

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

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

30 JUNE 2011

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)**Report on the Interim Condensed Consolidated Financial Information**

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 2011 and the interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three month and six month periods then ended, and related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with 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 condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with 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, during the period ended 30 June 2011 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 30 June 2011

	Notes	Three months ended 30 June		Six months ended 30 June	
		2011 KD	2010 KD	2011 KD	2010 KD
CONTINUED OPERATIONS					
INCOME					
Realised gain on financial assets at fair value through income statement		36,309	54,380	62,661	273,844
Unrealised gain (loss) on financial assets at fair value through income statement		62,934	(1,882,755)	(1,760,260)	(418,205)
Gain on sale of financial assets available-for-sale		2,483,055	1,408,281	6,568,349	2,598,753
Dividend income		1,167,412	402,619	2,316,427	987,838
Interest income		33,351	62,138	61,788	191,290
Share of results of associates	4	125,398	699,260	187,291	843,525
Loss on sale of investment in associates		(186,982)	-	(163,639)	-
Profit from murabaha receivable		-	15,797	-	79,911
Foreign exchange gains (losses)		325,279	(17,303)	607,505	(220,661)
Revenue from services		(235,611)	580,693	697,275	1,297,667
Other (expense) income		(49,294)	162,306	(45,564)	164,242
		<u>3,761,851</u>	<u>1,485,416</u>	<u>8,531,833</u>	<u>5,798,204</u>
EXPENSES					
Cost of services rendered		155,988	(478,547)	(639,960)	(885,653)
Administrative expenses		(332,024)	(561,851)	(665,274)	(897,525)
Portfolio management fees		(20,159)	(43,759)	(38,724)	(86,499)
Finance costs		(364,469)	(410,608)	(1,003,934)	(808,101)
Impairment of financial assets available-for-sale		(1,056,443)	-	(1,756,185)	(2,107,217)
Amortisation of intangibles		(69,916)	(312,680)	(139,832)	(312,680)
		<u>(1,687,023)</u>	<u>(1,807,445)</u>	<u>(4,243,909)</u>	<u>(5,097,675)</u>
PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION		<u>2,074,828</u>	<u>(322,029)</u>	<u>4,287,924</u>	<u>700,529</u>
Taxation		(70,402)	10,886	(147,230)	(3,317)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>2,004,426</u>	<u>(311,143)</u>	<u>4,140,694</u>	<u>697,212</u>
DISCONTINUED OPERATIONS					
Gain on sale of a subsidiary	6 (b)	-	-	394,485	-
Profit for the period from discontinued operations		-	9,449	-	9,449
PROFIT (LOSS) FOR THE PERIOD		<u>2,004,426</u>	<u>(301,694)</u>	<u>4,535,179</u>	<u>706,661</u>
Attributable to:					
Equity holders of the Parent Company		1,818,345	(302,148)	4,348,765	705,518
Non-controlling interests		186,081	454	186,414	1,143
		<u>2,004,426</u>	<u>(301,694)</u>	<u>4,535,179</u>	<u>706,661</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	<u>2.5 fils</u>	<u>(0.4) fils</u>	<u>5.9 fils</u>	<u>1.0 fils</u>
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	3	<u>2.5 fils</u>	<u>(0.4) fils</u>	<u>5.4 fils</u>	<u>0.9 fils</u>

The attached notes 1 to 13 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 2011

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 values KD	Foreign currency translation reserve KD	Retained earnings (accumulated losses) KD	Sub-total KD	Non-controlling interests KD	Total equity KD
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	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	-	-	-	-	-
Additional investment in a subsidiary *	-	-	-	-	(141,415)	-	-	-	-	(141,415)	-	(141,415)
Arising on part disposal of indirectly held subsidiary	-	-	-	-	-	-	-	-	-	-	20,000,000	20,000,000
Arising on acquisition of indirectly held subsidiary	-	-	-	-	-	-	-	-	-	-	160,000	160,000
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
As at 1 January 2010	79,380,000	33,681,514	1,754,725	868,090	(5,644,777)	1,318,958	12,670,890	358,629	(11,542,785)	112,845,244	113,257	112,958,501
Profit for the period	-	-	-	-	-	-	-	-	705,518	705,518	1,143	706,661
Other comprehensive (loss) income	-	-	-	-	-	-	(5,483,362)	(9,007)	367,762	(5,124,607)	(14,990)	(5,139,597)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(5,483,362)	(9,007)	1,073,280	(4,419,089)	(13,847)	(4,432,936)
Write off of accumulated losses against share premium, statutory reserve and general reserve	-	(8,919,970)	(1,754,725)	(868,090)	-	-	-	-	11,542,785	-	-	-
Purchase of treasury shares	-	-	-	-	(3,324)	-	-	-	-	(3,324)	-	(3,324)
Sale of treasury shares	-	-	-	-	130,526	(20,931)	-	-	-	109,595	-	109,595
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	61,154	61,154
At 30 June 2010	79,380,000	24,761,544	-	-	(5,517,575)	1,298,027	7,187,528	349,622	1,073,280	108,532,426	160,564	108,692,990

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

The attached notes 1 to 13 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 2011

	Notes	Six months ended 30 June	
		2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit for the period from continuing operations		4,140,694	697,212
Profit for the period from discontinued operations		394,485	9,449
Adjustments for:			
Depreciation		102,013	185,266
Provision for employees' end of service benefits		44,453	41,753
Amortisation of intangibles		139,832	312,680
Gain on sale of financial assets available-for-sale		(6,568,349)	(2,598,753)
Impairment of financial assets available-for-sale		1,756,185	2,107,217
Unrealised loss on financial assets at fair value through income statement		1,760,260	418,205
Realised gain on financial assets at fair value through income statement		(62,661)	(273,844)
Interest income		(61,788)	(191,290)
Profit from murabaha receivable		-	(79,911)
Finance costs		1,003,934	808,101
Dividend income		(2,316,427)	(987,838)
Foreign exchange (gains) losses		(607,505)	220,661
Share of results of associates	4	(187,291)	(843,525)
Loss on sale of investment in associates		163,639	-
Gain on sale of a subsidiary	6 (b)	(394,485)	-
		(693,011)	(174,617)
Working capital changes:			
Accounts receivable and prepayments		6,453,876	234,918
Financial assets at fair value through income statement		400,466	767,314
Accounts payable and accruals		(1,585,958)	(201,312)
Cash flow from operating activities		4,575,373	626,303
Taxation paid		(68,736)	(59,536)
Employees' end of service benefits paid		(2,163)	(1,337)
Net cash flows from operating activities		4,504,474	565,430
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(30,147)	(234,393)
Purchase of financial assets available-for-sale		(18,273,632)	(24,156,419)
Proceeds from sale of financial assets available-for-sale		30,880,254	14,009,154
Purchase of investment in associates	4	(4,963,214)	(1,102,347)
Proceeds from sale of investment in associates		872,454	-
Repayment of capital by an associate		1,932,473	1,648,733
Dividend received from associates	4	275,594	198,075
Net movement in due from sale of investment in subsidiaries		(551,541)	-
Interest income received		61,788	191,290
Profit from murabaha receivable received		-	79,911
Dividend income received		2,316,427	987,838
Fixed deposit		-	5,973,528
Murabaha receivable		-	4,251,058
Cash (outflow) inflow on acquisition of a subsidiary		(403,018)	223,682
Net cash flows from investing activities		12,117,438	2,070,110
FINANCING ACTIVITIES			
Purchase of treasury shares		(141,415)	(3,324)
Proceeds from sale of treasury shares		-	109,595
Finance costs paid		(747,840)	(677,851)
Capital contribution from (other movement in) non-controlling interests		20,160,000	(1,960)
Net cash flows from (used in) financing activities		19,270,745	(573,540)
NET INCREASE IN CASH AND CASH EQUIVALENTS		35,892,657	2,062,000
Cash and cash equivalents at 1 January		1,889,877	2,574,894
CASH AND CASH EQUIVALENTS AT 30 JUNE	8	37,782,534	4,636,894

The attached notes 1 to 13 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 2011

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 month period ended 30 June 2011 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 14 August 2011.

The consolidated financial statements for the year ended 31 December 2010 were approved by the shareholders at the Annual General Meeting held on 29 May 2011.

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 and 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 AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2011 have been prepared in accordance with International Financial Reporting 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 2010. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the six month period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

Significant accounting policies

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

IAS 24 Related Party Disclosures (Amendment)

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

Improvements to IFRSs (issued May 2010)

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Group.

IFRS 3 Business Combinations: The measurement options available for non-controlling interest (NCI) have been amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation shall be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2011

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Improvements to IFRSs (issued May 2010) (continued)

IFRS 7 Financial Instruments - Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 Presentation of Financial Statements: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the consolidated financial information.

IAS 34 Interim Financial Statements: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed consolidated financial information.

The adoption of the improvements to IFRSs (issued May 2010) did not have any impact on the financial position or performance of the Group.

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

3 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>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Profit (loss) for the period attributable to equity holders of the Parent Company (KD)	<u>1,818,345</u>	<u>(302,148)</u>	<u>4,348,765</u>	<u>705,518</u>
Number of shares outstanding:				
Weighted average number of paid up shares	793,800,000	793,800,000	793,800,000	793,800,000
Weighted average number of treasury shares	<u>(56,952,486)</u>	<u>(55,409,503)</u>	<u>(56,952,486)</u>	<u>(55,409,503)</u>
	<u>736,847,514</u>	<u>738,390,497</u>	<u>736,847,514</u>	<u>738,390,497</u>
Basic and diluted earnings (loss) per share	<u>2.5 fils</u>	<u>(0.4) fils</u>	<u>5.9 fils</u>	<u>1.0 fils</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2011

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

Basic and diluted earnings (loss) per share from continuing operations

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Profit (loss) for the period attributable to equity holders of the Parent Company (KD)	1,818,345	(302,148)	4,348,765	705,518
Gain on sale of subsidiary	-	-	(394,485)	-
Profit for the period from discontinued operations	-	(9,449)	-	(9,449)
Profit (loss) for the period from continuing operations attributable to equity holders of the Parent Company (KD)	1,818,345	(311,597)	3,954,280	696,069
Number of shares outstanding:				
Weighted average number of paid up shares	793,800,000	793,800,000	793,800,000	793,800,000
Weighted average number of treasury shares	(56,952,486)	(55,409,503)	(56,952,486)	(55,409,503)
	736,847,514	738,390,497	736,847,514	738,390,497
Basic and diluted earnings (loss) per share from continuing operations	2.5 fils	(0.4) fils	5.4 fils	0.9 fils

4 INVESTMENT IN ASSOCIATES

The movement in investment in associates is as follows:

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2011</i>	<i>31 December</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Opening balance	11,953,337	10,346,422	10,346,422
Additions	4,963,214	1,139,349	1,102,347
Transfer from financial assets available-for-sale (Note 5(d))	1,277,924	-	-
Disposals	(1,036,093)	(298,942)	-
Repayment of capital by an associate	(1,863,845)	(1,769,238)	(1,520,705)
Dividends received	(275,594)	(198,075)	(198,075)
Share of results	187,291	2,673,140	843,525
Cumulative changes in fair values	(108,798)	-	-
Foreign currency translation adjustment	(238,319)	(307,081)	(9,007)
Other comprehensive income adjustment	-	367,762	367,762
Closing balance	14,859,117	11,953,337	10,932,269

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2011

5 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2011</i>	<i>31 December</i>	<i>2010</i>
	<i>KD</i>	<i>2010</i>	<i>2010</i>
		<i>KD</i>	<i>KD</i>
Quoted equity securities	55,831,471	80,423,987	67,520,987
Unquoted equity securities	17,227,425	14,706,989	14,516,131
Mutual funds	3,255,421	4,857,750	4,413,390
	<u>76,314,317</u>	<u>99,988,726</u>	<u>86,450,508</u>

- (a) Quoted equity securities includes investments with a carrying value of KD 38,634,452 (31 December 2010: KD 63,395,310 and 30 June 2010: KD 50,317,306) managed by related parties, investment companies specializing in asset management. At the reporting date, the Parent Company also held shares with a carrying value of KD 4,657,633 (31 December 2010: KD 4,719,031 and 30 June 2010: KD 4,350,855) in the related parties (Note 11).
- (b) Unquoted equity securities and mutual funds includes investments with a carrying value of KD 1,350,760 (31 December 2010: KD 1,478,664 and 30 June 2010: KD 1,350,760) and KD 3,255,420 (31 December 2010: KD 4,857,747 and 30 June 2010: KD 3,973,541) respectively, managed by related parties.
- (c) 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 2011, the carrying value of the reclassified trading investment amounted to KD 387,940 (31 December 2010: KD 872,553 and 30 June 2010: KD 822,290). During the period ended 30 June 2011, the Group has recorded an impairment loss of KD 484,613 (30 June 2010: KD 1,923,616) in respect of this reclassified investment in the interim condensed consolidated income statement.
- (d) As at 31 December 2010, the Group owned 6.3% equity interest in Strategia Investment Company K.S.C. (Closed) (“Strategia”) which was classified as financial asset available-for-sale. During the current period, the Group acquired additional 26.1% equity interest in Strategia. As a result, the Group’s ownership in Strategia increased to 32.4% as at 30 June 2011. The Group is now in a position to exercise “significant influence” over Strategia and accordingly, this investment has been accounted for as an associate in accordance with International Accounting Standard 28: “Investments in Associates” (Note 4).
- (e) As at 31 December 2010, a subsidiary of the Parent Company - Gas Oil Field Services Company K.S.C. (Closed) (“GOFSCO”) owned 20.73% equity interest in Eastern United Petroleum Services Company (“EUPS”) which was classified as financial asset available-for-sale. The Group did not have representation on its Board of Directors and hence did not have any significant influence over EUPS. During November 2010, the Group acquired additional 40% equity interest in EUPS for a total consideration of KD 498,037. During the three month period ended 30 June 2011, the Group accounted for this investment as a subsidiary with total assets of KD 2,389,535 and total liabilities of KD 1,463,317 which resulted in recognition of a provisional goodwill of KD 246,478 included in intangible assets pending completion of the purchase price allocation exercise in the interim condensed consolidated statement of financial position of the Group as at 30 June 2011.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2011

6 DUE FROM SALE OF INVESTMENT IN SUBSIDIARIES

- a) In 2008, the Parent Company sold its wholly owned subsidiary, Ajwan General Trading and Contracting Company W.L.L. for a total consideration of KD 78,672,640 (KD 6 million collected in 2010). Under the terms of the sale agreement, the Parent Company obtained a term loan from National Bank of Kuwait (NBK), equal to the purchase consideration and the buyer will be responsible for the ultimate settlement of this loan and related interests payments (Note 10).
- b) During the period, the Parent Company sold its wholly owned subsidiary, Loloah Privatization for General Trading & Contracting Company W.L.L. for a total consideration of KD 2,300,000 which resulted in a gain of KD 394,485. Under the terms of the sale agreement, the consideration will be received in two equal instalments due on 1 December 2011 and 1 December 2012. As a result, the instalment due on 1 December 2012 has been classified in the interim condensed consolidated statement of financial position under non-current assets and discounted at the Parent Company's internal return of return.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>30 June</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 June</i> <i>2010</i> <i>KD</i>
Held for trading			
Quoted equity securities	7,366,760	9,074,100	9,484,966
Designated			
Unquoted equity shares	10,672,633	10,672,634	16,955,261
Mutual funds	1,153,555	1,669,999	2,016,042
	<u>19,192,948</u>	<u>21,416,733</u>	<u>28,456,269</u>

Quoted equity securities include investments with a carrying value of KD 3,522,508 (31 December 2010: KD 4,159,837 and 30 June 2010: KD 3,892,819) managed by related parties, investment companies specializing in asset management, investment companies specializing in asset management.

Mutual funds are carried at net asset values provided by the fund managers and portfolio managers. Mutual funds include investments with a carrying value of KD 1,046,262 (31 December 2010: KD 1,069,665 and 30 June 2010: KD 1,141,844) managed by a related party.

8 CASH AND CASH EQUIVALENTS

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

	<i>30 June</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 June</i> <i>2010</i> <i>KD</i>
Bank balances and cash	43,543,723	6,226,445	9,758,389
Bank overdraft	(5,761,189)	(4,336,568)	(5,121,495)
	<u>37,782,534</u>	<u>1,889,877</u>	<u>4,636,894</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2011

9 TREASURY SHARES

	<i>30 June</i> <i>2011</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i>	<i>30 June</i> <i>2010</i>
Number of shares	58,640,000	55,520,000	55,040,000
Percentage of issued shares	7.38%	6.99%	6.93%
Cost (KD)	5,689,151	5,547,736	5,517,575
Market value (KD)	2,814,720	2,942,560	2,531,840

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

The Annual General Assembly of shareholders of the Parent Company held on 29 May 2011, approved cancellation of 55,520,000 treasury shares which is subject to approval from regulatory authorities.

10 TERM LOANS

Term loans include a facility of KD 72,672,640 (31 December 2010: KD 72,672,640 and 30 June 2010: KD 75,000,000) which was obtained by the Parent Company from NBK based on the terms of the sale agreement referred to in Note 6. The facility is unsecured and subject to an interest rate of 4% (31 December 2010: 2.5% to 4% and 30 June 2010: 2%) per annum over the CBK discount rate. The amount was repayable on 19 September 2010. Finance costs amounting to KD 2,342,448 for the six month period ended 30 June 2011 (30 June 2010: KD 1,812,493) were borne by the buyer of the subsidiary, as discussed in Note 6 (a). As of the reporting date, management of the Parent Company and the buyer of the subsidiary are negotiating with NBK to either reschedule the loan repayment or transfer the loan to the buyer of the subsidiary.

The remaining balance represents revolving short-term credit facilities taken 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 1.25% to 1.5% (31 December 2010: 1.75% to 2.5% and 30 June 2010: 1.75% to 2.5%) per annum over the CBK discount rate or 3 months LIBOR.

11 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>Six months ended 30 June</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>
Interim condensed consolidated income statement		
Gain on sale of financial assets available-for-sale	-	243
Dividend income	324,278	-
Interest income	6,923	6,138
Portfolio management fees	(32,266)	(73,408)

Privatization Holding Company K.S.C. (Closed) and its Subsidiaries
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)
 At 30 June 2011

11 RELATED PARTY TRANSACTIONS (continued)

	<i>30 June</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 June</i> <i>2010</i> <i>KD</i>
Interim condensed consolidated statement of financial position			
Financial assets available-for-sale (Note 5)	4,657,633	4,719,031	4,350,855
Amount due from related parties	678,680	7,544,481	13,444
Amount due to related parties	-	-	(2,585,034)

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

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>2011</i> <i>KD</i>	<i>2010</i> <i>KD</i>
Short-term employee benefits	193,894	173,405
End of service benefits	23,233	11,748
	<u>217,127</u>	<u>185,153</u>

12 COMMITMENTS AND CONTINGENCIES

	<i>30 June</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 June</i> <i>2010</i> <i>KD</i>
Commitments			
Purchase of financial assets available-for-sale	4,428,845	6,461,450	8,271,089
Purchase of property, plant and equipment	2,213,740	2,148,976	2,148,976

Contingencies

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 2,158,500 (31 December 2010: KD 2,010,000 and 30 June 2010: KD 2,010,000), from which it is anticipated that no material liabilities will arise.