

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

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

30 SEPTEMBER 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)**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Privatization Holding Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 September 2011 and the related interim condensed consolidated statements of income and comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statements of cash flows and changes in equity for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard IAS 34; *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim 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, as amended, during the nine months period ended 30 September 2011 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 INCOME STATEMENT (UNAUDITED)

Period ended 30 September 2011

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2011	2010	2011	2010
		KD	KD	KD	KD
CONTINUED OPERATIONS					
INCOME					
Realised gain (loss) on financial assets at fair value through income statement		125,572	(19,392)	188,233	254,452
Unrealised (loss) gain on financial assets at fair value through income statement		(754,033)	1,101,517	(2,514,293)	683,312
Gain on sale of financial assets available-for-sale		354,842	285,177	6,923,191	2,883,930
Dividend income		15,516	35,198	2,331,943	1,023,036
Interest income		60,102	48,863	121,890	240,153
Share of results of associates	4	24,362	84,676	211,653	928,201
Loss on sale of investment in associates		-	(28,720)	(163,639)	(28,720)
Profit from murabaha receivable		-	3,057	-	82,968
Foreign exchange (losses) gains		(113,911)	517,574	493,594	296,913
Revenue from services		1,918,538	669,115	2,615,813	1,966,782
Other income (expense)		42,031	(61,968)	(3,533)	102,274
		<u>1,673,019</u>	<u>2,635,097</u>	<u>10,204,852</u>	<u>8,433,301</u>
EXPENSES					
Cost of services rendered		(1,569,915)	(457,537)	(2,209,875)	(1,343,190)
Administrative expenses		(300,152)	(336,741)	(965,426)	(1,234,266)
Portfolio management fees		(18,957)	(44,580)	(57,681)	(131,079)
Finance costs		(466,314)	(391,611)	(1,470,248)	(1,199,712)
Impairment of financial assets available-for-sale		(181,227)	-	(1,937,412)	(2,107,217)
Amortisation of intangibles		(69,915)	(77,832)	(209,747)	(390,512)
		<u>(2,606,480)</u>	<u>(1,308,301)</u>	<u>(6,850,389)</u>	<u>(6,405,976)</u>
(LOSS) PROFIT FOR THE PERIOD BEFORE TAXATION					
		(933,461)	1,326,796	3,354,463	2,027,325
Taxation		43,626	(49,902)	(103,604)	(53,219)
(LOSS) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS					
		(889,835)	1,276,894	3,250,859	1,974,106
DISCONTINUED OPERATIONS					
Gain on sale of a subsidiary	6 (b)	-	-	394,485	-
Loss for the period from discontinued operations		-	(11,194)	-	(1,745)
(LOSS) PROFIT FOR THE PERIOD					
		(889,835)	1,265,700	3,645,344	1,972,361
Attributable to:					
Equity holders of the Parent Company		(975,653)	1,265,555	3,373,112	1,971,073
Non-controlling interests		85,818	145	272,232	1,288
		<u>(889,835)</u>	<u>1,265,700</u>	<u>3,645,344</u>	<u>1,972,361</u>
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	3	(1.3) fils	1.7 fils	4.6 fils	2.7 fils
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY					
	3	(1.3) fils	1.7 fils	4.0 fils	2.7 fils

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 30 September 2011


	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
(Loss) profit for the period	(889,835)	1,265,700	3,645,344	1,972,361
Other comprehensive income				
Change in fair values of financial assets available-for-sale	(7,881,610)	6,319,964	(17,782,772)	1,313,148
Realised gain on sale of financial assets available-for-sale	(354,842)	(285,177)	(6,923,191)	(2,883,930)
Change in fair value on reclassification from available-for-sale investment to associate	-	-	313,459	-
Impairment loss on financial assets available-for-sale transferred to the interim condensed consolidated income statement	181,227	-	1,937,412	2,107,217
Adjustment due to restatement of an associate's result	-	-	-	367,762
Share of foreign currency translation reserve of associates	25,631	(157,754)	(212,688)	(166,761)
Other comprehensive (loss) income for the period	(8,029,594)	5,877,033	(22,667,780)	737,436
Total comprehensive (loss) income for the period	(8,919,429)	7,142,733	(19,022,436)	2,709,797
Attributable to:				
Equity holders of the Parent Company	(8,996,574)	7,127,732	(19,281,480)	2,708,643
Non-controlling interests	77,145	15,001	259,044	1,154
	(8,919,429)	7,142,733	(19,022,436)	2,709,797


The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

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

At 30 September 2011

		(Audited)	
	Notes	30 September 2011 KD	31 December 2010 KD
			30 September 2010 KD
ASSETS			
Non-current assets			
Property, plant and equipment		7,020,186	5,832,504
Intangible assets		2,886,060	3,795,116
Investment in associates	4	14,725,462	11,953,337
Financial assets available-for-sale	5	65,662,754	99,988,726
Investment property		3,137,476	-
Due from sale of investment in a subsidiary	6 (b)	965,016	-
		<u>94,396,954</u>	<u>121,569,683</u>
Current assets			
Due from sale of investment in subsidiaries	6	73,822,640	72,672,640
Accounts receivable and prepayments		10,779,266	11,706,055
Financial assets at fair value through income statement	7	18,404,501	21,416,733
Fixed deposits		-	-
Bank balances and cash	8	25,220,782	6,226,445
		<u>128,227,189</u>	<u>112,021,873</u>
TOTAL ASSETS		<u>222,624,143</u>	<u>233,591,556</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		73,828,000	79,380,000
Share premium		24,761,544	24,761,544
Statutory reserve		206,369	206,369
General reserve		206,369	206,369
Treasury shares	9	(269,459)	(5,547,736)
Treasury shares reserve		1,304,884	1,298,027
Cumulative changes in fair values		(4,584,910)	17,856,994
Foreign currency translation reserve		(161,140)	51,548
Retained earnings		5,324,148	1,951,036
Equity attributable to equity holders of the Parent Company		<u>100,615,805</u>	<u>120,164,151</u>
Non-controlling interests		741,140	138,370
Total equity		<u>101,356,945</u>	<u>120,302,521</u>
Non-current liabilities			
Long term loan		6,850,000	-
Employees' end of service benefits		359,316	328,297
		<u>7,209,316</u>	<u>328,297</u>
Current liabilities			
Accounts payable and accruals		1,559,283	2,706,913
Bank overdraft	8	7,036,138	4,336,568
Term loans	10	105,462,461	105,917,257
		<u>114,057,882</u>	<u>112,960,738</u>
Total liabilities		<u>121,267,198</u>	<u>113,289,035</u>
TOTAL EQUITY AND LIABILITIES		<u>222,624,143</u>	<u>233,591,556</u>


 Riyadh S.A. Edrees
 Chairman


 Dr. Mithqal Sartawi
 Managing Director

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

Period ended 30 September 2011

	Notes	Nine months ended 30 September	
		2011 KD	2010 KD
OPERATING ACTIVITIES			
Profit for the period from continuing operations		3,250,859	1,974,106
Profit (loss) for the period from discontinued operations		394,485	(1,745)
Adjustments for:			
Depreciation		386,599	302,864
Provision for employees' end of service benefits		67,723	48,297
Amortisation of intangibles		209,747	390,512
Gain on sale of financial assets available-for-sale		(6,923,191)	(2,883,930)
Impairment of financial assets available-for-sale		1,937,412	2,107,217
Unrealised loss (gain) on financial assets at fair value through income statement		2,514,293	(680,878)
Realised gain on financial assets at fair value through income statement		(188,233)	(254,452)
Interest income		(121,890)	(240,153)
Profit from murabaha receivable		-	(82,968)
Finance costs		1,470,248	1,199,712
Dividend income		(2,331,943)	(1,023,036)
Foreign exchange gains		(493,594)	(296,913)
Share of results of associates	4	(211,653)	(928,201)
Loss on sale of investment in associates		163,639	28,720
Gain on sale of a subsidiary	6 (b)	(394,485)	-
		<u>(269,984)</u>	<u>(340,848)</u>
Working capital changes:			
Accounts receivable and prepayments		836,522	1,501,812
Financial assets at fair value through income statement		560,452	5,549,302
Accounts payable and accruals		(1,430,050)	1,844,672
Cash flow (used in) from operating activities		<u>(303,060)</u>	<u>8,554,938</u>
Taxation paid		(68,860)	(59,536)
Employees' end of service benefits paid		(2,163)	(19,041)
Net cash flows (used in) from operating activities		<u>(374,083)</u>	<u>8,476,361</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(263,477)	(328,210)
Purchase of financial assets available-for-sale		(19,356,109)	(29,477,432)
Proceeds from sale of financial assets available-for-sale		34,916,333	16,926,542
Purchase of investment in associates	4	(4,963,219)	(1,102,346)
Proceeds from sale of investment in associates	4	2,804,934	1,889,796
Dividend received from associates		275,594	198,075
Purchase of investment in property		(3,137,476)	-
Interest income received		121,890	240,153
Profit from murabaha receivable received		-	82,968
Dividend income received		2,331,943	1,023,036
Fixed deposit		-	6,386,140
Murabaha receivable		-	5,091,370
Disposal of a subsidiary, net of cash disposed		(157,056)	-
Acquisition of a subsidiary, net of cash acquired	5 (e)	(403,018)	223,682
Net cash flows from investing activities		<u>12,170,339</u>	<u>1,153,774</u>
FINANCING ACTIVITIES			
Purchase of treasury shares		(289,186)	(33,485)
Proceeds from sale of treasury shares		22,320	109,595
Long term loan obtained		6,850,000	-
Repayment of short term loan		(698,250)	(6,000,000)
Dividend paid		(180,000)	-
Finance costs paid		(1,366,373)	(1,158,301)
Capital contribution from (other movement in) non-controlling interests		160,000	(2,500)
Net cash flows from (used in) financing activities		<u>4,498,511</u>	<u>(7,084,691)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>16,294,767</u>	<u>2,545,444</u>
Cash and cash equivalents at 1 January		1,889,877	2,574,894
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	8	<u>18,184,644</u>	<u>5,120,338</u>

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

Privatization Holding Company K.S.C. (Closed) and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
 Period ended 30 September 2011

	<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	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)	17,856,994	51,548	1,951,036	120,164,151	138,370	120,302,521
Profit for the period	-	-	-	-	-	-	-	3,373,112	3,373,112	272,232	3,645,344
Other comprehensive loss	-	-	-	-	-	(22,441,904)	(212,688)	-	(22,654,592)	(13,188)	(22,667,780)
Total comprehensive (loss) income for the period	-	-	-	-	-	(22,441,904)	(212,688)	3,373,112	(19,281,480)	259,044	(19,022,436)
Purchase of treasury shares	-	-	-	-	(289,186)	-	-	-	(289,186)	-	(289,186)
Sale of treasury shares	-	-	-	-	19,727	-	-	-	19,727	-	19,727
Cancellation of treasury shares (Note 9)	-	-	-	-	5,547,736	-	-	-	5,547,736	-	5,547,736
Dividend paid	(5,552,000)	-	-	-	-	-	-	-	-	-	(5,552,000)
Arising on part disposal of indirectly held subsidiary (Note 14)	-	-	-	-	-	-	-	-	-	(180,000)	(180,000)
Arising on acquisition of indirectly held subsidiary (Note 5 (e))	-	-	-	-	-	-	-	-	-	160,000	160,000
At 30 September 2011	73,828,000	24,761,544	206,369	206,369	(269,459)	(4,584,910)	(161,140)	5,324,148	100,615,805	741,140	101,356,945
As at 1 January 2010	79,380,000	33,681,514	1,754,725	868,090	(5,644,777)	12,670,890	358,629	(11,542,785)	112,845,244	113,257	112,958,501
Profit for the period	-	-	-	-	-	-	-	1,971,073	1,971,073	1,288	1,972,361
Other comprehensive income (loss)	-	-	-	-	-	536,569	(166,761)	367,762	737,570	(134)	737,436
Total comprehensive income (loss) for the period	-	-	-	-	-	536,569	(166,761)	2,338,835	2,708,643	1,154	2,709,797
Write-off of accumulated losses against share premium, statutory reserve and general reserve	-	(8,919,970)	(1,754,725)	(868,090)	-	-	-	11,542,785	(33,485)	-	(33,485)
Purchase of treasury shares	-	-	-	-	(20,931)	-	-	-	(20,931)	-	(20,931)
Sale of treasury shares	-	-	-	-	130,526	-	-	-	130,526	-	130,526
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(2,500)	(2,500)
At 30 September 2010	79,380,000	24,761,544	-	-	(5,547,736)	13,207,459	191,868	2,338,835	115,629,997	111,911	115,741,908

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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 nine months period ended 30 September 2011 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 2 November 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 nine months ended 30 September 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 nine month period ended 30 September 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 accounting policy and standards as of 1 January, as noted below:

Accounting policy - Investment Properties

Investment properties represent properties held for capital appreciation and to earn rental income. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost.

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 emphasise 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.

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

At 30 September 2011

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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.

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 (LOSS) EARNINGS PER SHARE

Basic and diluted (loss) earnings per share attributable to equity holders of the Parent Company is calculated by dividing the (loss) 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
(Loss) profit for the period attributable to equity holders of the Parent Company (KD)	<u>(975,653)</u>	<u>1,265,555</u>	<u>3,373,112</u>	<u>1,971,073</u>
Number of shares outstanding:				
Weighted average number of paid up shares	<u>738,280,000</u>	<u>793,800,000</u>	<u>738,280,000</u>	<u>793,800,000</u>
Weighted average number of treasury shares	<u>(4,034,348)</u>	<u>(53,277,473)</u>	<u>(2,309,304)</u>	<u>(55,302,857)</u>
	<u>734,245,652</u>	<u>740,522,527</u>	<u>735,970,696</u>	<u>738,497,143</u>
Basic and diluted (loss) earnings per share	<u>(1.3) fils</u>	<u>1.7 fils</u>	<u>4.6 fils</u>	<u>2.7 fils</u>

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

At 30 September 2011

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

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

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
(Loss) profit for the period attributable to equity holders of the Parent Company (KD)	(975,653)	1,265,555	3,373,112	1,971,073
Gain on sale of subsidiary	-	-	(394,485)	-
Loss for the period from discontinued operations	-	11,194	-	1,745
	<u>(975,653)</u>	<u>1,276,749</u>	<u>2,978,627</u>	<u>1,972,818</u>
(Loss) profit for the period from continuing operations attributable to equity holders of the Parent Company (KD)	(975,653)	1,276,749	2,978,627	1,972,818
Number of shares outstanding:				
Weighted average number of paid up shares	738,280,000	793,800,000	738,280,000	793,800,000
Weighted average number of treasury shares	(4,034,348)	(53,277,473)	(2,309,304)	(55,302,857)
	<u>734,245,652</u>	<u>740,522,527</u>	<u>735,970,696</u>	<u>738,497,143</u>
Basic and diluted (loss) earnings per share from continuing operations	<u>(1.3) fils</u>	<u>1.7 fils</u>	<u>4.0 fils</u>	<u>2.7 fils</u>

4 INVESTMENT IN ASSOCIATES

The movement in investment in associates is as follows:

	<i>30 September</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 September</i> <i>2010</i> <i>KD</i>
Opening balance	11,953,337	10,346,422	10,346,422
Additions	4,963,219	1,139,349	1,102,346
Transfer from financial assets available-for-sale (Note 5(d))	1,277,924	-	-
Disposals	(1,036,091)	(298,942)	(269,782)
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	211,653	2,673,140	928,201
Cumulative changes in fair values	(292,453)	-	-
Foreign currency translation adjustment	(212,688)	(307,081)	(166,761)
Other comprehensive income adjustment	-	367,762	367,762
Closing balance	<u>14,725,462</u>	<u>11,953,337</u>	<u>10,589,408</u>

Additions during the current period, mainly include 26.1% additional equity interest acquired in Strategia Investment Company K.S.C. (Closed) (Note 5 (d)).

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

At 30 September 2011

5 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	30 September 2011 KD	(Audited) 31 December 2010 KD	30 September 2010 KD
Quoted equity securities	46,965,610	80,423,987	74,607,562
Unquoted equity securities	15,714,516	14,706,989	15,758,310
Mutual funds	2,982,628	4,857,750	4,808,194
	<u>65,662,754</u>	<u>99,988,726</u>	<u>95,174,066</u>

- (a) Quoted equity securities includes investments with a carrying value of KD 32,023,698 (31 December 2010: KD 63,395,310 and 30 September 2010: KD 56,580,545) 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 4,136,145 (31 December 2010: KD 4,719,031 and 30 September 2010: KD 4,444,928) 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 September 2010: KD 1,478,664) and KD 2,982,628 (31 December 2010: KD 4,857,747 and 30 September 2010: KD 4,808,194) 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 September 2011, the carrying value of the reclassified trading investment amounted to KD 311,536 (31 December 2010: KD 872,553 and 30 September 2010: KD 763,752). During the period ended 30 September 2011, the Group has recorded an impairment loss of KD 561,017 (30 September 2010: KD 1,923,617) 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 for KD 4,947,529. As a result, the Group's ownership in Strategia increased to 32.4% as at 30 September 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 IAS 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 period ended 30 September 2011, the Group accounted for this investment as a subsidiary with total assets of KD 2,389,535 (including cash and bank balance of KD 95,019) 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 September 2011. From the date EUPS became a subsidiary of the Group, it has contributed revenue of KD 225,569 and profit of KD 167,615.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 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 to a third party. The Parent Company collected KD 6 million in 2010 and the remaining balance of KD 72,672,640 is overdue and bears interest at the rate of 4% (31 December 2010: 2.5% to 4% and 30 September 2010: 2%) per annum over the CBK discount rate. As orally agreed with the third party, interest income is offset by the finance costs on term loan from NBK (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 rate of return.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>30 September</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 September</i> <i>2010</i> <i>KD</i>
Held for trading			
Quoted equity securities	6,679,568	9,074,100	10,117,596
Designated			
Unquoted equity shares	10,672,634	10,672,634	16,849,357
Mutual funds	1,052,299	1,669,999	1,834,509
	<u>18,404,501</u>	<u>21,416,733</u>	<u>28,801,462</u>

Quoted equity securities include investments with a carrying value of KD 3,107,321 (31 December 2010: KD 4,159,837 and 30 September 2010: KD 4,224,613) managed by related parties, 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 944,744 (31 December 2010: KD 1,069,665 and 30 September 2010: KD 1,084,125) 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 September</i> <i>2011</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2010</i> <i>KD</i>	<i>30 September</i> <i>2010</i> <i>KD</i>
Bank balances and cash	25,220,782	6,226,445	8,093,962
Bank overdraft	(7,036,138)	(4,336,568)	(2,973,624)
	<u>18,184,644</u>	<u>1,889,877</u>	<u>5,120,338</u>

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

At 30 September 2011

9 TREASURY SHARES

	<i>30 September 2011</i>	<i>(Audited) 31 December 2010</i>	<i>30 September 2010</i>
Number of shares	<u>5,440,000</u>	<u>55,520,000</u>	<u>55,520,000</u>
Percentage of issued shares	<u>0.74%</u>	<u>6.99%</u>	<u>6.99%</u>
Cost (KD)	<u>269,459</u>	<u>5,547,736</u>	<u>5,547,736</u>
Market value (KD)	<u>320,960</u>	<u>2,942,560</u>	<u>3,386,720</u>

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 was also approved by the Capital Market Authority on 21 August 2011.

10 TERM LOANS

Term loans include KD 75,000,000 (31 December 2010: KD 75,000,000 and 30 September 2010: KD 75,000,000) which was obtained by the Parent Company from NBK. The term loan is unsecured and subject to an interest rate of 4% (31 December 2010: 2.5% to 4% and 30 September 2010: 2%) per annum over the CBK discount rate. The term loan was repayable on 19 September 2010. The Parent Company is negotiating the rescheduling of the term loan. Finance costs amounting to KD 3,646,233 (30 September 2010: KD 2,806,767) were offset by the interest income of KD 3,533,085 (30 September 2010: KD 2,680,582) for the nine month period ended 30 September 2011, on overdue receivables (Note 6 (a)).

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 1.75% to 2.5% (31 December 2010: 1.75% to 2.5% and 30 September 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>Nine months ended 30 September</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	15,372	6,138
Portfolio management fees	(46,679)	(112,830)

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

At 30 September 2011

11 RELATED PARTY TRANSACTIONS (continued)

	<i>30 September</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 September</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of financial position			
Financial assets available-for-sale (Note 5)	4,136,145	4,719,031	4,444,928
Amount due from related parties	719,871	7,544,481	285,128
Amount due to related parties	(88,000)	-	(2,586,545)

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>Nine months ended 30 September</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>
Short-term employee benefits	318,161	249,006
End of service benefits	20,701	17,704
	<u>338,862</u>	<u>266,710</u>

12 COMMITMENTS AND CONTINGENCIES

	<i>30 September</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 September</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Commitments			
Purchase of financial assets available-for-sale	4,171,594	6,461,450	7,663,960
Purchase of property, plant and equipment	<u>1,225,270</u>	<u>2,148,976</u>	<u>2,148,976</u>

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 September 2010: KD 2,010,000), from which it is anticipated that no material liabilities will arise.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 September 2011

13 OPERATING 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 tables present segment income and results information regarding the Group's business segments from continued operations:

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

Nine months ended 30 September 2010

Income	<u>6,315,269</u>	<u>2,118,032</u>	<u>8,433,301</u>
Depreciation Amortisation of intangibles	(24,061) (390,512)	(278,803) -	(302,864) (390,512)
Results – profit	<u>1,809,866</u>	<u>164,240</u>	<u>1,974,106</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 30 September 2011</i>	<u>198,557,785</u>	<u>24,066,358</u>	<u>222,624,143</u>
<i>At 30 September 2010</i>	<u>219,415,470</u>	<u>12,267,280</u>	<u>231,682,750</u>

14 BUSINESS COMBINATIONS

During the current period the subsidiary GOFSCO sold 16% interest in its subsidiary Abyar Gulf Company for General Trading & Contracting W.L.L. for a total consideration of KD 160,000 at the carrying value.