

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

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

30 JUNE 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 June 2012 and the related interim condensed consolidated statements of income, comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six 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 six months period ended 30 June 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



ABDULLATIF M. AL-AIBAN (CPA)
LICENCE NO. 94-A
OF GRANT THORNTON
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 June 2012

	Notes	Three months ended 30 June		Six months ended 30 June	
		2012 KD	2011 KD	2012 KD	2011 KD
CONTINUED OPERATIONS					
INCOME					
Realised gain on financial assets at fair value through income statement		655	36,309	84,685	62,661
Unrealised (loss) gain on financial assets at fair value through income statement		(399,506)	62,934	(198,139)	(1,760,260)
Gain on partial sale of financial assets available-for-sale		97,749	2,483,055	118,877	6,568,349
Dividend income		1,381,020	1,167,412	1,983,047	2,316,427
Interest income		48,604	33,351	116,495	61,788
Share of results of associates	5	232,777	125,398	332,022	187,291
Loss on sale of investment in associates		-	(186,982)	-	(163,639)
Gain on sale of subsidiary	5 (a)	37,802	-	37,802	-
Foreign exchange (loss) gain		(208,877)	325,279	(162,264)	607,505
Revenue from services		886,729	(235,611)	1,970,739	697,275
Other (expense) income	3	(40,820)	(49,294)	1,086,948	(45,564)
		<u>2,036,133</u>	<u>3,761,851</u>	<u>5,370,212</u>	<u>8,531,833</u>
EXPENSES					
Cost of services rendered		(836,696)	155,988	(1,240,474)	(639,960)
Administrative expenses		(644,820)	(332,024)	(1,159,707)	(665,274)
Portfolio management fees		(15,129)	(20,159)	(28,243)	(38,724)
Finance costs		(463,971)	(364,469)	(938,860)	(1,003,934)
Revaluation loss on an investment property		-	-	(496,559)	-
Impairment loss on financial assets available-for-sale		-	(1,056,443)	(1,163,560)	(1,756,185)
Amortisation of intangibles		(69,916)	(69,916)	(139,832)	(139,832)
		<u>(2,030,532)</u>	<u>(1,687,023)</u>	<u>(5,167,235)</u>	<u>(4,243,909)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS BEFORE TAXATION					
		5,601	2,074,828	202,977	4,287,924
Taxation		(492)	(70,402)	(492)	(147,230)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS					
		5,109	2,004,426	202,485	4,140,694
DISCONTINUED OPERATIONS					
Gain on sale of a subsidiary	7 (b)	-	-	-	394,485
PROFIT FOR THE PERIOD					
		<u>5,109</u>	<u>2,004,426</u>	<u>202,485</u>	<u>4,535,179</u>
Attributable to:					
Equity holders of the Parent Company		157,973	1,818,345	270,959	4,348,765
Non-controlling interests		(152,864)	186,081	(68,474)	186,414
		<u>5,109</u>	<u>2,004,426</u>	<u>202,485</u>	<u>4,535,179</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>0.2 fils</u>	<u>2.5 fils</u>	<u>0.4 fils</u>	<u>5.9 fils</u>
BASIC AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	4	<u>0.2 fils</u>	<u>2.5 fils</u>	<u>0.4 fils</u>	<u>5.4 fils</u>

The attached notes 1 to 15 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 June 2012

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</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 for the period	5,109	2,004,426	202,485	4,535,179
Other comprehensive income				
Change in fair values of financial assets available-for-sale	(4,328,532)	(673,720)	(1,902,320)	(9,478,905)
Realised gain on sale of financial assets available-for-sale	(97,749)	(2,483,055)	(118,877)	(6,568,349)
Impairment loss on financial assets available-for-sale transferred to the interim condensed consolidated statement of income	-	1,056,443	1,163,560	1,756,185
Share of cumulative changes in fair values of associates (Note 5)	(175,661)	81,853	(34,257)	(108,798)
Share of foreign currency translation reserve of associates (Note 5)	79,217	(136,513)	70,913	(238,319)
Other comprehensive loss for the period	(4,522,725)	(2,154,992)	(820,981)	(14,638,186)
Total comprehensive loss for the period	(4,517,616)	(150,566)	(618,496)	(10,103,007)
Attributable to:				
Equity holders of the Parent Company	(4,361,237)	(350,965)	(576,141)	(10,284,906)
Non-controlling interests	(156,379)	200,399	(42,355)	181,899
	(4,517,616)	(150,566)	(618,496)	(10,103,007)

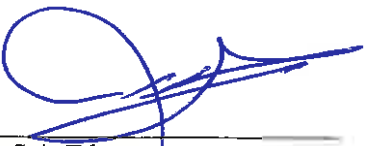
The attached notes 1 to 15 form part of the interim condensed consolidated financial information.

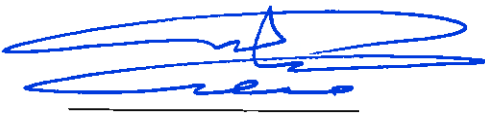
Privatization Holding Company K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2012

		(Audited)	
	Notes	30 June 2012 KD	31 December 2011 KD
		30 June 2011 KD	
ASSETS			
Non-current assets			
Property, plant and equipment		9,356,600	11,352,100
Intangible assets		2,429,835	2,816,144
Investment in associates	5	15,161,054	14,865,658
Held-to-maturity investment		2,700,000	2,700,000
Financial assets available-for-sale	6	69,948,515	70,496,564
Investment property		2,634,555	3,131,114
Due from sale of investment in a subsidiary		-	-
		<u>102,230,559</u>	<u>105,361,580</u>
			<u>102,132,465</u>
Current assets			
Due from sale of investment in subsidiaries	7	74,322,640	74,722,640
Accounts receivable and prepayments		18,445,526	12,488,073
Financial assets at fair value through income statement	8	14,945,584	16,182,161
Bank balances and cash	9	16,816,352	19,169,536
		<u>124,530,102</u>	<u>122,562,410</u>
			<u>142,155,174</u>
TOTAL ASSETS		<u><u>226,760,661</u></u>	<u><u>227,923,990</u></u>
			<u><u>244,287,639</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		73,828,000	73,828,000
Share premium		24,761,544	24,761,544
Statutory reserve		633,735	633,735
General reserve		633,735	633,735
Treasury shares	10	(278,566)	(456,873)
Treasury shares reserve		1,537,770	1,316,339
Cumulative changes in fair value		(4,129,439)	(3,211,426)
Foreign currency translation reserve		(12,427)	(83,340)
Retained earnings		1,845,972	5,266,413
		<u>98,820,324</u>	<u>102,688,127</u>
			<u>109,737,830</u>
Equity attributable to equity holders of the Parent Company		<u>98,820,324</u>	<u>102,688,127</u>
Non-controlling interests		539,921	902,793
		<u>99,360,245</u>	<u>103,590,920</u>
			<u>130,581,825</u>
Non-current liability			
Employees' end of service benefits		454,344	382,305
		<u>454,344</u>	<u>382,305</u>
			<u>336,046</u>
Current liabilities			
Accounts payable and accruals		3,243,901	3,405,882
Bank overdraft	9	10,975,043	7,960,436
Term loans	11	112,727,128	112,584,447
		<u>126,946,072</u>	<u>123,950,765</u>
			<u>113,369,768</u>
Total liabilities		<u>127,400,416</u>	<u>124,333,070</u>
			<u>113,705,814</u>
TOTAL EQUITY AND LIABILITIES		<u><u>226,760,661</u></u>	<u><u>227,923,990</u></u>
			<u><u>244,287,639</u></u>


Riyadh S.A. Edrees
Chairman


Dr. Mithqal Sartawi
Managing Director

The attached notes 1 to 15 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 June 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 for the period	-	-	-	-	-	-	-	-	270,959	270,959	(68,474)	202,485
Other comprehensive income (loss) income for the period	-	-	-	-	-	-	(918,013)	70,913	-	(847,100)	26,119	(820,981)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(918,013)	70,913	270,959	(576,141)	(42,355)	(618,496)
Purchase of treasury shares	-	-	-	-	(571,046)	-	-	-	-	(571,046)	-	(571,046)
Sale of treasury shares	-	-	-	-	749,353	221,431	-	-	-	970,784	-	970,784
Arising on disposal of an indirectly held subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Dividend (Note 13)	-	-	-	-	-	-	-	-	(3,691,400)	(3,691,400)	(320,517)	(320,517)
At 30 June 2012	73,828,000	24,761,544	633,735	633,735	(278,566)	1,537,770	(4,129,439)	(12,427)	1,845,972	98,820,324	539,921	99,360,245
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	-	-	-	-	-	-	-	-	4,348,765	4,348,765	186,414	4,535,179
Other comprehensive loss for the period	-	-	-	-	-	-	(14,395,352)	(238,319)	-	(14,633,671)	(4,515)	(14,638,186)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(14,395,352)	(238,319)	4,348,765	(10,284,906)	181,899	(10,103,007)
Purchase of treasury shares	-	-	-	-	(141,415)	-	-	-	-	(141,415)	-	(141,415)
Additional investment in a subsidiary *	-	-	-	-	-	-	-	-	-	-	20,000,000	20,000,000
Arising on part disposal of indirectly held subsidiary	-	-	-	-	-	-	-	-	-	-	160,000	160,000
Arising on acquisition of indirectly held subsidiary	-	-	-	-	-	-	-	-	-	-	363,726	363,726
At 30 June 2011	79,380,000	24,761,544	206,369	206,369	(5,689,151)	1,298,027	3,461,642	(186,771)	6,299,801	109,737,830	20,843,995	130,581,825

* This amount represents capital paid in by the minority shareholder of the subsidiary – Global Projects Holding Company K.S.C. (Closed)

The attached notes 1 to 15 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 June 2012

	Notes	Three months ended 30 June	
		2012 KD	2011 KD
OPERATING ACTIVITIES			
Profit for the period from continuing operations		202,485	4,140,694
Profit for the period from discontinued operations		-	394,485
		<u>202,485</u>	<u>4,535,179</u>
Adjustments for:			
Depreciation		428,332	102,013
Amortisation of intangibles		139,832	139,832
Provision for employees' end of service benefits		126,819	44,453
Impairment loss on financial assets available-for-sale	6 (e)	1,163,560	1,756,185
Gain on sale of financial assets available-for-sale		(118,877)	(6,568,349)
Revaluation loss on an investment property		496,559	-
Realised gain on financial assets at fair value through income statement		(84,685)	(62,661)
Unrealised (gain) loss on financial assets at fair value through income statement		198,139	1,760,260
Dividend income		(1,983,047)	(2,316,427)
Interest income		(116,495)	(61,788)
Finance costs		938,860	1,003,934
Foreign exchange loss (gain)		162,264	(607,505)
Loss on sale of investment in associates		-	163,639
Share of results of associates	5	(332,022)	(187,291)
Gain on sale of property, plant and equipment		(8,665)	-
Gain on sale of a subsidiary	5 (a), 7 (b)	(37,802)	(394,485)
		<u>1,175,257</u>	<u>(693,011)</u>
Working capital changes:			
Accounts receivable and prepayments		(6,590,245)	6,453,876
Financial assets at fair value through income statement		1,123,123	400,466
Accounts payable and accruals		1,086,469	(1,585,958)
Cash flow (used in) from operating activities		<u>(3,205,396)</u>	<u>4,575,373</u>
Taxation paid		(72,128)	(68,736)
Employees' end of service benefits paid		(13,255)	(2,163)
Net cash flows (used in) from operating activities		<u>(3,290,779)</u>	<u>4,504,474</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(337,016)	(30,147)
Proceeds from sale of property, plant and equipment		16,007	-
Purchase of investment in associates	5	-	(4,963,214)
Dividend received from associates	5	660,680	275,594
Proceeds from sale of investment in associates		-	872,454
Purchase of financial assets available-for-sale		(3,807,044)	(18,273,632)
Proceeds from sale of financial assets available-for-sale		2,452,773	30,880,254
Repayment of capital by an associate		-	1,932,473
Interest income received		112,242	61,788
Dividend income received		1,983,047	2,316,427
Net disposal of investment in subsidiary, net of cash disposed		(216,400)	-
Net movement in due from sale of investment in subsidiaries	7 (b)	400,000	(551,541)
Cash inflow on acquisition of a subsidiary		-	(403,018)
Net cash flows from investing activities		<u>1,264,289</u>	<u>12,117,438</u>
FINANCING ACTIVITIES			
Purchase of treasury shares		(571,046)	(141,415)
Proceeds from sale of treasury shares		970,784	-
Finance costs paid		(898,744)	(747,840)
Dividends paid		(3,058,492)	-
Term loan obtained		216,197	-
Capital contribution from non-controlling interests		-	20,160,000
Net cash flows (used in) from financing activities		<u>(3,341,301)</u>	<u>19,270,745</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(5,367,791)</u>	<u>35,892,657</u>
Cash and cash equivalents at 1 January		11,209,100	1,889,877
CASH AND CASH EQUIVALENTS AT 30 JUNE	9	<u>5,841,309</u>	<u>37,782,534</u>

The attached notes 1 to 15 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 June 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 six months period ended 30 June 2012 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 14 August 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 is prepared in accordance with International Accounting Standard IAS 34, *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial information does not contain all the information and disclosures required for full financial statements prepared in accordance with IFRS. For more details, refer to the consolidated financial statements for the year ended 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 six months period ended 30 June 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 used in the preparation of the consolidated financial statements for the year ended 31 December 2011 except for accounting policy of investment property. As at 31 December 2011, the Group has 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 six months period ended 30 June 2012.

3 OTHER INCOME

During the current period, one of the subsidiaries (Gas & Oils Field Services Company K.S.C. (Closed)) transferred the leasehold rights of certain lands resulting in a gain of KD 1,080,000 and the same amount of the consideration is receivable as of the reporting date.

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share attributable to equity holders of the Parent Company is calculated by dividing the profit 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>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>157,973</u>	<u>1,818,345</u>	<u>270,959</u>	<u>4,348,765</u>
Weighted average number of shares	<u>731,144,998</u>	<u>736,847,514</u>	<u>729,363,708</u>	<u>736,847,514</u>
Basic and diluted earnings per share	<u>0.2 fils</u>	<u>2.5 fils</u>	<u>0.4 fils</u>	<u>5.9 fils</u>

Privatization Holding Company K.S.C. (Closed) and its Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)
 At 30 June 2012

4 BASIC AND DILUTED EARNINGS PER SHARE (continued)

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
Profit for the period from continuing operations attributable to equity holders of the Parent Company (KD)	157,973	1,818,345	270,959	3,954,280
Weighted average number of shares outstanding during the period	731,144,998	736,847,514	729,363,708	736,847,514
Basic and diluted earnings per share from continuing operations	0.2 fils	2.5 fils	0.4 fils	5.4 fils

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

	Three months ended 30 June		Six months ended 30 June	
	2012	2011	2012	2011
Weighted average number of paid up shares	738,280,000	793,800,000	738,280,000	793,800,000
Less: Weighted average number of treasury shares	(7,135,002)	(56,952,486)	(8,916,292)	(56,952,486)
Weighted average number of shares outstanding during the period	731,144,998	736,847,514	729,363,708	736,847,514

5 INVESTMENT IN ASSOCIATES

The movement in investment in associates is as follows:

	30 June	(Audited) 31 December	30 June
	2012	2011	2011
	KD	KD	KD
Opening balance	14,865,658	11,953,337	11,953,337
Additions	-	4,963,214	4,963,214
Transfer from financial assets available-for-sale	-	1,277,924	1,277,924
Transfer from investment in subsidiary (a)	587,398	-	-
Disposals	-	(2,899,933)	(2,899,938)
Dividends received	(660,680)	(275,594)	(275,594)
Share of results	332,022	520,726	187,291
Cumulative changes in fair values	(34,257)	(539,128)	(108,798)
Foreign currency translation adjustment	70,913	(134,888)	(238,319)
Closing balance	15,161,054	14,865,658	14,859,117

- (a) On 4 June 2012, the Group disposed of net 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 purchase consideration of KD 190,000 and recognised a gain of KD 37,802. As a result of this disposal, the Group's equity interest in EUPS decreased to 48.3%. 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*.

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

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6 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	30 June 2012 KD	(Audited) 31 December 2011 KD	30 June 2011 KD
Quoted equity securities	50,169,758	50,696,285	55,831,471
Unquoted equity securities	16,849,547	16,849,547	17,227,425
Mutual funds	2,929,210	2,950,732	3,255,421
	<u>69,948,515</u>	<u>70,496,564</u>	<u>76,314,317</u>

- (a) Quoted equity securities include investments with a carrying value of KD 7,885,980 (31 December 2011: KD 5,717,979 and 30 June 2011: KD 38,634,452) managed by related parties (Note 12). At the reporting date, the Parent Company also held shares of related parties with a carrying value of KD 75,080 (31 December 2011: KD 216,640 and 30 June 2011: KD 4,657,633) (Note 12).
- (b) Mutual funds include investments with a carrying value of KD 201,622 (31 December 2011: KD 223,614 and 30 June 2011: KD 1,350,760) managed by a related party (Note 12).
- (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 a total impairment loss of KD 1,163,560 (on quoted equity securities KD 1,130,495 and on mutual funds KD 33,065) (30 June 2011: total impairment loss of KD 1,756,185 (on quoted equity securities of KD 1,177,670 and unquoted investments KD 578,515)), in the interim 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 June 2012, the carrying value of the reclassified trading investment amounted to KD 275,608 (31 December 2011: KD 275,608 and 30 June 2011: KD 387,940). The Group has recorded a total impairment loss of KD 3,137,373 in previous years on this reclassified investment.

7 DUE FROM SALE OF INVESTMENT IN SUBSIDIARIES

- (a) In 2008, the Parent Company sold one of 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 the remaining balance of KD 72,672,640 is overdue. The receivable bears interest at the rate of 4% (31 December 2011: 4% and 30 June 2011: 4%) per annum over the Central Bank of Kuwait ("CBK") discount rate. As orally agreed with the third party, interest income is offset by the finance costs on term loan from National Bank of Kuwait ("NBK") - refer Note 11 for details. Overdue interest receivable as at reporting date amounted to KD 5,611,139 (31 December 2011: 3,537,760 and 30 June 2011: Nil) and is included in Accounts Receivables and Prepayments. The amount will subsequently be settled as the third party has accepted the assignment of NBK loan (Note 11). Subsequent to period end, the third party has settled overdue interest amounting to KD 2,588,341.

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7 DUE FROM SALE OF INVESTMENT IN SUBSIDIARIES (continued)

- (b) In March 2011, the Parent Company sold its wholly owned subsidiary, Loloah Privatization for Gen. Trad. & Cont. Co., 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 current period. The remaining amount of KD 1,650,000 is overdue as at 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.

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>30 June 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>30 June 2011 KD</i>
Held for trading			
Quoted equity securities	3,304,688	4,508,230	7,366,760
Designated			
Unquoted equity security	10,672,634	10,672,634	10,672,634
Mutual funds	968,262	1,001,297	1,153,554
	<u>14,945,584</u>	<u>16,182,161</u>	<u>19,192,948</u>

Quoted equity securities include investments with a carrying value of KD 62,680 (31 December 2011: KD 49,735 and 30 June 2011: KD 3,522,508) managed by related parties (Note 12).

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

The 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 12).

9 CASH AND CASH EQUIVALENTS

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

	<i>30 June 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>30 June 2011 KD</i>
Bank balances and cash	16,816,352	19,169,536	43,543,723
Bank overdraft	(10,975,043)	(7,960,436)	(5,761,189)
	<u>5,841,309</u>	<u>11,209,100</u>	<u>37,782,534</u>

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10 TREASURY SHARES

	<i>30 June</i> <i>2012</i>	<i>(Audited)</i> <i>31 December</i> <i>2011</i>	<i>30 June</i> <i>2011</i>
Number of shares	3,803,714	8,040,000	58,640,000
Percentage of issued shares	0.52%	1.09%	7.38%
Cost (KD)	278,566	456,873	5,689,151
Market value (KD)	251,045	522,600	2,814,720

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

11 TERM LOANS

Term loans include KD 75,000,000 (31 December 2011: KD 75,000,000 and 30 June 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 June 2011: 4%) per annum over the CBK discount rate. The loan was repayable on 19 September 2010. During the current period, the Parent Company has signed an agreement with NBK for the assignment of KD 72,672,640 of this loan to the third party mentioned in Note 7 (a) secured by a guarantee from - Al Khair National for Stocks and Real Estate Company and the Parent Company. Finance costs on this loan for the period ended 30 June 2012 amounting to KD 2,457,534 (30 June 2011: KD 2,404,110) were offset by the interest income of KD 2,381,273 (30 June 2011: KD 2,329,507) on due from sale of investment in a subsidiary (Note 7 (a)). Subsequent to the period end, NBK has assigned KD 72,672,640 of this loan to the third party.

Term loans amounting to KD 30,877,128 (31 December 2011: KD 30,734,447 and 30 June 2011: KD 31,067,077) 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 June 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 June 2011: Nil) 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 June 2012 amounting to KD 3,425,000 for payment in six equal installments payable in January to June 2013.

12 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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12 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Six months ended 30 June</i>		
	<i>2012</i>	<i>2011</i>	
	<i>KD</i>	<i>KD</i>	
Interim condensed consolidated income statement			
Gain on sale of financial assets available-for-sale	27,092	-	
Dividend income	-	324,278	
Interest income	9,816	6,923	
Portfolio management fees	(3,243)	(32,266)	
Impairment loss on financial assets-available-for-sale	(31,982)	-	
		<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of financial position			
Financial assets available-for-sale (Note 6)	75,080	216,640	4,657,633
Due from related parties	-	4,382,921	678,680
Due to related parties	-	(88,318)	-

Compensation of key management personnel

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

	<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Short-term employee benefits	207,358	193,894
End of service benefits	45,212	23,233
	<u>252,570</u>	<u>217,127</u>

Other information

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

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Financial assets available-for-sale (Note 6)</i>			
Quoted equity securities	7,885,980	5,717,979	38,634,452
Mutual funds	201,622	223,614	1,350,760
<i>Financial assets at fair value through income statement (Note 8)</i>			
Quoted equity securities	62,680	49,735	3,522,508

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 8).

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13 DIVIDEND

The Annual General Assembly meeting 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. .

14 COMMITMENTS AND CONTINGENCIES

	<i>30 June</i> <i>2012</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2011</i> <i>KD</i>	<i>30 June</i> <i>2011</i> <i>KD</i>
Commitments			
Purchase of financial assets available-for-sale	<u>4,028,508</u>	<u>4,050,675</u>	<u>4,428,845</u>
Purchase of property, plant and equipment	<u>793,483</u>	<u>1,483,855</u>	<u>2,213,740</u>

Contingencies

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 2,250,556 (31 December 2011: KD 2,118,000 and 30 June 2011: KD 2,158,500), from which it is anticipated that no material liabilities will arise.

15 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>Investment</i> <i>KD</i>	<i>Other</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>Six months ended 30 June 2012</i>			
Income	<u>2,351,137</u>	<u>3,019,075</u>	<u>5,370,212</u>
Depreciation	(17,107)	(411,225)	(428,332)
Amortisation of intangibles	(139,832)	-	(139,832)
Impairment loss on financial assets available-for-sale	(1,163,560)	-	(1,163,560)
Results – (loss) profit	<u>(429,606)</u>	<u>632,091</u>	<u>202,485</u>
<i>Six months ended 30 June 2011</i>			
Income	<u>7,833,744</u>	<u>698,089</u>	<u>8,531,833</u>
Depreciation	(15,865)	(86,148)	(102,013)
Amortisation of intangibles	(139,832)	-	(139,832)
Impairment loss on financial assets available-for-sale	(1,756,185)	-	(1,756,185)
Results – profit (loss)	<u>4,314,349</u>	<u>(173,655)</u>	<u>4,140,694</u>

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15 SEGMENT INFORMATION (continued)

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 June 2012</i>	<u>204,177,033</u>	<u>22,583,628</u>	<u>226,760,661</u>
<i>At 30 June 2011</i>	<u>229,397,996</u>	<u>14,889,643</u>	<u>244,287,639</u>