

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

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

**31 MARCH 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 31 March 2012 and the related interim condensed consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the three 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 three months period ended 31 March 2012 that might have had a material effect on the business of the Parent Company or on its financial position.



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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period ended 31 March 2012

	Notes	Three months ended 31 March	
		2012 KD	2011 KD
<b>CONTINUED OPERATIONS</b>			
<b>INCOME</b>			
Realised gain on financial assets at fair value through income statement		84,030	26,352
Unrealised gain (loss) on financial assets at fair value through income statement		201,367	(1,823,194)
Gain on sale of financial assets available-for-sale		21,128	4,085,294
Dividend income		602,027	1,149,015
Interest income		67,891	28,437
Share of results of associates	5	99,245	85,463
Loss on sale of investment in associates		-	(227)
Foreign exchange gain		46,613	282,226
Revenue from services		1,084,010	932,886
Other income	3	1,127,768	3,730
		<u>3,334,079</u>	<u>4,769,982</u>
<b>EXPENSES</b>			
Cost of services rendered		(403,778)	(795,948)
Administrative expenses		(514,887)	(333,250)
Portfolio management fees		(13,114)	(18,565)
Finance costs		(474,889)	(639,465)
Impairment loss on investment property		(496,559)	-
Impairment loss on financial assets available-for-sale		(1,163,560)	(699,742)
Amortisation of intangibles		(69,916)	(69,916)
		<u>(3,136,703)</u>	<u>(2,556,886)</u>
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS BEFORE TAXATION</b>			
		197,376	2,213,096
Taxation		-	(76,828)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>			
		197,376	2,136,268
<b>DISCONTINUED OPERATIONS</b>			
Gain on sale of a subsidiary	7 (b)	-	394,485
<b>PROFIT FOR THE PERIOD</b>			
		<u>197,376</u>	<u>2,530,753</u>
<b>Attributable to:</b>			
Equity holders of the Parent Company		112,986	2,530,420
Non-controlling interests		84,390	333
		<u>197,376</u>	<u>2,530,753</u>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>			
	4	0.2 fils	3.4 fils
<b>BASIC AND DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>			
	4	0.2 fils	2.9 fils

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 31 March 2012

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>197,376</b>	<b>2,530,753</b>
<b>Other comprehensive income</b>		
Change in fair values of financial assets available-for-sale	2,426,212	(8,805,188)
Realised gain on sale of financial assets available-for-sale	(21,128)	(4,085,294)
Impairment loss on financial assets available-for-sale transferred to the interim condensed consolidated income statement	1,163,560	699,742
Share of cumulative changes in fair values of associates (Note 5)	141,404	(190,651)
Share of foreign currency translation reserve of associates (Note 5)	(8,304)	(101,803)
<b>Other comprehensive income (loss) for the period</b>	<b>3,701,744</b>	<b>(12,483,194)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>3,899,120</b>	<b>(9,952,441)</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	3,785,096	(9,933,941)
Non-controlling interests	114,024	(18,500)
	<b>3,899,120</b>	<b>(9,952,441)</b>

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 31 March 2012

		31 March 2012 KD	(Audited) 31 December 2011 KD	31 March 2011 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		12,037,908	11,352,100	5,295,815
Intangible assets		2,746,228	2,816,144	2,779,413
Investment in associates	5	15,029,600	14,865,658	17,005,040
Held-to-maturity investment		2,700,000	2,700,000	-
Financial assets available-for-sale	6	74,047,866	70,496,564	81,225,110
Investment property		2,634,555	3,131,114	-
Due from sale of investment in a subsidiary		-	-	899,710
		<u>109,196,157</u>	<u>105,361,580</u>	<u>107,205,088</u>
<b>Current assets</b>				
Due from sale of investment in subsidiaries	7	74,322,640	74,722,640	73,822,640
Accounts receivable and prepayments		16,603,684	12,488,073	5,085,985
Financial assets at fair value through income statement	8	15,382,988	16,182,161	19,018,095
Bank balances and cash	9	17,824,073	19,169,536	38,049,787
		<u>124,133,385</u>	<u>122,562,410</u>	<u>135,976,507</u>
<b>TOTAL ASSETS</b>		<u>233,329,542</u>	<u>227,923,990</u>	<u>243,181,595</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		73,828,000	73,828,000	79,380,000
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	10	(670,461)	(456,873)	(5,650,450)
Treasury shares reserve		1,337,366	1,316,339	1,298,027
Cumulative changes in fair value reserve		468,988	(3,211,426)	5,494,436
Foreign currency translation reserve		(91,644)	(83,340)	(50,255)
Retained earnings		5,379,399	5,266,413	4,481,456
<b>Equity attributable to equity holders of the Parent Company</b>		<u>106,280,662</u>	<u>102,688,127</u>	<u>110,127,496</u>
Non-controlling interests		1,016,817	902,793	20,119,870
<b>Total equity</b>		<u>107,297,479</u>	<u>103,590,920</u>	<u>130,247,366</u>
<b>Non-current liability</b>				
Employees' end of service benefits		459,397	382,305	305,964
<b>Current liabilities</b>				
Accounts payable and accruals		3,811,625	3,405,882	1,231,753
Bank overdraft	9	9,247,934	7,960,436	5,782,452
Term loans	11	112,513,107	112,584,447	105,614,060
		<u>125,572,666</u>	<u>123,950,765</u>	<u>112,628,265</u>
<b>Total liabilities</b>		<u>126,032,063</u>	<u>124,333,070</u>	<u>112,934,229</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>233,329,542</u>	<u>227,923,990</u>	<u>243,181,595</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 31 March 2012

	<i>Attributable to equity holders of the Parent Company</i>											
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair value reserve 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	-	-	-	-	-	-	-	-	112,986	112,986	84,390	197,376
Other comprehensive income (loss) for the period	-	-	-	-	-	-	3,680,414	(8,304)	-	3,672,110	29,634	3,701,744
Total comprehensive income (loss) for the period	-	-	-	-	-	-	3,680,414	(8,304)	112,986	3,785,096	114,024	3,899,120
Purchase of treasury shares	-	-	-	-	(292,480)	-	-	-	-	(292,480)	-	(292,480)
Sale of treasury shares	-	-	-	-	78,892	-	-	-	-	78,892	-	78,892
<b>At 31 March 2012</b>	<b>73,828,000</b>	<b>24,761,544</b>	<b>633,735</b>	<b>633,735</b>	<b>(670,461)</b>	<b>1,337,366</b>	<b>468,988</b>	<b>(91,644)</b>	<b>5,379,399</b>	<b>106,280,662</b>	<b>1,016,817</b>	<b>107,297,479</b>
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	-	-	-	-	-	-	-	-	2,530,420	2,530,420	333	2,530,753
Other comprehensive loss for the period	-	-	-	-	-	-	(12,362,558)	(101,803)	-	(12,464,361)	(18,833)	(12,483,194)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(12,362,558)	(101,803)	2,530,420	(9,933,941)	(18,500)	(9,952,441)
Purchase of treasury shares	-	-	-	-	(102,714)	-	-	-	-	(102,714)	-	(102,714)
Additional investment in a subsidiary*	-	-	-	-	-	-	-	-	-	-	20,000,000	20,000,000
<b>At 31 March 2011</b>	<b>79,380,000</b>	<b>24,761,544</b>	<b>206,369</b>	<b>206,369</b>	<b>(5,650,450)</b>	<b>1,298,027</b>	<b>5,494,436</b>	<b>(50,255)</b>	<b>4,481,456</b>	<b>110,127,496</b>	<b>20,119,870</b>	<b>130,247,366</b>

\*This amount represents capital paid in by the non-controlling shareholder of the subsidiary – Global Projects Holding Company KSC (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 31 March 2012

	Notes	Three months ended 31 March	
		2012 KD	2011 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period from continuing operations		197,376	2,136,268
Profit for the period from discontinued operations		-	394,485
		<u>197,376</u>	<u>2,530,753</u>
Adjustments for:			
Depreciation		230,123	109,553
Amortisation of intangibles		69,916	69,916
Provision for employees' end of service benefits		80,631	38,909
Impairment loss on financial assets available-for-sale	6 (e)	1,163,560	699,742
Gain on sale of financial assets available-for-sale		(21,128)	(4,085,294)
Impairment loss on investment property		496,559	-
Realised gain on financial assets at fair value through income statement		(84,030)	(26,352)
Unrealised (gain) loss on financial assets at fair value through income statement		(201,367)	1,823,194
Dividend income		(602,027)	(1,149,015)
Interest income		(67,891)	(28,437)
Finance costs		474,889	639,465
Foreign exchange gain		(46,613)	(282,226)
Loss on sale of investment in associates		-	227
Share of results of associates	5	(99,245)	(85,463)
Gain on sale of property, plant and equipment		(8,665)	-
Gain on sale of a subsidiary	7 (b)	-	(394,485)
		<u>1,582,088</u>	<u>(139,513)</u>
Working capital changes:			
Accounts receivable and prepayments		(4,085,366)	6,464,555
Due from sale of investment in subsidiary	7 (b)	400,000	-
Financial assets at fair value through income statement		1,084,570	476,076
Accounts payable and accruals		420,368	(1,263,479)
Cash flow (used in) from operating activities		<u>(598,340)</u>	<u>5,537,639</u>
Taxation paid		(72,128)	-
Employees' end of service benefits paid		(3,539)	(2,163)
Net cash flows (used in) from operating activities		<u>(674,007)</u>	<u>5,535,476</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(923,641)	(29,640)
Proceeds from sale of property, plant and equipment		16,375	-
Purchase of investment in associates	5	-	(5,264,415)
Dividend received from associates	5	68,403	-
Proceeds from sale of investment in associates		-	5,494
Purchase of financial assets available-for-sale		(2,996,329)	(11,107,034)
Proceeds from sale of financial assets available-for-sale		1,871,239	21,065,465
Interest income received		29,795	28,437
Dividend income received		602,027	1,149,015
Net movement in due from sale of investment in subsidiaries		-	(551,541)
Net cash flows (used in) from investing activities		<u>(1,332,131)</u>	<u>5,295,781</u>
<b>FINANCING ACTIVITIES</b>			
Purchase of treasury shares		(292,480)	(102,714)
Proceeds from sale of treasury shares		99,919	-
Finance costs paid		(434,262)	(351,085)
Capital contribution from non-controlling interests		-	20,000,000
Net cash flows (used in) from financing activities		<u>(626,823)</u>	<u>19,546,201</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>(2,632,961)</u>	<u>30,377,458</u>
Cash and cash equivalents at 1 January		11,209,100	1,889,877
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	9	<u>8,576,139</u>	<u>32,267,335</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 31 March 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 three months period ended 31 March 2012 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 13 May 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, 23<sup>rd</sup> Floor, P.O. Box 4323, Safat 13104, Kuwait.

The Annual General Assembly for the year ended 31 December 2011 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 2011 have not yet been approved. The interim condensed consolidated financial information for the three month period ended 31 March 2012 do not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2011.

**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 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 three months period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

**3 OTHER INCOME**

During the current period, one of the subsidiary (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>31 March</i>	
	<i>2012</i>	<i>2011</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>112,986</u>	<u>2,530,420</u>
Weighted average number of shares outstanding during the period	<u>727,582,418</u>	<u>738,066,667</u>
Basic and diluted earnings per share	<u>0.2 fils</u>	<u>3.4 fils</u>



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

At 31 March 2012

4 BASIC AND DILUTED EARNINGS PER SHARE (continued)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2012</i>	<i>2011</i>
Profit for the period from continuing operations attributable to equity holders of the Parent Company (KD)	<b>112,986</b>	2,135,935
Weighted average number of shares outstanding during the period	<b>727,582,418</b>	738,066,667
Basic and diluted earnings per share from continuing operations	<b>0.2 fils</b>	2.9 fils

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

Weighted average number of paid up shares	<b>738,280,000</b>	793,800,000
Less: Weighted average number of treasury shares	<b>(10,697,582)</b>	(55,733,333)
	<b>727,582,418</b>	738,066,667

5 INVESTMENT IN ASSOCIATES

The movement in investment in associates is as follows:

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2012</i>	<i>31 December</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Opening balance	<b>14,865,658</b>	11,953,337	11,953,337
Additions	-	4,963,214	5,264,415
Transfer from financial assets available-for-sale	-	1,277,924	-
Disposals	-	(2,899,933)	(5,721)
Dividends received	<b>(68,403)</b>	(275,594)	-
Share of results	<b>99,245</b>	520,726	85,463
Cumulative changes in fair values	<b>141,404</b>	(539,128)	(190,651)
Foreign currency translation adjustment	<b>(8,304)</b>	(134,888)	(101,803)
Closing balance	<b>15,029,600</b>	14,865,658	17,005,040

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

At 31 March 2012

**6 FINANCIAL ASSETS AVAILABLE-FOR-SALE**

	<i>(Audited)</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Quoted equity securities	54,091,455	50,696,285
Unquoted equity securities	16,849,547	16,849,547
Mutual funds	3,106,864	2,950,732
	<u>74,047,866</u>	<u>70,496,564</u>
		<u>81,225,110</u>

- (a) Quoted equity securities includes investments with a carrying value of KD 7,868,181 (31 December 2011: KD 5,717,979 and 31 March 2011: KD 40,735,334) managed by related parties (Note 12). At the reporting date, the Parent Company also held shares with a carrying value of KD 75,340 (31 December 2011: KD 216,640 and 31 March 2011: KD 4,304,373) in the related parties (Note 12).
- (b) Mutual funds include investments with a carrying value of KD 222,973 (31 December 2011: KD 223,614 and 31 March 2011: KD 4,703,550) managed by 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) (31 March 2011: total impairment loss of KD 699,742 (on quoted equity securities of KD 699,742), in the 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 31 March 2012, the carrying value of the reclassified trading investment amounted to KD 275,608 (31 December 2011: KD 275,608 and 31 March 2011: KD 626,904). The Group has recorded a total impairment loss of KD 3,137,373 in the 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. 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 31 March 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 4,839,114 (31 December 2011: 3,537,760 and 31 March 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).
- (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, KD 400,000 was received during the current period, KD 400,000 is due on 30 June 2012 and the remaining amount of KD 1,250,000 will be settled by transfer of title of real estate property in Egypt by 30 June 2012.

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**8 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT**

	<i>31 March 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>31 March 2011 KD</i>
<b>Held for trading</b>			
Quoted equity securities	3,711,817	4,508,230	7,181,175
<b>Designated</b>			
Unquoted equity security	10,672,634	10,672,634	10,672,634
Mutual funds	998,537	1,001,297	1,164,285
	<u>15,382,988</u>	<u>16,182,161</u>	<u>19,018,095</u>

Quoted equity securities include investments with a carrying value of KD 71,000 (31 December 2011: KD 49,735 and 31 March 2011: KD 3,575,266) 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>31 March 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>31 March 2011 KD</i>
Bank balances and cash	17,824,073	19,169,536	38,049,787
Bank overdraft	(9,247,934)	(7,960,436)	(5,782,452)
	<u>8,576,136</u>	<u>11,209,100</u>	<u>32,267,335</u>

**10 TREASURY SHARES**

	<i>31 March 2012</i>	<i>(Audited) 31 December 2011</i>	<i>31 March 2011</i>
Number of shares	11,360,000	8,040,000	57,920,000
Percentage of issued shares	1.54%	1.09%	7.30%
Cost (KD)	670,461	456,873	5,650,450
Market value (KD)	897,440	522,600	2,606,400

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

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**11 TERM LOANS**

Term loans include KD 75,000,000 (31 December 2011: KD 75,000,000 and 31 March 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 31 March 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 the Parent Company. Finance costs on this loan amount for the period ended 31 March 2012 amounting to KD 1,215,411 (31 March 2011: KD 1,202,055) were offset by the interest income of KD 1,177,695 (31 March 2011: KD 1,164,753) on due from sale of investment in a subsidiary (Note 7 (a)).

Term loans amounting to KD 30,663,107 (31 December 2011: KD 30,734,447 and 31 March 2011: KD 30,614,060) 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 2.50% (31 December 2011: 1.75% to 2.50% and 31 March 2011: 1.75% to 2.50%) per annum over the CBK discount rate or 3 months LIBOR.

Term loans also includes Tawarruq finance amounting to KD 6,850,000 (31 Dec 2011: KD 6,850,000 and 31 March 2011: Nil) with a total deferred profit of KD 498,079 from a local bank. The Tawarruq is payable in 12 monthly instalments 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 instalments due in January and February 2012 amounting to KD 1,712,500 for payment in three equal instalments payable in January, February and March 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.

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

	<i>Three months ended 31 March</i>		
	<i>2012</i>	<i>2011</i>	
	<i>KD</i>	<i>KD</i>	
<b>Interim condensed consolidated income statement</b>			
Gain on sale of financial assets available-for-sale	27,092	-	
Dividend income	-	324,278	
Interest income	6,875	704	
Portfolio management fees	(1,009)	(17,113)	
		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Interim condensed consolidated statement of financial position</b>			
Financial assets available-for-sale (Note 6)	75,340	216,640	4,304,373
Due from related parties	4,310,387	4,382,921	1,191,613
Due to related parties	(88,010)	(88,318)	-

The amounts due from/(to) related parties are receivable/payable on demand and are interest free.

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**12 RELATED PARTY TRANSACTIONS (continued)**

**Compensation of key management personnel**

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

	<i>Three months ended 31 March</i>	
	<i>2012</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>
Short-term employee benefits	112,628	84,819
End of service benefits	33,856	12,794
	<u>146,484</u>	<u>97,613</u>

**Other information**

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

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</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	7,868,181	5,717,979	40,735,334
Mutual funds	222,973	223,614	4,703,550
<i>Financial assets at fair value through income statement (Note 8)</i>			
Quoted equity securities	71,000	49,735	3,575,266

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).

**13 PROPOSED DIVIDEND**

The Board of Directors of the Parent Company have recommended distribution of cash dividend of 5 fils (2010: Nil) per share for the year ended 31 December 2011 on outstanding shares excluding treasury shares. Subject to being approved, the dividend shall be payable to the shareholders registered in the Parent Company's records as of the date of the Annual General Assembly meeting.

**14 COMMITMENTS AND CONTINGENCIES**

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Commitments</b>			
Purchase of financial assets available-for-sale	4,076,835	4,050,675	4,220,263
Purchase of property, plant and equipment	793,484	1,483,855	2,213,740

**Contingencies**

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 2,118,000 (31 December 2011: KD 2,118,000 and 31 March 2011: KD 2,010,000), from which it is anticipated that no material liabilities will arise.

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**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 KD</i>	<i>Other KD</i>	<i>Total KD</i>
<i>Three months ended 31 March 2012</i>			
Income	<u>1,120,751</u>	<u>2,213,328</u>	<u>3,334,079</u>
Depreciation	(8,093)	(222,030)	(230,123)
Amortisation of intangibles	(69,916)	-	(69,916)
Impairment loss on financial assets available-for-sale	(1,163,560)	-	(1,163,560)
Impairment loss on investment property	-	(496,559)	(496,559)
Results – profit	<u>(874,640)</u>	<u>1,072,016</u>	<u>197,376</u>
<i>Three months ended 31 March 2011</i>			
Income	<u>3,835,967</u>	<u>934,015</u>	<u>4,769,982</u>
Depreciation	(7,934)	(101,619)	(109,553)
Amortisation of intangibles	(69,916)	-	(69,916)
Impairment loss on financial assets available-for-sale	(699,742)	-	(699,742)
Results – profit	<u>2,118,685</u>	<u>17,583</u>	<u>2,136,268</u>

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 31 March 2012</i>	<u>208,907,827</u>	<u>24,421,715</u>	<u>233,329,542</u>
<i>At 31 March 2011</i>	<u>229,758,018</u>	<u>13,423,577</u>	<u>243,181,595</u>