

Interim condensed consolidated financial information and review report

**Al Mal Investment Company – KSC (Closed) and Subsidiaries**

**Kuwait**

30 June 2011 (Unaudited)

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## Report on review of interim condensed consolidated financial information

To the board of directors of  
Al Mal Investment Company – KSC (Closed)  
Kuwait

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Mal Investment Company (A Kuwaiti Closed Shareholding Company) and its subsidiaries as of 30 June 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in note (2). 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 the basis of presentation set out in note (2).

### **Report on review of other legal and regulatory requirements**

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Company. We further report that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960 or of the articles of association of the Company, as amended, have occurred during the six-month period ended 30 June 2011 that might have had a material effect on the business or financial position of the Company.



We further report that, during the course of our review, we have not become aware of any material violations during the six-month period ended 30 June 2011 of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.

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Kuwait  
17 August 2011

## Interim condensed consolidated statement of income

|  | Note | Three months ended                   |                                      | Six months ended                     |                                      |
|--|------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|  |      | 30 June<br>2011<br>(Unaudited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD | 30 June<br>2011<br>(Unaudited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
| <b>Revenue</b>   |      |                                      |                                      |                                      |                                      |
| Realised gain/(loss) from sale of investments at fair value through profit or loss       |      | 109,692                              | (358)                                | (79,454)                             | (321)                                |
| Unrealised (loss)/gain from investments at fair value through profit or loss             |      | (40,348)                             | (1,072)                              | (230,456)                            | 5,758                                |
| Realised loss on sale of available for sale investments                                  |      | 13,363                               | (24,719)                             | (4,814)                              | (25,359)                             |
| Dividend income  |      | 131,348                              | 194,243                              | 289,003                              | 620,968                              |
| Share of results of associates   |      | 164,417                              | 1,539,890                            | 82,032                               | 2,061,384                            |
| Profit on disposal of subsidiary   | 3    | 2,030,661                            | -                                    | 2,030,661                            | -                                    |
| (Loss)/profit on sale of investment properties   |      | -                                    | (17,812)                             | -                                    | 106,913                              |
| Change in fair value of investment properties  | 10   | (1,598,664)                          | (2,800,105)                          | (1,598,664)                          | (2,800,105)                          |
| Sukuk & interest income  |      | 172,652                              | 142,561                              | 366,104                              | 372,359                              |
| Net income from communication services   |      | 61,967                               | (6,066)                              | 142,377                              | 29,019                               |
| Management fees and other income   | 4    | 274,880                              | 180,669                              | 421,079                              | 374,661                              |
| Foreign exchange (loss)/gain   |      | (155,501)                            | (628,547)                            | 319,319                              | (1,162,217)                          |
|  |      | 1,164,467                            | (1,421,316)                          | 1,737,187                            | (416,940)                            |
| <b>Expenses and other charges</b>  |      |                                      |                                      |                                      |                                      |
| Finance costs  |      | 1,174,032                            | 1,585,526                            | 2,716,551                            | 3,280,504                            |
| Staff costs  |      | 343,168                              | 449,427                              | 771,413                              | 899,412                              |
| General, administrative and other expenses   |      | 286,760                              | 475,616                              | 684,563                              | 813,232                              |
| Impairment of available for sale investments   | 9.3  | 8,848                                | 248,351                              | 69,551                               | 403,243                              |
| Provision for impairment of accounts receivable and other assets                         | 8.a  | 4,484,883                            | -                                    | 6,623,069                            | -                                    |
|  |      | 6,297,691                            | 2,758,920                            | 10,865,147                           | 5,396,391                            |
| <b>Loss for the period</b>   |      | <b>(5,133,224)</b>                   | <b>(4,180,236)</b>                   | <b>(9,127,960)</b>                   | <b>(5,813,331)</b>                   |
| Attributable to :  |      |                                      |                                      |                                      |                                      |
| Owners of the parent company   |      | (4,855,381)                          | (2,527,258)                          | (8,919,361)                          | (3,932,791)                          |
| Non-controlling interests  |      | (277,843)                            | (1,652,978)                          | (208,599)                            | (1,880,540)                          |
|  |      | (5,133,224)                          | (4,180,236)                          | (9,127,960)                          | (5,813,331)                          |
| <b>BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b> |      |                                      |                                      |                                      |                                      |
|  | 5    | (9.19) Fils                          | (4.78) Fils                          | (16.88) Fils                         | (7.44) Fils                          |

The notes set out on pages 9 to 17 form an integral part of the interim condensed consolidated financial information.

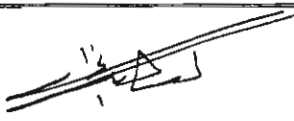
## Interim condensed consolidated statement of comprehensive income

|  | Three months ended                   |                                      | Six months ended                     |                                      |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|  | 30 June<br>2011<br>(Unaudited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD | 30 June<br>2011<br>(Unaudited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
| Loss for the period  | (5,133,224)                          | (4,180,236)                          | (9,127,960)                          | (5,813,331)                          |
| <b>Other comprehensive income:</b>                                   |                                      |                                      |                                      |                                      |
| Exchange differences arising on translation of<br>foreign operations | (159,366)                            | 21,434                               | (784,922)                            | 176,037                              |
| Available for sale investments:                                      |                                      |                                      |                                      |                                      |
| - Net changes in fair value arising during the period                | 246,618                              | (641,868)                            | 85,875                               | (906,174)                            |
| - Transferred to consolidated statement of income<br>on disposal     | (13,363)                             | 5,868                                | 4,814                                | 11,421                               |
| - Transferred to consolidated statement of income<br>on impairment   | 8,848                                | 248,351                              | 69,551                               | 403,243                              |
| Share of other comprehensive income of<br>associates                 | (19,462)                             | 37,353                               | 130,792                              | 75,866                               |
| <b>Total other comprehensive income for the period</b>               | <b>63,275</b>                        | <b>(328,862)</b>                     | <b>(493,890)</b>                     | <b>(239,607)</b>                     |
| <b>Total comprehensive income for the period</b>                     | <b>(5,069,949)</b>                   | <b>(4,509,098)</b>                   | <b>(9,621,850)</b>                   | <b>(6,052,938)</b>                   |
| <b>Total comprehensive income attributable to:</b>                   |                                      |                                      |                                      |                                      |
| Owners of the parent company   | (4,733,169)                          | (2,801,889)                          | (9,248,803)                          | (4,158,291)                          |
| Non-controlling interests  | (336,780)                            | (1,707,209)                          | (373,047)                            | (1,894,647)                          |
|  | <b>(5,069,949)</b>                   | <b>(4,509,098)</b>                   | <b>(9,621,850)</b>                   | <b>(6,052,938)</b>                   |

*The notes set out on pages 9 to 17 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of financial position

|  | Note | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|--|------|--------------------------------------|------------------------------------|--------------------------------------|
| <b>Assets</b>  |      |                                      |                                    |                                      |
| Cash and cash equivalents                                  | 6    | 10,252,813                           | 19,078,995                         | 3,475,458                            |
| Investments at fair value through profit or loss           | 7    | 3,136,871                            | 15,145,525                         | 2,690,738                            |
| Accounts receivable and other assets                       | 8    | 32,248,186                           | 35,476,892                         | 37,783,299                           |
| Available for sale investments                             | 9    | 23,403,358                           | 26,555,636                         | 30,346,957                           |
| Investment in sukuk  |      | 6,750,740                            | 6,177,737                          | 5,973,729                            |
| Investment in associates                                   |      | 6,905,615                            | 6,942,401                          | 23,624,128                           |
| Investment properties                                      | 10   | 87,309,073                           | 89,096,476                         | 81,675,388                           |
| Property and equipment                                     |      | 1,014,375                            | 1,075,406                          | 1,177,876                            |
| Intangible asset   |      | -                                    | -                                  | 3,909,697                            |
| Goodwill   |      | 90,332                               | 90,332                             | 90,332                               |
| <b>Total assets</b>  |      | <b>171,111,363</b>                   | <b>199,639,400</b>                 | <b>190,747,602</b>                   |
| <b>Liabilities and equity</b>                              |      |                                      |                                    |                                      |
| <b>Liabilities</b>   |      |                                      |                                    |                                      |
| Accounts payable and other liabilities                     |      | 22,722,021                           | 22,592,653                         | 21,661,390                           |
| Borrowings   | 11   | 49,505,873                           | 48,429,381                         | 57,039,658                           |
| Bonds payable  | 12   | 13,320,000                           | 33,320,000                         | 33,320,000                           |
| Employees' end of service indemnity                        |      | 402,936                              | 454,816                            | 421,666                              |
| <b>Total liabilities</b>                                   |      | <b>85,950,830</b>                    | <b>104,796,850</b>                 | <b>112,442,714</b>                   |
| <b>Equity</b>  |      |                                      |                                    |                                      |
| Share capital  | 13   | 52,828,125                           | 52,828,125                         | 52,828,125                           |
| Share premium  |      | 18,375,000                           | 18,375,000                         | 18,375,000                           |
| Statutory reserve  |      | 4,802,301                            | 4,802,301                          | 4,802,301                            |
| Voluntary reserve  |      | 4,802,301                            | 4,802,301                          | 4,802,301                            |
| Foreign currency translation reserve                       |      | (99,423)                             | 390,259                            | 1,019,928                            |
| Cumulative changes in fair value                           |      | 742,574                              | 582,334                            | (230,746)                            |
| Accumulated losses   |      | (12,985,677)                         | (4,066,316)                        | (20,015,723)                         |
| <b>Equity attributable to owners of the parent company</b> |      | <b>68,465,201</b>                    | <b>77,714,004</b>                  | <b>61,581,186</b>                    |
| <b>Non-controlling interests</b>                           |      | <b>16,695,332</b>                    | <b>17,128,546</b>                  | <b>16,723,702</b>                    |
| <b>Total equity</b>  |      | <b>85,160,533</b>                    | <b>94,842,550</b>                  | <b>78,304,888</b>                    |
| <b>Total liabilities and equity</b>                        |      | <b>171,111,363</b>                   | <b>199,639,400</b>                 | <b>190,747,602</b>                   |

  
 Loay Jassim Al-Kharafi  
 Chairman and Managing Director

*The notes set out on pages 9 to 17 form an integral part of the interim condensed consolidated financial information.*

## Interim condensed consolidated statement of changes in equity (Unaudited)

|   | Equity attributable to owners of the parent company |                        |                            |                            |   |  |                             | Sub-<br>total<br>KD | Non-<br>controlling<br>interests<br>KD | Total<br>KD |
|---|---|------------------------|----------------------------|----------------------------|---|--|-----------------------------|---------------------|--|-------------|
|   | Share<br>capital<br>KD                              | Share<br>premium<br>KD | Statutory<br>reserve<br>KD | Voluntary<br>reserve<br>KD | Foreign<br>currency<br>translation<br>reserve<br>KD | Cumulative<br>changes in<br>fair value<br>KD | Accumulated<br>losses<br>KD |                     |  |             |
| Balance as at 1 January 2011              | 52,828,125  | 18,375,000             | 4,802,301                  | 4,802,301                  | 390,259   | 582,334                                      | (4,066,316)                 | 77,714,004          | 17,128,546                             | 94,842,550  |
| Disposal of subsidiary (Note 3)           | -   | -                      | -                          | -                          | -   | -  | -                           | -                   | (60,167)                               | (60,167)    |
| Transaction with owners                   |   |                        |                            |                            |   |  |                             |                     | (60,167)                               | (60,167)    |
| Loss for the period                       | -   | -                      | -                          | -                          | -   | -  | (8,919,361)                 | (8,919,361)         | (208,599)                              | (9,127,960) |
| Other comprehensive income for the period | -   | -                      | -                          | -                          | (489,682)   | 160,240                                      | -                           | (329,442)           | (164,448)                              | (493,890)   |
| Total comprehensive income for the period | -   | -                      | -                          | -                          | (489,682)   | 160,240                                      | (8,919,361)                 | (9,248,803)         | (373,047)                              | (9,621,850) |
| Balance as at 30 June 2011                | 52,828,125  | 18,375,000             | 4,802,301                  | 4,802,301                  | (99,423)  | 742,574                                      | (12,985,677)                | 68,465,201          | 16,695,332                             | 85,160,533  |

The notes set out on pages 9 to 17 form an integral part of the interim condensed consolidated financial information.



## Interim condensed consolidated statement of changes in equity (Unaudited) (continued)

|   | Equity attributable to owners of the parent company |                        |                            |                            |   |  |                             | Non-<br>controlling<br>interests | Total       |                     |
|---|---|------------------------|----------------------------|----------------------------|---|--|-----------------------------|----------------------------------|-------------|---------------------|
|   | Share<br>capital<br>KD                              | Share<br>premium<br>KD | Statutory<br>reserve<br>KD | Voluntary<br>reserve<br>KD | Foreign<br>currency<br>translation<br>reserve<br>KD | Cumulative<br>changes in<br>fair value<br>KD | Accumulated<br>losses<br>KD |                                  |             | Sub-<br>total<br>KD |
|   |   |                        |                            |                            |   |  |                             |                                  |             |                     |
| Balance as at 1 January 2010              | 52,828,125  | 18,375,000             | 4,802,301                  | 4,802,301                  | 753,918   | 260,764                                      | (16,082,932)                | 65,739,477                       | 18,618,349  | 84,357,826          |
| Loss for the period                       | -   | -                      | -                          | -                          | -   | -  | (3,932,791)                 | (3,932,791)                      | (1,880,540) | (5,813,331)         |
| Other comprehensive income for the period | -   | -                      | -                          | -                          | 266,010   | (491,510)                                    | -                           | (225,500)                        | (14,107)    | (239,607)           |
| Total comprehensive income for the period | -   | -                      | -                          | -                          | 266,010   | (491,510)                                    | (3,932,791)                 | (4,158,291)                      | (1,894,647) | (6,052,938)         |
| Balance as at 30 June 2010                | 52,828,125  | 18,375,000             | 4,802,301                  | 4,802,301                  | 1,019,928   | (230,746)                                    | (20,015,723)                | 61,581,186                       | 16,723,702  | 78,304,888          |

The notes set out on pages 9 to 17 form an integral part of the interim condensed consolidated financial information.

## Interim condensed consolidated statement of cash flows

|  | Note | Six months<br>ended 30<br>June 2011<br>(Unaudited)<br>KD | Six months<br>ended 30<br>June 2010<br>(Unaudited)<br>KD |
|--|------|--|--|
| <b>OPERATING ACTIVITIES</b>                                      |      |  |  |
| Loss for the period  |      | (9,127,960)  | (5,813,331)  |
| Adjustments for:   |      |  |  |
| Impairment of available for sale investments                     |      | 69,551   | 403,243  |
| Provision for impairment of accounts receivable and other assets |      | 6,623,069  | -  |
| Profit on sale of investment property                            |      | -  | (106,913)  |
| Change in fair value of investment properties                    |      | 1,598,664  | 2,800,105  |
| Profit on disposal of subsidiary                                 |      | (2,030,661)  | -  |
| Realised loss on sale of available for sale investments          |      | 4,814  | 25,359   |
| Dividend income  |      | (289,003)  | (620,968)  |
| Share of results of associates                                   |      | (82,032)   | (2,061,384)  |
| Depreciation   |      | 33,384   | 80,138   |
| Provision for employees end of service benefits                  |      | (51,880)   | 75,607   |
| Sukuk & interest income  |      | (366,104)  | (372,359)  |
| Finance costs  |      | 2,716,551  | 3,280,504  |
| Foreign exchange gain on non-operating assets and liabilities    |      | -  | (242,887)  |
|  |      | (901,607)  | (2,552,886)  |
| Changes in operating assets and liabilities:                     |      |  |  |
| Investments at fair value through profit or loss                 |      | 12,008,655   | (7,889)  |
| Accounts receivable and other assets                             |      | (906,056)  | (2,322,687)  |
| Accounts payable and other liabilities                           |      | 70,767   | 2,785,606  |
| Cash from/(used in) operations                                   |      | 10,271,759   | (2,097,856)  |
| Employee end of service benefits paid                            |      | -  | (2,732)  |
| <b>Net cash from/(used in) operating activities</b>              |      | <b>10,271,759</b>  | <b>(2,100,588)</b>                                       |
| <b>INVESTING ACTIVITIES</b>                                      |      |  |  |
| Net change in investment in sukuk                                |      | (573,003)  | 832,705  |
| Additions to property and equipment                              |      | -  | (51,414)   |
| Proceeds from sale/redemption of available for sale investments  |      | 409,705  | 714,690  |
| Proceeds from sale of subsidiary (note 3)                        |      | 1,847,033  | -  |
| Proceeds from sale of investment properties                      |      | -  | 106,913  |
| Additions to investment in associates                            |      | -  | (397,557)  |
| Additions to investment properties                               |      | (9,409)  | (2,571,168)  |
| Dividend received from associates                                |      | 154,086  | 565,810  |
| Dividend income received   |      | 289,003  | 620,968  |
| Sukuk and Interest income received                               |      | 366,104  | 372,359  |
| Increase in blocked deposits                                     |      | -  | (1,900,000)  |
| <b>Net cash from/(used in) investing activities</b>              |      | <b>2,483,519</b>   | <b>(1,706,694)</b>                                       |
| <b>FINANCING ACTIVITIES</b>                                      |      |  |  |
| Proceeds from borrowings   |      | 5,273,195  | 2,979,254  |
| Repayment of borrowings and bonds                                |      | (24,196,703)   | (6,097,351)  |
| Finance costs paid   |      | (2,657,952)  | (3,299,850)  |
| <b>Net cash used in financing activities</b>                     |      | <b>(21,581,460)</b>                                      | <b>(6,417,947)</b>                                       |
| <b>Net decrease in cash and cash equivalents</b>                 |      | <b>(8,826,182)</b>                                       | <b>(10,225,229)</b>                                      |
| Cash and cash equivalents at beginning of the period             |      | 17,178,995   | 11,800,687   |
| Cash and cash equivalents at end of the period                   | 6    | 8,352,813  | 1,575,458  |

The notes set out on pages 9 to 17 form an integral part of the interim condensed consolidated financial information.

## Notes to the interim condensed consolidated financial information 30 June 2011 (Unaudited)

### 1 Incorporation and Activities

Al Mal Investment Company – KSC (Closed), (“the parent company”), is a Kuwaiti closed shareholding company established on 2 January 1980 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company and its shares are listed on the Kuwait Stock Exchange. The parent company and its subsidiaries are together referred to as “the group”.

The principal objectives of the parent company are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission;

Further, the Parent Company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the parent company’s registered office is PO Box 26308, Safat 13124, State of Kuwait.

The interim condensed consolidated financial information for the six month period ended 30 June 2011 was authorised for issue by the parent company’s board of directors on 17 August 2011.

The annual consolidated financial statements for the year ended 31 December 2010 were approved by the shareholders at the Annual General Meeting held on 27 June 2011.

### 2 Basis of preparation

This interim condensed consolidated financial information of the group for the six-month period ended 30 June 2011 has been prepared in accordance with IAS 34, Interim Financial Reporting, except as noted below.

The annual consolidated financial statements for the year ended 31 December 2010 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (“CBK”). These regulations require adoption of all International Financial Reporting Standards (“IFRS”) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK’s requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collateral) that are not provided for specifically.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2010 except for the adoption of amendments to certain standards and interpretations as disclosed below.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars (“KD”) which is the functional and presentation currency of the parent company.

**2 Basis of preparation (continued)**

This interim condensed consolidated financial information does not contain all the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. 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 interim period are not indicative of the results that may be expected for the year ending 31 December 2011. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2010.

*Adoption of amendments to standards and interpretations*

During the period, the Group adopted the following new standards, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the group's financial statements for the annual period beginning on 1 January 2011. Certain other amendments to standards have been made and certain new standards and interpretations have been issued but they are not applicable and are not expected to have a material impact on the group's financial statements.

| <i>Standard or Interpretation</i>                                       | <i>Effective for annual periods beginning</i>    |
|---|--|
| Annual Improvements 2010<br>IAS 24 Related Party Disclosures- amendment | 1 July 2010 and 1 January 2011<br>1 January 2011 |

*Annual Improvements 2010*

The IASB issued in May 2010 Improvements to IFRS. Most of these amendments became effective in annual periods beginning on or after 1 July 2010 and 1 January 2011. The 2010 Improvements amended certain provisions of IFRS 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The adoption did not have any impact on the financial position or performance of the group.

*IAS 24 Related Party Disclosures (Revised)*

The amended standard clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The adoption did not have any impact on the financial position or performance of the group.

The following revised standards and interpretations have been issued but not yet effective and have not been adopted by the group in the current period:

| <i>Standard or Interpretation</i>                            | <i>Effective for annual periods beginning</i> |
|--|---|
| IFRS 7 Financial Instruments: Disclosures - amendment        | 1 July 2011                                   |
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2013                                |
| IAS 12 Income Taxes - amendment                              | 1 January 2012                                |

*IFRS 7 Financial Instruments: Disclosures*

The amendments to IFRS 7 Financial Instruments: Disclosures resulted as a part of comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of this amendment is not expected to have any significant impact on the financial position or performance of the group.

## 2 Basis of preparation (continued)

IFRS 9 Financial Instruments (effective from 1 January 2013)

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Although early application of this standard is permitted, the Technical Committee of the Ministry of Commerce and Industry of Kuwait decided during December 2009, to postpone this allowed early application until further notice.

Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.

IAS 12 Income Taxes

The amendment to IAS 12 provides a practical solution to the issues arising in measurement of deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a presumption that recovery of the carrying amount will, normally be, through sale. As a result of the amendments, SIC-21 Income Taxes—Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendment is not relevant to the operations of the group.

## 3 Profit on disposal of subsidiary

During the period, the group disposed its 97% owned subsidiary, United Investment Company SAL (Lebanon) for a net consideration of USD17,200,644 (equivalent to KD4,741,358) resulting in a profit equivalent to KD2,030,661. As per the sale agreement out of the total net sales consideration an amount of KD1,847,033 was received during the period and the remaining amount of KD2,894,325 is due within 3 months from the date of sale and is included under accounts receivable and other assets (note 8) secured by a bank guarantee maturing on 16 August 2011.

The carrying value of the disposed assets and transferred liabilities of the subsidiary on the date of disposal were as follows:

|   | KD               |
|---|------------------|
| Total assets  | 2,793,569        |
| Total liabilities   | (22,705)         |
| Non-controlling interest  | (60,167)         |
|   | <u>2,710,697</u> |
| Sale proceeds   | 4,741,358        |
| Profit recognised in the interim condensed consolidated statement of income | <u>2,030,661</u> |

## 4 Management fees and other income

|                                 | Three months ended                   |                                      | Six months ended                     |                                      |
|---------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                                 | 30 June<br>2011<br>(Unaudited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD | 30 June<br>2011<br>(Unaudited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
| Management and consultancy fees | 47,611                               | 97,789                               | 88,421                               | 183,950                              |
| Rental income                   | 91,061                               | 79,875                               | 184,328                              | 183,963                              |
| Other Income                    | 136,208                              | 3,005                                | 148,330                              | 6,748                                |
|                                 | <u>274,880</u>                       | <u>180,669</u>                       | <u>421,079</u>                       | <u>374,661</u>                       |

**5 Basic and diluted loss per share**

Loss per share is calculated by dividing the loss for the period attributable to the owners of the parent company by the weighted average number of ordinary shares outstanding during the period as follows;

|  | Three months ended             |                                | Six months ended               |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | 30 June<br>2011<br>(Unaudited) | 30 June<br>2010<br>(Unaudited) | 30 June<br>2011<br>(Unaudited) | 30 June<br>2010<br>(Unaudited) |
| Loss for the period attributable to the owners of the parent (KD)        | (4,855,381)                    | (2,527,258)                    | (8,919,361)                    | (3,932,791)                    |
| Weighted average number of ordinary shares outstanding during the period | 528,281,250                    | 528,281,250                    | 528,281,250                    | 528,281,250                    |
| Basic and diluted loss per share   | (9.19) Fils                    | (9.19) Fils                    | (16.88) Fils                   | (7.44) Fils                    |

**6 Cash and cash equivalents**

|  | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|--|--------------------------------------|------------------------------------|--------------------------------------|
| Cash and bank balances   | 1,686,607                            | 9,836,903                          | 1,038,895                            |
| Short term deposits  | 4,896,578                            | 4,954,709                          | 2,409,101                            |
| Cash balances with portfolio managers  | 3,669,628                            | 4,287,383                          | 27,462                               |
| Cash and cash equivalent as per interim condensed consolidated statement of financial position | 10,252,813                           | 19,078,995                         | 3,475,458                            |
| Less: Blocked deposits *   | (1,900,000)                          | (1,900,000)                        | (1,900,000)                          |
| Cash and cash equivalents as per interim condensed consolidated statement of cash flow         | 8,352,813                            | 17,178,995                         | 1,575,458                            |

\* Short term deposits of KD1,900,000 (31 December 2010 and 30 June 2010: KD1,900,000) related to a subsidiary company are pledged against Islamic debt instruments of the same subsidiary.

Short term deposits carry average effective interest rate of 1.63% (31 December 2010: 1.32% and 30 June 2010: 1.49%) per annum.

**7 Investments at fair value through profit or loss**

|  | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|--|--------------------------------------|------------------------------------|--------------------------------------|
| <b>Held for trading :</b>                  |                                      |                                    |                                      |
| Quoted shares                              | -                                    | 66,375                             | -                                    |
| <b>Designated on initial recognition :</b> |                                      |                                    |                                      |
| Managed portfolios and funds               | 1,514,889                            | 13,457,173                         | 124,986                              |
| Unquoted shares                            | 1,621,982                            | 1,621,977                          | 2,565,752                            |
|  | 3,136,871                            | 15,079,150                         | 2,690,738                            |
|  | 3,136,871                            | 15,145,525                         | 2,690,738                            |

**8 Accounts receivable and other assets**

|   | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|---|--------------------------------------|------------------------------------|--------------------------------------|
| Advance payments to purchase investments (a)    | 9,605,531                            | 14,158,655                         | 15,256,466                           |
| Refundable development expenses (b)             | 13,210,787                           | 12,469,189                         | 10,695,421                           |
| Due from related parties - net of provision (c) | 4,756,128                            | 7,273,868                          | 9,812,370                            |
| Due on sale of subsidiary (note 3)              | 2,894,325                            | -                                  | -                                    |
| Trade receivables                               | 1,178,922                            | 1,137,366                          | 1,188,405                            |
| Accrued income                                  | 482,002                              | 331,665                            | 450,359                              |
| Other assets                                    | 120,491                              | 106,149                            | 380,278                              |
|   | <b>32,248,186</b>                    | <b>35,476,892</b>                  | <b>37,783,299</b>                    |

- a. Advance payments to purchase investments include an amount of KD8,451,075 (31 December 2010: KD12,985,776 and 30 June 2010: KD13,461,767) paid for the infrastructure of a telecommunication project in Iraq and for which a new Iraqi company is being established to own this project and to determine the eventual share of the group in its capital. During the six month ended 30 June 2011 the management has made a provision of KD4,250,955 against the said project cost.
- b. Refundable development expenses represent development cost incurred to develop an economic city in the Kingdom of Saudi Arabia jointly with the Saudi authorities. The parent company is the main developer for this project. A new shareholding company is being incorporated in Saudi Arabia to own and manage this project. The legal formalities are currently in process to establish that Saudi shareholding company. As per the agreement with the Saudi Authority on incorporation of the Saudi shareholding company the total expenses incurred for the project will be re-reimbursed to the group.
- c. During the six months ended 30 June 2011, the management recorded an additional provision of KD2,372,114 which represented 25% of the balance due from a related party.(31 December 2010: provision of KD2,338,647 which is represented 25% of the balance due from a related party) (see note 14).

**9 Available for sale investments**

|   | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|---|--------------------------------------|------------------------------------|--------------------------------------|
| Investments in unquoted shares              | 10,268,798                           | 13,326,400                         | 15,474,731                           |
| Investments in private equity funds         | 8,416,457                            | 8,546,697                          | 9,527,599                            |
| Investments in direct equity funds          | 3,658,295                            | 3,479,889                          | 4,125,812                            |
| Investments in portfolios managed by others | 1,059,808                            | 1,202,650                          | 1,218,815                            |
|   | <b>23,403,358</b>                    | <b>26,555,636</b>                  | <b>30,346,957</b>                    |

9.1 Available for sale investments include investments of KD3,349,388 (31 December 2010: KD6,207,259 and 30 June 2010: KD9,043,471), carried at cost due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value. The group's management believes that the available information for those investments has not indicated any impairment/further impairment in value.

9.2 Information for investments in private equity funds and direct equity funds is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

9.3 During the period, the group recognised an impairment loss of KD69,551 (30 June 2010: KD403,243) for certain local and foreign unquoted shares.

**10 Investment properties**

|                                       | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|---------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| Investment properties                 | 8,844,490                            | 8,947,445                          | 9,092,197                            |
| Land and properties under development | 78,464,583                           | 80,149,031                         | 72,583,191                           |
|                                       | <b>87,309,073</b>                    | <b>89,096,476</b>                  | <b>81,675,388</b>                    |

The movement for investment properties is as follows:

|  | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|--|--------------------------------------|------------------------------------|--------------------------------------|
| Balance as of 1 January  | 89,096,476                           | 81,973,269                         | 81,973,269                           |
| Additions  | 9,409                                | 1,968,597                          | 2,571,168                            |
| Change in fair value   | (1,598,664)                          | 5,468,909                          | (2,800,105)                          |
| Foreign currency translation adjustment arising on consolidation | (198,148)                            | (314,299)                          | (68,944)                             |
|  | <b>87,309,073</b>                    | <b>89,096,476</b>                  | <b>81,675,388</b>                    |

Investment properties with a carrying value of KD5,659,112 (31 December 2010: KD5,637,945 and 30 June 2010 : KD5,734,965) of a local subsidiary are pledged against Islamic debt instruments of the same subsidiary.

The above properties are located in GCC and other Middle Eastern countries.

The group determines valuation of its investment properties based on valuations of independent valuers semi annually.

**11 Borrowings**

|   | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|---|--------------------------------------|------------------------------------|--------------------------------------|
| <b>Loans</b>                            | <b>30,622,250</b>                    | <b>29,818,953</b>                  | <b>38,704,035</b>                    |
| Islamic debt instruments (refer note 6) | 18,883,623                           | 18,610,428                         | 18,335,623                           |
|   | <b>49,505,873</b>                    | <b>48,429,381</b>                  | <b>57,039,658</b>                    |

11.1 The following is the maturity analysis of loans and Islamic debt instruments:

|                        | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|------------------------|--------------------------------------|------------------------------------|--------------------------------------|
| Less than 1 year       | 22,872,250                           | 18,818,953                         | 23,954,035                           |
| From 1 year to 5 years | 26,633,623                           | 29,610,428                         | 33,085,623                           |
|                        | <b>49,505,873</b>                    | <b>48,429,381</b>                  | <b>57,039,658</b>                    |

11.2 Loans and facilities have been granted to the parent company based on negative pledges on the parent company's assets.

11.3 Investment properties and term deposits of a local subsidiary are pledged against Islamic debt instruments of KD7,883,623 (31 December 2010: KD7,610,428 and 30 June 2010: KD7,335,623) related to that subsidiary.

11.4 The effective interest rate of loans is 6.32% (31 December 2010: 6.5% and 30 June 2010: 5.83%) per annum

11.5 The effective cost rate of the Islamic debt instruments is 7.47% (31 December 2010: 7.46% and 30 June 2010: 7.62%) per annum.



## 12 Bonds payable

During October 2007, the parent company entered into an agreement to issue unsecured fixed rate bonds of KD 10,000,000 and floating rate bonds of KD3,320,000 at an issue price of 100% of their principal amount with original maturity on 2 October 2010. On 23 September 2010, with the consent of the bond holders the maturity of the bonds was extended until 2 October 2012. The bonds bear fixed interest rate at 8.875% per annum and the floating rate bonds bear interest rate at 5.5% over the Central Bank of Kuwait discount rate. Interest is payable semi-annually in arrears.

On 5 April 2005, the parent company issued unsecured bonds of KD20,000,000 at an issue price of 100% of their principal amount with original maturity on 5 April 2010. On 29 March 2010 the maturity of the bonds was extended until 5 April 2011. These bonds were fully settled in April 2011.

## 13 Share capital

The authorised, issued and paid up capital of the parent company amounts to KD52,828,125 distributed over 528,281,250 shares with 100 fils par value each as of 30 June 2011, 31 December 2010 and 30 June 2010.

## 14 Related party transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control.

Significant transactions and balances with related parties included in the interim condensed consolidated financial information are as follows:

|  | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|--|--------------------------------------|------------------------------------|--------------------------------------|
| <b>Balances in the interim condensed consolidated statement of financial position:</b> |                                      |                                    |                                      |
| Due from related parties (see note 8)*   | 4,756,128                            | 7,273,868                          | 9,812,370                            |
| Due to related parties **  | 3,072,935                            | 3,181,456                          | 3,159,360                            |
| Due to related parties included in trade payables                                      | 1,627,510                            | 1,643,634                          | -                                    |

\* Due from related parties include an advance of KD4,744,228 (net of provision of KD4,710,761) for increase in share capital of Mazaya Gateway, an associate company (31 December 2010: KD7,015,943 and 30 June 2010: KD9,769,112) (see note 8c).

\*\* During 2010, the group received an interest free advance of KD2,750,000 from a related party with no specific repayment terms.

|   | Three months ended                   |                                      | Six months ended                     |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|   | 30 June<br>2011<br>(Unaudited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD | 30 June<br>2011<br>(Unaudited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
| <b>Transactions included in the interim condensed consolidated statement of income:</b> |                                      |                                      |                                      |                                      |
| Provision for impairment of receivables (see note 8c)                                   | 2,372,114                            | -                                    | 2,372,114                            | -                                    |
| <b>Key management compensation</b>  |                                      |                                      |                                      |                                      |
| Short term benefits   | 137,153                              | 121,403                              | 217,121                              | 192,434                              |
| Employee end of service indemnity   | 11,725                               | 6,948                                | 16,152                               | 11,750                               |

**15 Segmental information**

The group activities are concentrated in three main segments: real estate, investment and finance. The segments' results are based on internal management reporting information that is reported to the higher management of the group.

The following is the segments information, which conforms with the internal reporting presented to management.

|  | Real estate<br>KD  | Investments<br>KD  | Financing<br>KD    | Unallocated<br>KD  | Total<br>KD        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Six months ended 30 June 2011</b>   |                    |                    |                    |                    |                    |
| Net income                             | (1,598,664)        | 2,086,972          | 366,104            | 882,775            | 1,737,187          |
| Expenses and other charges             | -                  | (6,692,620)        | (2,716,551)        | (1,455,976)        | (10,865,147)       |
| <b>Loss for the period</b>             | <b>(1,598,664)</b> | <b>(4,605,648)</b> | <b>(2,350,447)</b> | <b>(573,201)</b>   | <b>(9,127,960)</b> |
| <b>Total assets</b>                    | <b>87,309,073</b>  | <b>56,405,219</b>  | <b>11,647,317</b>  | <b>15,749,754</b>  | <b>171,111,363</b> |
| <b>Six months ended 30 June 2010</b>   |                    |                    |                    |                    |                    |
| Net income                             | (2,509,241)        | 2,662,430          | 372,360            | (942,489)          | (416,940)          |
| Expenses and other charges             | -                  | (403,243)          | (3,280,504)        | (1,712,644)        | (5,396,391)        |
| <b>(Loss)/profit for the period</b>    | <b>(2,509,241)</b> | <b>2,259,187</b>   | <b>(2,908,144)</b> | <b>(2,655,133)</b> | <b>(5,813,331)</b> |
| <b>Total assets</b>                    | <b>81,675,388</b>  | <b>74,633,108</b>  | <b>28,222,307</b>  | <b>6,216,799</b>   | <b>190,747,602</b> |
|  | Real estate<br>KD  | Investments<br>KD  | Financing<br>KD    | Unallocated<br>KD  | Total<br>KD        |
| <b>Three months ended 30 June 2011</b> |                    |                    |                    |                    |                    |
| Net income                             | (1,598,664)        | 2,409,133          | 172,652            | 181,346            | 1,164,467          |
| Expenses and other charges             | -                  | (4,484,795)        | (1,174,032)        | (638,864)          | (6,297,691)        |
| <b>Loss for the period</b>             | <b>(1,598,664)</b> | <b>(2,075,662)</b> | <b>(1,001,380)</b> | <b>(457,518)</b>   | <b>(5,133,224)</b> |
| <b>Three months ended 30 June 2010</b> |                    |                    |                    |                    |                    |
| Net income                             | (2,738,054)        | 1,478,186          | 372,360            | (533,808)          | (1,421,316)        |
| Expenses and other charges             | -                  | (248,351)          | (1,585,526)        | (925,043)          | (2,758,920)        |
| <b>(Loss)/profit for the period</b>    | <b>(2,738,054)</b> | <b>1,229,835</b>   | <b>(1,213,166)</b> | <b>(1,458,851)</b> | <b>(4,180,236)</b> |

**16 Contingent liabilities and commitments**

|  | 30 June<br>2011<br>(Unaudited)<br>KD | 31 Dec.<br>2010<br>(Audited)<br>KD | 30 June<br>2010<br>(Unaudited)<br>KD |
|--|--------------------------------------|------------------------------------|--------------------------------------|
| Bank guarantees                                | 56,050                               | 56,050                             | 56,050                               |
| Uncalled instalment for financial investments  | 1,007,960                            | 1,061,386                          | 2,813,379                            |
| Capital commitment related to intangible asset | 1,312,024                            | 1,350,378                          | 1,582,455                            |

**17 Assets under management**

The Group manages mutual funds, portfolios on behalf of its major shareholders, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 30 June 2011 amounted to KD73,670,000 (31 December 2010: KD28,373,000 and 30 June 2010: KD29,048,000) of which assets managed on behalf of its related parties amounted to KD10,000,000 (31 December 2010: KD10,000,000 and 30 June 2010: KD10,000,000).

**18 Comparative amounts**

Certain comparative amounts have been reclassified to conform to the presentation in the current period. Such reclassifications do not affect previously reported net assets, net equity and net results for the period or net increase in cash and cash equivalents.