held subsidiary	-	-	-	-	-	-	-	-	-	-	160,000	160,000
At 30 September 2011	73,828,000	24,761,544	206,369	206,369	(269,459)	1,304,884	(4,584,910)	(161,140)	5,324,148	100,615,805	741,140	101,356,945

The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

Privatization Holding Company K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 30 September 2012

		Nine months ended 30 September	
		2012	2011
	Notes	KD	KD
OPERATING ACTIVITIES			
Profit for the period from continuing operations		3,529,488	3,250,859
Profit for the period from discontinued operations		-	394,485
		<u>3,529,488</u>	<u>3,645,344</u>
Adjustments for:			
Depreciation		626,597	386,599
Amortisation of intangibles		209,748	209,747
Provision for employees' end of service benefits		159,895	67,723
Impairment loss on financial assets available-for-sale	6 (e)	1,163,560	1,937,412
Gain on sale of financial assets available-for-sale		(130,172)	(6,923,191)
Revaluation loss on an investment property		496,559	-
Realised gain on financial assets at fair value through income statement		(160,120)	(188,233)
Unrealised (gain) loss on financial assets at fair value through income statement		(74,812)	2,514,293
Dividend income		(1,983,634)	(2,331,943)
Interest income		(224,992)	(121,890)
Profit from murabaha receivables		(104,795)	-
Finance costs		1,535,801	1,470,248
Foreign exchange loss (gain)		250,874	(493,594)
(Gain) loss on sale of investment in associates	5 (b)	(3,362,504)	163,639
Share of results of associates	5	(547,361)	(211,653)
Gain on sale of property, plant and equipment		3,163	-
Gain on sale of a subsidiary	5 (a), 8 (b)	(37,802)	(394,485)
		<u>1,349,493</u>	<u>(269,984)</u>
Working capital changes:			
Accounts receivable and prepayments		(8,436,977)	836,522
Financial assets at fair value through income statement		1,389,774	560,452
Accounts payable and accruals		792,388	(1,430,050)
Cash flow used in operating activities		<u>(4,905,322)</u>	<u>(303,060)</u>
Taxation paid		(103,547)	(68,860)
Employees' end of service benefits paid		(13,255)	(2,163)
Net cash flows used in operating activities		<u>(5,022,124)</u>	<u>(374,083)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(784,860)	(263,477)
Proceeds from sale of property, plant and equipment		227,108	-
Purchase of investment in associates	5	-	(4,963,219)
Dividend received from associates	5	1,018,052	275,594
Repayment of capital by an associate		-	1,863,845
Proceeds from sale of investment in associates		-	941,089
Purchase of financial assets available-for-sale		(4,310,738)	(19,356,109)
Proceeds from sale of financial assets available-for-sale		2,687,543	34,916,333
Murabaha receivable		(15,000,000)	-
Interest income received		126,218	121,890
Dividend income received		1,983,634	2,331,943
Purchase of investment property		-	(3,137,476)
Disposal of a subsidiary, net of cash disposed		(16,400)	(157,056)
Receipt of amount due from sale of investment in subsidiaries	8 (b)	400,000	-
Acquisition of a subsidiary, net of cash acquired		-	(403,018)
Net cash flows (used in) from investing activities		<u>(13,669,443)</u>	<u>12,170,339</u>
FINANCING ACTIVITIES			
Purchase of treasury shares		(1,015,671)	(289,186)
Proceeds from sale of treasury shares		1,080,184	22,320
Finance costs paid		(1,390,604)	(1,366,373)
Dividends paid		(3,791,023)	(180,000)
Term loan obtained		15,000,000	6,850,000
Repayment of short term loan		-	(698,250)
Capital contribution from non-controlling interests		-	160,000
Net cash flows from financing activities		<u>9,882,886</u>	<u>4,498,511</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(8,808,681)</u>	<u>16,294,767</u>
Cash and cash equivalents at 1 January		11,209,100	1,889,877
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	10	<u>2,400,419</u>	<u>18,184,644</u>

The attached notes 1 to 16 form part of the interim condensed consolidated financial information.

Privatization Holding Company K.S.C. (Closed) and its Subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2012

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Privatization Holding Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") for the nine months period ended 30 September 2012 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 12 November 2012.

The Parent Company is a Kuwaiti shareholding company registered in Kuwait on 10 October 1994 and is listed on Kuwait Stock Exchange. It is licensed to invest in Kuwaiti and foreign shareholding companies and limited liability companies and to participate in the establishment and management of such entities. The Parent Company is also licensed to lend to such entities and act as their guarantor. The Parent Company may also invest in real estate, hold patents and copy rights, and advance loans to associates. The Parent Company's registered office is located in Sharq, Ahmad Al-Jaber Street, Dar Al-Awadi Tower, 23rd Floor, P.O. Box 4323, Safat 13104, Kuwait.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2012 is prepared in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011. 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 nine months period ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2011 except for accounting policy of investment property. As at 31 December 2011, the Group had erroneously adopted the cost model accounting policy for the investment property instead of the fair value model. During the period, the Group has rectified the error and it has no impact on the consolidated financial statements for the year ended 31 December 2011 and interim condensed financial information for the nine months period ended 30 September 2012.

3 OTHER INCOME

During the period, one of the subsidiaries (Gas & Oils Field Services Company K.S.C. (Closed)) transferred the leasehold rights of certain lands to a third party resulting in a gain of KD 1,080,000. The amount of the consideration is expected to be received in the near future and is included in accounts receivable and prepayments as of the reporting date.

4 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share attributable to equity holders of the Parent Company is calculated by dividing the profit (loss) for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period less treasury shares as follows:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Profit (loss) for the period attributable to equity holders of the Parent Company	<u>3,283,078</u>	<u>(975,653)</u>	<u>3,554,037</u>	<u>3,373,112</u>
Weighted average number of shares	<u>732,382,667</u>	<u>734,245,652</u>	<u>730,377,376</u>	<u>735,970,696</u>
Basic and diluted earnings (loss) per share	<u>4.5 fils</u>	<u>(1.3) fils</u>	<u>4.9 fils</u>	<u>4.6 fils</u>

Privatization Holding Company K.S.C. (Closed) and its Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)

At 30 September 2012

4 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (continued)

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Profit (loss) for the period from continuing operations attributable to equity holders of the Parent Company (KD)	<u>3,283,078</u>	<u>(975,653)</u>	<u>3,554,037</u>	<u>2,978,627</u>
Weighted average number of shares outstanding during the period	<u>732,382,667</u>	<u>734,245,652</u>	<u>730,377,376</u>	<u>735,970,696</u>
Basic and diluted earnings (loss) per share from continuing operations	<u>4.5 fils</u>	<u>(1.3) fils</u>	<u>4.9 fils</u>	<u>4.0 fils</u>

The weighted average number of shares outstanding during the period is calculated after adjusting for treasury shares as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Weighted average number of paid up shares	<u>738,280,000</u>	<u>738,280,000</u>	<u>738,280,000</u>	<u>738,280,000</u>
Less: Weighted average number of treasury shares	<u>(5,897,333)</u>	<u>(4,034,348)</u>	<u>(7,902,624)</u>	<u>(2,309,304)</u>
Weighted average number of shares outstanding during the period	<u>732,382,667</u>	<u>734,245,652</u>	<u>730,377,376</u>	<u>735,970,696</u>

5 INVESTMENT IN ASSOCIATES

The movement in investment in associates is as follows:

	<i>30 September 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>30 September 2011 KD</i>
Opening balance	14,865,658	11,953,337	11,953,337
Additions	-	4,963,214	4,963,219
Transfer from financial assets available-for-sale	-	1,277,924	1,277,924
Transfer from investment in subsidiary (a)	587,396	-	-
Disposals	(1,637,496)	(2,899,933)	(1,036,091)
Repayment of capital by an associate	-	-	(1,863,845)
Dividends received	(1,018,052)	(275,594)	(275,594)
Share of results	547,361	520,726	211,653
Cumulative changes in fair values	33,195	(539,128)	(292,453)
Foreign currency translation adjustment	83,090	(134,888)	(212,688)
Closing balance	<u>13,461,152</u>	<u>14,865,658</u>	<u>14,725,462</u>

(a) On 4 June 2012, the Group disposed 12.4% equity interest in Eastern United Petroleum Services Company W.L.L. ("EUPS") (previously indirectly held subsidiary of the Group with equity interest of 60.7%), for net consideration of KD 190,000 and recognised a gain of KD 37,802 in the interim condensed consolidated statement of income. As a result of this disposal, the Group's equity interest in EUPS decreased to 48.3%. Accordingly, the Group derecognised non-controlling interests amounting to KD 320,517. From the date of loss of control, EUPS is treated as an associate of the Group and accounted for in accordance with IAS 28 *Investments in Associates*.

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5 INVESTMENT IN ASSOCIATES (continued)

- (b) On 11 September 2012, the Parent Company disposed 12% equity interest in Kingdom Electricity Company ("KEC") to a related party for consideration of KD 5,000,000 and recognised a gain of KD 3,362,504 in the interim condensed consolidated statement of income (Note 13). As a result of this disposal, the Group's equity interest in KEC decreased to 18%. However, the investment in KEC is still classified as associate because the Parent Company exercises significant influence over the investee company through representation on its Board of Directors and participation in their decision making process in relation to their financial and operating policies. The amount of the consideration, which is expected to be received by 31 May 2013, is included in accounts receivable and prepayments as of the reporting date. The Parent Company has not transferred the ownership of shares in KEC to the buyer which will be done when the buyer fully settles the sale consideration. Subsequent to the reporting date the Parent Company has received KD 1,000,000.

6 MURABAHA RECEIVABLE

Based on a Murabaha Agreement dated 9 August 2012, the Parent Company participated in a murabaha facility to an entity (a related party) (Note 13) secured against shares of a listed entity. The murabaha facility carries profit at the rate of 5% per annum and matures in 36 months.

7 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	30 September 2012 KD	(Audited) 31 December 2011 KD	30 September 2011 KD
Quoted equity securities	57,005,347	50,696,285	46,965,610
Unquoted equity securities	16,849,547	16,849,547	15,714,516
Mutual funds	2,968,219	2,950,732	2,982,628
	76,823,113	70,496,564	65,662,754

- (a) Quoted equity securities include investments with a carrying value of KD 3,115,808 (31 December 2011: KD 5,717,979 and 30 September 2011: KD 32,023,698) managed by related parties (Note 13). At the reporting date, the Parent Company also held shares of related parties with a carrying value of KD 18,901,454 (31 December 2011: KD 13,222,082 and 30 September 2011: KD 15,760,227) (Note 13).
- (b) Mutual funds include investments with a carrying value of KD 202,304 (31 December 2011: KD 223,614 and 30 September 2011: KD 2,982,628) managed by a related party (Note 13).
- (c) Mutual funds are carried at net asset values provided by the fund managers and portfolio managers.
- (d) Unquoted equity securities 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 financial assets and the Group intends to hold them for the long term.
- (e) Management has performed a review of financial assets available-for-sale to assess whether impairment has occurred and recorded impairment loss of KD 1,163,560 (30 September 2011: KD 1,937,412) in the interim condensed consolidated income statement.
- (f) Previously, the Group reclassified a trading investment with a fair value of KD 3,412,981 from the "financial assets at fair value through income statement" to "financial assets available-for-sale" category. As at 30 September 2012, the carrying value of the reclassified trading investment amounted to KD 275,608 (31 December 2011: KD 275,608 and 30 September 2011: KD 3,412,981). The Group has recorded a total impairment loss of KD 3,137,373 in previous years on this reclassified investment.

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8 DUE FROM SALE OF INVESTMENT IN SUBSIDIARIES

- (a) In 2008, the Parent Company sold its wholly owned subsidiaries, Ajwan General Trading and Contracting Company W.L.L. for a total consideration of KD 78,672,640 to a third party. An amount of KD 6,000,000 was collected in 2010 and during the period the remaining balance of KD 72,672,640 was settled against the term loan from National Bank of Kuwait ("NBK") as the third party has accepted the assignment of NBK term loan (Note 12).
- (b) In March 2011, the Parent Company sold its wholly owned subsidiary, Loloah Privatization for General Trading & Contracting Company W.L.L. ("Loloah"), for a total consideration of KD 2,300,000 which resulted in a gain of KD 394,485. Under the terms of the agreement with the buyer, KD 250,000 was received in 2011 and KD 400,000 was received during the period. The remaining amount of KD 1,650,000 is overdue as at the reporting date, of which KD 400,000 is expected to be paid in cash and the remaining amount of KD 1,250,000 is expected to be settled by transfer of title of a real estate property in Egypt. The Parent Company has not transferred the ownership of shares in Loloah to the buyer which will be done when the buyer fully settles the amount due from sale of investment in subsidiary. Subsequent to the reporting date the Parent Company has received KD 150,000.

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	30 September 2012 KD	(Audited) 31 December 2011 KD	30 September 2011 KD
Held for trading			
Quoted equity securities	3,619,355	4,508,230	6,679,568
Designated			
Unquoted equity security	10,672,634	10,672,634	10,672,634
Mutual funds	735,330	1,001,297	1,052,299
	<u>15,027,319</u>	<u>16,182,161</u>	<u>18,404,501</u>

Quoted equity securities include investments with a carrying value of KD 65,013 (31 December 2011: KD 49,735 and 30 September 2011: KD 3,107,321) managed by related parties (Note 13). At the reporting date, the Parent Company also held shares of a related party with a carrying value of KD 37,500 (31 December 2011: KD 28,000 and 30 September 2011: KD 26,000) (Note 13).

Mutual funds are carried at net asset values provided by the fund managers and portfolio managers.

Unquoted equity security is registered in the name of a major shareholder of the Parent Company who has confirmed in writing that it holds this security on behalf of the Parent Company (Note 13).

10 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise of the following:

	30 September 2012 KD	(Audited) 31 December 2011 KD	30 September 2011 KD
Bank balances and cash	7,565,085	19,169,536	25,220,782
Bank overdraft	(5,164,666)	(7,960,436)	(7,036,138)
	<u>2,400,419</u>	<u>11,209,100</u>	<u>18,184,644</u>

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11 TREASURY SHARES

	30 September 2012	(Audited) 31 December 2011	30 September 2011
Number of shares	9,183,284	8,040,000	5,440,000
Percentage of issued shares	1.24%	1.09%	0.74%
Cost (KD)	615,886	456,873	269,459
Market value (KD)	642,830	522,600	320,960

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

12 TERM LOANS

On 11 August 2012, the Parent Company obtained a secured term loan of KD 15,000,000 from a local financial institution which is repayable on 10 August 2015. It carries interest at the rate of 5% per annum. The term loan is secured against certain portfolios maintained by the Parent Company with a third party whose value should not be below twice the amount of outstanding loan balance.

Term loans include KD 2,327,360 (31 December 2011: KD 75,000,000 and 30 September 2011: KD 75,000,000) obtained by the Parent Company from NBK. This loan is unsecured and bears interest at the rate of 4% (31 December 2011: 4% and 30 September 2011: 4%) per annum over the CBK discount rate. During the current period, the term loan of KD 72,672,640 was settled against the amount due from sale of subsidiaries (Note 8 (a)) on assignment of term loan by NBK to the third party which is guaranteed by the Parent Company and Al Khair National for Stocks and Real Estate Company (Note 15).

Term loans amounting to KD 30,961,845 (31 December 2011: KD 30,734,447 and 30 September 2011: KD 30,462,461) represents revolving short-term credit facilities from local banks. Any withdrawals are repayable within 90 days of the withdrawal date or renewable for further period of 90 days and are subject to interest rates ranging between 1.75% to 2.5% (31 December 2011: 1.75% to 2.5% and 30 September 2011: 1.25% to 1.5%) per annum over the CBK discount rate or 3 months LIBOR.

Term loans also includes Tawarruq finance amounting to KD 6,850,000 (31 December 2011: KD 6,850,000 and 30 September 2011: 6,850,000) with a total deferred profit of KD 498,079 from a local bank. The Tawarruq is payable in 12 monthly installments of KD 612,340 starting from 20 January 2012 and is secured by a guarantee from the Parent Company. The Group rescheduled the repayment of principal portion of installments due in January to September 2012 amounting to KD 5,137,500 for payment in nine equal installments payable in January to September 2013.

13 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, 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.

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Transactions with related parties included in the interim condensed consolidated financial information are as follows:

Interim condensed consolidated statement of financial position

Amounts due from and due to related parties are receivable/payable on demand. Amount due from a major shareholder of KD 4,800,000 (31 December 2011: Nil and 30 September 2011: Nil) carries interest at the rate of 5% (31 December 2011: Nil and 30 September 2011: Nil) per annum. Amount due from other related parties and amount due to related parties are interest free.

The remuneration of key management personnel of the Group during the period was as follows:

Other information

a) The following financial assets are managed by related parties:

	30 September 2012 KD	(Audited) 31 December 2011 KD	30 September 2011 KD
<i>Financial assets available-for-sale (Note 7)</i>			
Quoted equity securities	3,115,808	5,717,979	32,023,698
Mutual funds	202,304	223,614	2,982,628
<i>Financial assets at fair value through income statement (Note 9)</i>			
Quoted equity securities	65,013	49,735	3,107,321

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13 RELATED PARTY TRANSACTIONS (continued)

- b) The unquoted equity security classified as financial assets at fair value through income statement is registered in the name of a major shareholder of the Parent Company who has confirmed in writing that it holds this unquoted equity security on behalf of the Parent Company (Note 9).

14 DIVIDEND

The Annual General Assembly meeting of the shareholders held on 19 May 2012 approved the distribution of cash dividend of 5 fils (2010: Nil) per share for the year ended 31 December 2011 on outstanding shares excluding treasury shares.

15 COMMITMENTS AND CONTINGENCIES

	<i>30 September 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>30 September 2011 KD</i>
Commitments			
Purchase of financial assets available-for-sale	<u>4,083,403</u>	<u>4,050,675</u>	<u>4,171,594</u>
Purchase of property, plant and equipment	<u>112,736</u>	<u>1,483,855</u>	<u>1,225,270</u>

Contingencies

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 2,072,000 (31 December 2011: KD 2,118,000 and 30 September 2011: KD 2,158,500), from which it is anticipated that no material liabilities will arise.

The Parent Company and Al Khair National for Stocks and Real Estate Company have provided a guarantee to NBK against loan of KD 72,672,640 assigned to a third party during the period (Note 12).

16 SEGMENT INFORMATION

Management monitors the operating results of its business units 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 income and results information regarding the Group's business segments:

<i>Nine months ended 30 September 2012</i>	<i>Investment KD</i>	<i>Other KD</i>	<i>Total KD</i>
Income	<u>6,417,260</u>	<u>4,923,314</u>	<u>11,340,574</u>
Depreciation	(25,443)	(601,154)	(626,597)
Amortisation of intangibles	(209,748)	-	(209,748)
Impairment loss on financial assets available-for-sale	(1,163,560)	-	(1,163,560)
Results – profit	<u>2,604,695</u>	<u>924,793</u>	<u>3,529,488</u>

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16 SEGMENT INFORMATION (continued)

	<i>Investment KD</i>	<i>Other KD</i>	<i>Total KD</i>
<i>Nine months ended 30 September 2011</i>			
Income	7,498,810	2,706,042	10,204,852
Depreciation	(23,996)	(362,603)	(386,599)
Amortisation of intangibles	(209,747)	-	(209,747)
Impairment loss on financial assets available-for-sale	(1,937,412)	-	(1,937,412)
Results – profit	3,180,774	70,085	3,250,859

The following table presents segment assets of the Group's business segments:

	<i>Investment KD</i>	<i>Other KD</i>	<i>Total KD</i>
<i>At 30 September 2012</i>	149,319,020	22,570,905	171,889,925
<i>At 30 September 2011</i>	198,557,785	24,066,358	222,624,143