

**AREF Energy Holding Company K.S.C.
(Closed) and Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2012 (UNAUDITED)



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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF AREF ENERGY HOLDING COMPANY K.S.C. (CLOSED)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Aref Energy Holding Company K.S.C. (Closed) ("the company") and its subsidiaries ("the group") as at 30 September 2012, 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 statement of changes in equity and interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the company is responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the company. We further report that, to the best of our knowledge and belief, we are not aware of any material violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the company that have occurred during the nine months period ended 30 September 2012 that might have had a material effect on the business of the company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG



DR. SAUD HAMAD AL-HUMAIDI
LICENSE NO. 51 A
OF DR. SAUD HAMAD AL-HUMAIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2012

| | Notes | Three months ended 30 September | | Nine months ended 30 September | |
|---|-------|------------------------------------|-------------------|-----------------------------------|--------------------|
| | | 2012 KD | 2011 KD | 2012 KD | 2011 KD |
| Continuing operations | | | | | |
| Revenue | | | | | |
| Rendering of services | | 1,357,309 | 272,059 | 2,570,469 | 1,021,926 |
| Sale of goods | | 195,867 | 337,319 | 263,514 | 337,319 |
| | | <u>1,553,176</u> | <u>609,378</u> | <u>2,833,983</u> | <u>1,359,245</u> |
| Cost of revenue | | | | | |
| Cost of rendering of services | | (1,207,341) | (271,162) | (2,953,118) | (957,894) |
| Cost of sale of goods | | (174,123) | (296,690) | (232,273) | (296,690) |
| | | <u>(1,381,464)</u> | <u>(567,852)</u> | <u>(3,185,391)</u> | <u>(1,254,584)</u> |
| Gross profit (loss) | | 171,712 | 41,526 | (351,408) | 104,661 |
| Other income | | 29,552 | 42,918 | 168,913 | 145,792 |
| Staff costs | | (266,652) | (292,914) | (1,017,627) | (690,711) |
| General and administrative expenses | | (203,374) | (129,524) | (772,466) | (597,922) |
| Finance cost | | (35,308) | (37,136) | (107,811) | (129,637) |
| Share of results from associates | | (63,451) | (106,037) | (234,470) | (316,624) |
| Dividend income | | - | - | 816,845 | 900,000 |
| Foreign exchange gain (loss) | | 59,214 | 63,037 | 133,298 | (474,659) |
| Amortisation of intangible assets | | (56,134) | (24,650) | (108,390) | (73,147) |
| Impairment of investment in associate | | (60,674) | - | (60,674) | - |
| Impairment loss on accounts receivable | | (7,442) | (32,717) | (7,442) | (32,717) |
| | | <u>(432,557)</u> | <u>(475,497)</u> | <u>(1,541,232)</u> | <u>(1,164,964)</u> |
| Loss for the period before taxation from continuing operations | | (432,557) | (475,497) | (1,541,232) | (1,164,964) |
| Write back of board of directors' remuneration | | - | - | - | 150,000 |
| Taxation | | - | 2,650 | - | (26,443) |
| | | <u>(432,557)</u> | <u>(472,847)</u> | <u>(1,541,232)</u> | <u>(1,041,407)</u> |
| Loss for the period from continuing operations | | (432,557) | (472,847) | (1,541,232) | (1,041,407) |
| Loss for the period from discontinuing operations | 5 | (58,535) | (506,607) | (12,354,397) | (631,642) |
| Loss for the period | | (491,092) | (979,454) | (13,895,629) | (1,673,049) |
| Attributable to: | | | | | |
| Equity holders of the company | | (446,470) | (761,897) | (9,463,930) | (1,386,347) |
| Non-controlling interests | | (44,622) | (217,557) | (4,431,699) | (286,702) |
| | | <u>(491,092)</u> | <u>(979,454)</u> | <u>(13,895,629)</u> | <u>(1,673,049)</u> |
| Basic and diluted loss per share attributable to equity holders of the company | 3 | <u>(0.6) fils</u> | <u>(1.0) fils</u> | <u>(12.6) fils</u> | <u>(1.8) fils</u> |
| Basic and diluted loss per share from continuing operations attributable to equity holders of the company | 3 | <u>(0.5) fils</u> | <u>(0.6) fils</u> | <u>(1.6) fils</u> | <u>(1.3) fils</u> |

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 September 2012

| | <i>Three months ended</i> <i>30 September</i> | | <i>Nine months ended</i> <i>30 September</i> | |
|---|--|--------------------------|---|--------------------------|
| | <i>2012</i> <i>KD</i> | <i>2011</i> <i>KD</i> | <i>2012</i> <i>KD</i> | <i>2011</i> <i>KD</i> |
| Loss for the period | (491,092) | (979,454) | (13,895,629) | (1,673,049) |
| Other comprehensive income (loss) | | | | |
| Cumulative changes in fair value | - | 97 | - | 25,077 |
| Foreign currency translation adjustment | 59,501 | 119,561 | (5,800,431) | (3,094,190) |
| Discontinuing operation (Note 5) | (47,523) | - | 11,300,489 | - |
| Other comprehensive income (loss) for the period | 11,978 | 119,658 | 5,500,058 | (3,069,113) |
| Total comprehensive loss for the period | (479,114) | (859,796) | (8,395,571) | (4,742,162) |
| Attributable to: | | | | |
| Equity holders of the company | (436,968) | (680,590) | (5,921,339) | (3,382,974) |
| Non-controlling interests | (42,146) | (179,206) | (2,474,232) | (1,359,188) |
| Total comprehensive loss for the period | (479,114) | (859,796) | (8,395,571) | (4,742,162) |


The attached notes 1 to 10 form part of this interim condensed consolidated financial information.


AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2012

| | Notes | 30 September 2012 KD | (Audited) 31 December 2011 KD | 30 September 2011 KD |
|---|-------|----------------------------|--|----------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property and equipment | | 4,285,001 | 3,218,582 | 12,985,032 |
| Intangible assets | | 872,550 | 942,584 | 948,351 |
| Investment property | | - | - | 4,917,870 |
| Investment in associates | | 3,198,548 | 3,373,556 | 4,376,030 |
| Financial assets available for sale | | 35,115,600 | 35,115,600 | 3,334,099 |
| | | <u>43,471,699</u> | <u>42,650,322</u> | <u>26,561,382</u> |
| Current assets | | | | |
| Inventories | | 178,964 | 184,011 | 2,780,386 |
| Financial assets at fair value through profit or loss | | - | - | 32,400,000 |
| Accounts receivable and other assets | | 2,865,021 | 1,110,628 | 21,173,077 |
| Bank balances, deposits and cash | 4 | 15,755,672 | 18,408,063 | 20,752,982 |
| | | <u>18,799,657</u> | <u>19,702,702</u> | <u>77,106,445</u> |
| Assets classified as held for sale | 5 | 20,782,698 | 31,387,191 | - |
| | | <u>39,582,355</u> | <u>51,089,893</u> | <u>77,106,445</u> |
| TOTAL ASSETS | | <u>83,054,054</u> | <u>93,740,215</u> | <u>103,667,827</u> |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| Share capital | | 75,000,000 | 75,000,000 | 75,000,000 |
| Share premium | | 193,550 | 193,550 | 193,550 |
| Statutory reserve | | 472,723 | 472,723 | 472,723 |
| Voluntary reserve | | 314,957 | 314,957 | 314,957 |
| Other reserves | | (232,633) | - | - |
| Foreign currency translation reserve | | 161,014 | 129,230 | (3,740,781) |
| Accumulated losses | | (13,874,069) | (4,410,139) | (682,914) |
| Cumulative changes in fair values | | - | - | 40,034 |
| Reserves of a disposal group classified as held for sale | | - | (3,510,807) | - |
| Equity attributable to equity holders of the company | | <u>62,035,542</u> | <u>68,189,514</u> | <u>71,597,569</u> |
| Non-controlling interests | | 541,873 | 640,868 | 7,860,215 |
| Non-controlling interests relating to disposal group | | 3,261,386 | 5,433,443 | - |
| Total equity | | <u>65,838,801</u> | <u>74,263,825</u> | <u>79,457,784</u> |
| Non-current liabilities | | | | |
| Employees' end of service benefits | | 333,775 | 258,794 | 332,993 |
| Liabilities against assets subject to finance lease | | 10,141 | 3,191 | 2,619,041 |
| | | <u>343,916</u> | <u>261,985</u> | <u>2,952,034</u> |
| Current liabilities | | | | |
| Accounts payable and other liabilities | | 1,483,037 | 740,909 | 15,859,501 |
| Current portion of liabilities against assets subject to finance lease | | 5,770 | 3,926 | 1,172,099 |
| Bank overdrafts | 4 | 1,154,057 | 475,029 | 1,145,768 |
| Murabaha payables | 7 | 2,569,707 | 2,613,252 | 3,080,641 |
| | | <u>5,212,571</u> | <u>3,833,116</u> | <u>21,258,009</u> |
| Liabilities directly associated with the assets classified as held for sale | 5 | 11,658,766 | 15,381,289 | - |
| | | <u>16,871,337</u> | <u>19,214,405</u> | <u>21,258,009</u> |
| Total liabilities | | <u>17,215,253</u> | <u>19,476,390</u> | <u>24,210,043</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>83,054,054</u> | <u>93,740,215</u> | <u>103,667,827</u> |


 Walid K. Al-Hashash
 Chairman


 Ahmed A. Al Kandari
 Board Member

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 September 2012

| | <i>Attributable to equity holders of the company</i> | | | | | | | | | | | | |
|--|--|---------------------|-------------------------|-------------------------|---------------------|--|--|---|--|-------------------|---------------------------------|--|--------------------|
| | Share capital KD | Share premium KD | Statutory reserve KD | Voluntary reserve KD | Other reserve KD | Foreign currency translation reserve KD | (Accumulated losses) retained earnings KD | Cumulative changes in fair values KD | Reserves of a disposal group classified as held for sale KD | Sub total KD | Non-controlling interests KD | Non-controlling interests relating to disposal group KD | Total equity KD |
| Balance at 1 January 2012 | 75,000,000 | 193,550 | 472,723 | 314,957 | - | 129,230 | (4,410,139) | - | (3,510,807) | 68,189,514 | 640,868 | 5,433,443 | 74,263,825 |
| Loss for the period | - | - | - | - | - | - | (9,463,930) | - | - | (9,463,930) | (306,156) | (4,125,543) | (13,895,629) |
| Other comprehensive income for the period | - | - | - | - | - | 31,784 | - | - | 3,510,807 | 3,542,591 | 3,981 | 1,953,486 | 5,500,058 |
| Total comprehensive income (loss) for the period | - | - | - | - | - | 31,784 | (9,463,930) | - | 3,510,807 | (5,921,339) | (302,175) | (2,172,057) | (8,395,571) |
| Purchase of additional interest in a subsidiary | - | - | - | - | (232,633) | - | - | - | (232,633) | - | 203,180 | - | (29,453) |
| Balance at 30 September 2012 | 75,000,000 | 193,550 | 472,723 | 314,957 | (232,633) | 161,014 | (13,874,069) | - | - | 62,035,542 | 541,873 | 3,261,386 | 65,838,801 |
| Balance at 1 January 2011 | 75,000,000 | 193,550 | 461,295 | 314,957 | - | (1,728,042) | 714,861 | 23,922 | - | 74,980,543 | 8,600,633 | - | 83,581,176 |
| Loss for the period | - | - | - | - | - | - | (1,386,347) | - | - | (1,386,347) | (286,702) | - | (1,673,049) |
| Other comprehensive (loss) income | - | - | - | - | - | (2,012,739) | - | 16,112 | - | (1,996,627) | (1,072,486) | - | (3,069,113) |
| Total comprehensive (loss) income for the period | - | - | - | - | - | (2,012,739) | (1,386,347) | 16,112 | - | (3,382,974) | (1,359,188) | - | (4,742,162) |
| Transfer to reserve | - | - | 11,428 | - | - | - | (11,428) | - | - | - | 618,770 | - | 618,770 |
| Acquisition of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance at 30 September 2011 | 75,000,000 | 193,550 | 472,723 | 314,957 | - | (3,740,781) | (682,914) | 40,034 | - | 71,597,569 | 7,860,215 | - | 79,457,784 |

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2012

| | Notes | <i>Nine months ended</i> <i>30 September</i> | |
|---|-------|---|--------------------------|
| | | <u>2012</u> <u>KD</u> | <u>2011</u> <u>KD</u> |
| OPERATING ACTIVITIES | | | |
| Loss for the period from continuing operations | | (1,541,232) | (1,041,407) |
| Loss for the period from discontinuing operations | | (12,354,397) | (631,642) |
| | | <u>(13,895,629)</u> | <u>(1,673,049)</u> |
| Adjustments for: | | | |
| Rental income from investment property | | (203,796) | (386,016) |
| Share of results from associates | | 57,845 | 246,176 |
| Dividend income | | (827,457) | - |
| (Gain) Loss on disposal of property and equipment | | (235,220) | 1,337 |
| Depreciation | | 1,261,419 | 2,245,729 |
| Amortisation of intangible assets | | 108,390 | 73,147 |
| Impairment of accounts receivable | | 2,858,568 | 187,523 |
| Impairment of investment in associates | | 284,621 | - |
| Impairment of inventory | | 289,838 | - |
| Impairment of property and equipment | | 1,620,655 | - |
| Transfer of foreign currency translation reserves | 5 | 11,300,489 | - |
| Provision for employees' end of service benefits | | 78,506 | 123,533 |
| Provision for taxation | | 63,421 | 219,456 |
| Finance cost | | 215,946 | 555,179 |
| | | <u>2,977,596</u> | <u>1,593,015</u> |
| Working capital changes: | | | |
| Inventories | | 607,479 | (78,021) |
| Accounts receivable and other assets | | (3,303,561) | 1,565,313 |
| Accounts payable and other liabilities | | (3,187,720) | (2,669,611) |
| | | <u>(2,906,206)</u> | <u>410,696</u> |
| Cash (used in) from operating activities | | (2,906,206) | 410,696 |
| Employees' end of service benefits paid | | (104,888) | (62,432) |
| Taxes paid | | (49,126) | (480,789) |
| | | <u>(3,060,220)</u> | <u>(132,525)</u> |
| INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | | (1,278,261) | (1,044,793) |
| Proceeds from disposal of property and equipment | | 371,789 | 20,946 |
| Purchase of intangible assets | | (34,775) | - |
| Rental income from investment property | | 203,796 | 386,016 |
| Investment in associates | | (126,270) | (147,508) |
| Dividend income from associates | | 34,292 | - |
| Other dividend income | | 827,457 | - |
| Net movement in wakala deposits | 4 | 4,452,100 | - |
| Net movement in restricted bank balances and deposits | 4 | 171,439 | 259,001 |
| Investment in wakala deposits | | - | (5,691,100) |
| Net cash flow on acquisition of subsidiary | | (29,453) | 58,885 |
| | | <u>4,592,114</u> | <u>(6,158,553)</u> |
| Net cash from (used in) investing activities | | 4,592,114 | (6,158,553) |
| FINANCING ACTIVITIES | | | |
| Finance cost paid | | (196,919) | (267,136) |
| Net movement in murabaha payables | | (139,290) | (3,051,375) |
| Net movement in liabilities against assets subject to finance lease | | (453,071) | (911,406) |
| | | <u>(789,280)</u> | <u>(4,229,917)</u> |
| Net cash used in financing activities | | (789,280) | (4,229,917) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | |
| Net foreign exchange difference | | 742,614 | (10,520,995) |
| Cash and cash equivalents at the beginning of the period | | 395,344 | (256,245) |
| | | <u>10,433,542</u> | <u>22,482,111</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 4 | <u>11,571,500</u> | <u>11,704,871</u> |

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2012

1 ACTIVITIES

AREF Energy Holding Company K.S.C. (Closed) ("the company") is a Kuwaiti shareholding company registered in Kuwait on 1 October 1996 and is listed on the Kuwait Stock Exchange. The registered office of the company is located at P.O. Box 21909, Safat 13080, Kuwait. The company carries out its activities as per Islamic Shari'ah. The principal activities of the company and its subsidiaries (collectively "the group") are explained in Note 9.

The interim condensed consolidated financial information of the group for the period ended 30 September 2012 are approved by the board of directors on 7 November 2012.

During the period, Development Enterprise Holding Company K.S.C. (Closed) ("DEH"), one of the subsidiaries of Kuwait Finance House ("KFH") acquired additional 66.76% equity interest in the company in accordance with Capital Market Authority ("CMA") Authority Law No. 7 of 2010 and its Executive Regulations. This includes sale by Aref Investment Group ("AIG") of their remaining 43.52% equity interest in the company. Consequently, DEH is the parent company by virtue of its holding 95.76% equity interest in the company and KFH is the ultimate parent company.

The annual general assembly of the shareholders of the company to approve the consolidated financial statements of the group for the year ended 31 December 2011 was held on 7 May 2012.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

The interim condensed consolidated financial information do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with IFRS, and should be read in conjunction with the group's annual consolidated financial statements for the year ended 31 December 2011.

Further, results for the nine months ended 30 September 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2011, except for the following revised standards effective for annual periods beginning on or after 1 January 2012.

IFRS 3: Business Combinations (Amendment) (effective 1 July 2011)

The measurement options available for non controlling interest have been amended. Only components of non controlling interest 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. The amendment has no effect on the interim condensed consolidated financial information of the group.

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

As at 30 September 2012

2 BASIS OF PREPARATION (continued)

IFRS 7: Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (Amendment) (effective 1 July 2011)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the group's financial position or performance.

3 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss attributable to equity holders of the company for the period by the weighted average number of shares outstanding during the period, as follows:

| | <i>Three months ended</i> <i>30 September</i> | | <i>Nine months ended</i> <i>30 September</i> | |
|--|--|--------------------|---|--------------------|
| | <i>2012</i> | <i>2011</i> | <i>2012</i> | <i>2011</i> |
| Loss for the period attributable to equity holders of the company (KD) | <u>(446,470)</u> | <u>(761,897)</u> | <u>(9,463,930)</u> | <u>(1,386,347)</u> |
| Weighted average number of shares outstanding during the period | <u>750,000,000</u> | <u>750,000,000</u> | <u>750,000,000</u> | <u>750,000,000</u> |
| Basic and diluted loss per share | <u>(0.6) fils</u> | <u>(1.0) fils</u> | <u>(12.6) fils</u> | <u>(1.8) fils</u> |

Basic and diluted loss per share from continuing operations

| | <i>Three months ended</i> <i>30 September</i> | | <i>Nine months ended</i> <i>30 September</i> | |
|---|--|--------------------|---|--------------------|
| | <i>2012</i> | <i>2011</i> | <i>2012</i> | <i>2011</i> |
| Loss for the period attributable to equity holders of the company (KD) | <u>(446,470)</u> | <u>(761,897)</u> | <u>(9,463,930)</u> | <u>(1,386,347)</u> |
| Loss from discontinuing operations attributable to equity holders of the company (KD) | <u>(38,504)</u> | <u>(325,495)</u> | <u>(8,228,854)</u> | <u>(405,830)</u> |
| Loss for the period attributable to equity holders of the company from continuing operations (KD) | <u>(407,966)</u> | <u>(436,402)</u> | <u>(1,235,076)</u> | <u>(980,517)</u> |
| Weighted average number of shares outstanding during the period | <u>750,000,000</u> | <u>750,000,000</u> | <u>750,000,000</u> | <u>750,000,000</u> |
| Basic and diluted loss per share from continuing operations | <u>(0.5) fils</u> | <u>(0.6) fils</u> | <u>(1.6) fils</u> | <u>(1.3) fils</u> |
| Basic and diluted loss per share from discontinuing operations | <u>(0.05) fils</u> | <u>(0.4) fils</u> | <u>(11.0) fils</u> | <u>(0.5) fils</u> |

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4 BANK BALANCES, DEPOSITS AND CASH

| | <i>30 September</i> <i>2012</i> <i>KD</i> | <i>(Audited)</i> <i>31 December</i> <i>2011</i> <i>KD</i> | <i>30 September</i> <i>2011</i> <i>KD</i> |
|---|---|--|---|
| Bank balances and cash | 8,149,472 | 5,868,763 | 8,323,382 |
| Wakala deposits | 7,606,200 | 12,539,300 | 12,429,600 |
| Bank balances, deposits and cash | <u>15,755,672</u> | <u>18,408,063</u> | <u>20,752,982</u> |
| Add: discontinuing operation (Note 5) | 274,977 | 429,139 | - |
| Less: Bank overdrafts | (1,154,057) | (475,029) | (1,145,768) |
| Less: restricted bank balances | (202,892) | (374,331) | (411,243) |
| Less: wakala deposits with original maturity more than 3 months | <u>(3,102,200)</u> | <u>(7,554,300)</u> | <u>(7,491,100)</u> |
| Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows | <u><u>11,571,500</u></u> | <u><u>10,433,542</u></u> | <u><u>11,704,871</u></u> |

Restricted bank balances represent margin deposits that are held as security against letters of guarantees (Note 8). Further, wakala deposits with original maturity of more than 3 months includes KD 1,800,000 (31 December 2011: KD 1,800,000; 30 September 2011: KD 1,800,000) that represent margin deposits that are held as security against the same letters of guarantee.

5 DISCONTINUING OPERATIONS

As at 30 September 2012, the management of the company is committed to a plan to sell the entire equity interest in Higlieg Petroleum Services & Investment Company Ltd ("Higlieg"). The disposal of Higlieg was due to be completed during the period ended 30 June 2012.

Subsequent to the period ended 30 June 2012, the proposed sale of Higlieg was cancelled. However, the management of the company is committed in selling its equity interest in Higlieg and is currently looking for a potential buyer. As a result, the company has continued classifying Higlieg as a disposal group held for sale and disclosed as a discontinuing operation as per International Financial Reporting Standard 5: Non-current Assets held for sale and discontinuing operations. The results of Higlieg for the period are presented below:

| | <i>Three months ended</i> <i>30 September</i> | | <i>Nine months ended</i> <i>30 September</i> | |
|---|--|--------------------------|---|--------------------------|
| | <i>2012</i> <i>KD</i> | <i>2011</i> <i>KD</i> | <i>2012</i> <i>KD</i> | <i>2011</i> <i>KD</i> |
| Revenues | 677,645 | 2,080,131 | 2,591,299 | 10,870,151 |
| Expenses | (732,752) | (2,614,087) | (2,768,543) | (11,308,780) |
| Impairment loss recognised on the remeasurement of fair value less costs to sell | (46,031) | - | (813,243) | - |
| Loss before tax from discontinuing operations | <u>(101,138)</u> | <u>(533,956)</u> | <u>(990,487)</u> | <u>(438,629)</u> |
| Taxation | (4,920) | 27,349 | (63,421) | (193,013) |
| Transfer of foreign currency translation reserves to interim condensed consolidated statement of income | 47,523 | - | (11,300,489) | - |
| Loss for the period from discontinuing operations | <u><u>(58,535)</u></u> | <u><u>(506,607)</u></u> | <u><u>(12,354,397)</u></u> | <u><u>(631,642)</u></u> |

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5 DISCONTINUING OPERATIONS (continued)

The major classes of assets and liabilities of Higeig classified as held for sale are as follows:

| | <i>30 September 2012 KD</i> | <i>31 December 2011 KD</i> |
|--|-------------------------------------|-------------------------------------|
| Assets | | |
| Property and equipment | 2,642,674 | 7,090,249 |
| Investment property | 4,746,306 | 7,751,803 |
| Investment in associate | 821,217 | 1,400,008 |
| Financial assets available for sale | 382,737 | 625,097 |
| Inventories | 939,282 | 1,831,554 |
| Accounts receivable and other assets | 10,975,505 | 12,259,341 |
| Cash and bank balances (Note 4) | 274,977 | 429,139 |
| Assets classified as held for sale | <u>20,782,698</u> | <u>31,387,191</u> |
| Liabilities | | |
| Employees' end of service benefits | 58,103 | 133,902 |
| Liabilities against assets subject to finance lease | 345,506 | 826,059 |
| Accounts payable and other liabilities | 10,954,224 | 14,062,365 |
| Current portion of liabilities against assets subject to finance lease | 270,281 | 251,593 |
| Murabaha payables | 30,652 | 107,370 |
| Liabilities directly associated with the assets classified as held for sale | <u>11,658,766</u> | <u>15,381,289</u> |
| Net assets directly associated with disposal group | <u>9,123,932</u> | <u>16,005,902</u> |
| Impairment loss allocation | | <i>30 September 2012 KD</i> |
| Property and equipment | | <u>(813,243)</u> |

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6 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. The terms of these transactions are approved by the company's management. Balances and transactions with related parties are as follows:

| | <i>Ultimate parent company KD</i> | <i>Other related parties KD</i> | <i>30 September 2012 KD</i> | <i>(Audited) 31 December 2011 KD</i> | <i>30 September 2011 KD</i> |
|---|---|---|-------------------------------------|--|-------------------------------------|
| Interim condensed consolidated statement of financial position | | | | | |
| Bank balances, deposits and cash | 3,430,486 | - | 3,430,486 | 4,972,633 | 6,308,173 |
| Accounts receivables and other assets | - | 405,137 | 405,137 | 422,692 | 2,287,271 |
| Assets classified as held for sale | - | 2,340,853 | 2,340,853 | 1,955,495 | - |
| Murabaha payables secured against financial assets (Note 7) | 2,553,707 | - | 2,553,707 | 2,597,252 | 2,559,340 |
| Liabilities against assets subject to finance lease | - | - | - | - | 3,786,677 |
| Liabilities directly associated with the assets classified as held for sale | - | 652,335 | 652,335 | 1,100,672 | - |
| Accounts payable and other liabilities | - | 1,013 | 1,013 | 23,116 | 348,445 |

Accounts receivables/payables from/to related parties are unsecured, free of finance charge and are receivable/payable on demand.

| | <i>Ultimate parent company KD</i> | <i>Nine months ended 30 September</i> | |
|---|---|---|--------------------|
| | | <i>2012 KD</i> | <i>2011 KD</i> |
| Interim condensed consolidated statement of income | | | |
| Brokerage fees | 305 | 305 | 500 |
| Murabaha finance cost | 106,866 | 106,866 | 131,505 |

| | <i>Ultimate parent company KD</i> | <i>Three months ended 30 September</i> | |
|---|---|--|--------------------|
| | | <i>2012 KD</i> | <i>2011 KD</i> |
| Interim condensed consolidated statement of income | | | |
| Brokerage fees | - | - | - |
| Murabaha finance cost | 35,043 | 35,043 | 37,912 |

Key management compensation

Remuneration paid or accrued in relation to "key management" (deemed for this purpose to comprise Directors in relation to their committee service, the Chief Executive Officer and other Senior Officers) as follows:

| | <i>Three months ended 30 September</i> | | <i>Nine months ended 30 September</i> | |
|--|--|--------------------|---|--------------------|
| | <i>2012 KD</i> | <i>2011 KD</i> | <i>2012 KD</i> | <i>2011 KD</i> |
| Salaries and other short term benefits | 126,070 | 124,536 | 526,736 | 292,356 |
| End of service benefits | 6,168 | 15,917 | 28,792 | 30,752 |
| Discontinuing operation | 17,458 | 13,764 | 54,925 | 50,991 |
| | <u>149,696</u> | <u>154,217</u> | <u>610,453</u> | <u>374,099</u> |

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7 MURABAHA PAYABLES

Murabaha payables include facilities amounting to KD 2,553,707 (31 December 2011: KD 2,597,252; 30 September 2011: KD 2,559,340) taken from a related party (Note 6) and are secured against financial assets available for sale amounting to KD 8,323,700 (31 December 2011: KD 8,323,700; 30 September 2011: Nil) and financial assets at fair value through profit or loss KD Nil (31 December 2011: KD Nil; 30 September 2011: KD 8,323,700).

8 CAPITAL COMMITMENTS AND CONTINGENCIES

| | <i>30 September</i> <i>2012</i> <i>KD</i> | <i>(Audited)</i> <i>31 December</i> <i>2011</i> <i>KD</i> | <i>30 September</i> <i>2011</i> <i>KD</i> |
|--|---|--|---|
| Capital expenditure commitments | | | |
| Financial assets available for sale | <u>12,389,000</u> | <u>6,696,000</u> | <u>6,624,000</u> |

Contingent liabilities

As at 30 September 2012, the group had contingent liabilities in respect of outstanding letters of guarantee amounting to KD 1,774,549 (31 December 2011: KD 720,379; 30 September 2011: KD 3,049,881) from which it is anticipated that no material liabilities will arise. These letters of guarantee are partially secured against bank balances and deposits (Note 4).

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9 SEGMENTAL INFORMATION

For management purposes, the group is organised into two operating segments based on business units as follows:

- Energy : Exploration, drilling, development and production of oil and gas, alternate and renewable sources of energy, licensing and other activities related to the energy sector;
- Others : Investment and other related services.

| | Energy | | Others | | Total | |
|--|-----------------------------|------------------------|----------------------|---------------------|-----------------------------|--------------------------|
| | 30 September 2012 | 30 September 2011 | 30 September 2012 | 30 September 2011 | 30 September 2012 | 30 September 2011 |
| | KD | KD | KD | KD | KD | KD |
| Segment revenue | 1,120,182 | - | 1,713,801 | 1,359,245 | 2,833,983 | 1,359,245 |
| Loss for the period from continuing operations (Loss) profit for the period from discontinuing operations | (1,418,327) (12,558,193) | (999,791) (993,158) | (122,905) 203,796 | (41,616) 361,516 | (1,541,232) (12,354,397) | (1,041,407) (631,642) |
| | (13,976,520) | (1,992,949) | 80,891 | 319,900 | (13,895,629) | (1,673,049) |
| Segment assets * | 72,340,769 | 93,910,452 | 10,713,285 | 9,757,375 | 83,054,054 | 103,667,827 |
| Segment liabilities ** | 14,481,769 | 19,127,678 | 2,733,484 | 5,082,365 | 17,215,253 | 24,210,043 |

* Included under Energy segment KD 16,036,392 and Others KD 4,746,306 are assets classified as held for sale.

** Included under Energy segment KD 11,042,979 and Others KD 615,787 are liabilities directly associated with the assets classified as held for sale.

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10 SUBSEQUENT EVENT

Subsequent to the reporting date, the company has incorporated a wholly owned subsidiary 'AREF Energy International Ltd', an exempted limited liability company incorporated in Cayman Islands. This subsidiary has invested approximately KD 5,245,000 (USD 18,676,830) in a Limited Partnership Fund – Al Taqa Fund L.P., a fund incorporated in Cayman Islands by Kerogen Al-Taqa Capital Limited. The total capital commitment of the subsidiary towards Al Taqa Fund L.P. is approximately KD 5,630,000 (USD 20,000,000).