

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2012 (UNAUDITED)



Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74 Safat
13001 Safat, Kuwait
Baitak Tower, 18-21st Floor
Safat Square
Ahmed Al Jaber Street
Tel : 2245 2880/2295 5000
Fax: 2245 6419
Email: kuwait@kw.ey.com
www.ey.com/me



**BAKER TILLY
KUWAIT**

**Dr. Saud Al-humaidi & Partners
Public Accountants**

P.O.Box 1486 Safat, 13015 Kuwait
Sharq Area, Omar Bin Khattab Street
Shawafat Bldg, Block No. 5, 1st Floor
Tel : 22442333 / 22443222
Fax : 22461225
www.bakertillykuwait.com

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

Report on Interim Condensed Consolidated Financial Information

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 June 2012, and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six month period then ended. The management of the 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. Consequently, it 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 during the period ended 30 June 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-HUMAIIDI
LICENSE NO. 51 A
DR. SAUD AL-HUMAIIDI & PARTNERS
MEMBER OF BAKER TILLY INTERNATIONAL

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

	Notes	Three months ended 30 June		Six months ended 30 June	
		2012 KD	2011 KD	2012 KD	2011 KD
Continuing operations					
Revenue					
Rendering of services		787,195	434,643	1,213,160	749,867
Sale of goods		67,647	-	67,647	-
		<u>854,842</u>	<u>434,643</u>	<u>1,280,807</u>	<u>749,867</u>
Cost of revenue					
Cost of rendering of services		(1,105,927)	(387,799)	(1,745,777)	(686,732)
Cost of sale of goods		(58,150)	-	(58,150)	-
		<u>(1,164,077)</u>	<u>(387,799)</u>	<u>(1,803,927)</u>	<u>(686,732)</u>
Gross (loss) profit		(309,235)	46,844	(523,120)	63,135
Other income		32,420	79,486	139,361	102,874
Staff costs		(304,041)	(197,522)	(750,975)	(397,797)
General and administrative expenses		(254,757)	(264,602)	(569,092)	(468,398)
Finance cost		(34,543)	(38,572)	(72,503)	(92,501)
Share of results from associates		(72,977)	(104,368)	(171,019)	(210,587)
Dividend income		816,845	900,000	816,845	900,000
Foreign exchange gain (loss)		125,031	(180,232)	74,084	(537,696)
Amortisation of intangible assets		(26,133)	(24,383)	(52,256)	(48,497)
		<u>(27,390)</u>	<u>216,651</u>	<u>(1,108,675)</u>	<u>(689,467)</u>
(Loss) profit for the period before taxation from continuing operations		(27,390)	216,651	(1,108,675)	(689,467)
Write back of board of directors' remuneration		-	-	-	150,000
Taxation		-	(26,760)	-	(29,093)
		<u>(27,390)</u>	<u>189,891</u>	<u>(1,108,675)</u>	<u>(568,560)</u>
(Loss) profit for the period from continuing operations		(27,390)	189,891	(1,108,675)	(568,560)
Profit (loss) for the period from discontinued operations	5	91,743	(316,899)	(12,295,862)	(125,035)
Profit (loss) for the period		64,353	(127,008)	(13,404,537)	(693,595)
Attributable to:					
Equity holders of the company		175,737	8,575	(9,017,460)	(624,450)
Non-controlling interests		(111,384)	(135,583)	(4,387,077)	(69,145)
		<u>64,353</u>	<u>(127,008)</u>	<u>(13,404,537)</u>	<u>(693,595)</u>
Basic and diluted profit (loss) per share attributable to equity holders of the company	3	<u>0.2 fils</u>	<u>0 fils</u>	<u>(12) fils</u>	<u>(0.8) fils</u>
Basic and diluted profit (loss) per share from continuing operations attributable to equity holders of the company	3	<u>0.1 fils</u>	<u>0.3 fils</u>	<u>(1.1) fils</u>	<u>(0.7) fils</u>

The attached notes 1 to 9 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 June 2012

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</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>
Profit (loss) for the period	64,353	(127,008)	(13,404,537)	(693,595)
Other comprehensive income (loss)				
Cumulative changes in fair value	-	24,980	-	24,980
Foreign currency translation adjustment	(5,805,122)	(1,019,775)	(5,859,932)	(3,213,751)
Discontinued operation (Note 5)	5,839,648	-	11,348,012	-
Other comprehensive income (loss) for the period	34,526	(994,795)	5,488,080	(3,188,771)
Total comprehensive income (loss) for the period	98,879	(1,121,803)	(7,916,457)	(3,882,366)
Attributable to:				
Equity holders of the company	207,910	(643,005)	(5,484,371)	(2,702,384)
Non-controlling interests	(109,031)	(478,798)	(2,432,086)	(1,179,982)
Total comprehensive income (loss) for the period	98,879	(1,121,803)	(7,916,457)	(3,882,366)

The attached notes 1 to 9 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 June 2012

	Notes	30 June 2012 KD	(Audited) 31 December 2011 KD	30 June 2011 KD
ASSETS				
Non-current assets				
Property and equipment		3,562,797	3,218,582	12,685,145
Intangible assets		927,802	942,584	971,613
Investment property		-	-	4,898,790
Investment in associates		3,186,313	3,373,556	4,459,208
Financial assets available for sale		35,115,600	35,115,600	3,331,699
		<u>42,792,512</u>	<u>42,650,322</u>	<u>26,346,455</u>
Current assets				
Inventories		331,748	184,011	2,809,127
Financial assets at fair value through profit or loss		-	-	32,400,000
Accounts receivable and other assets		3,074,740	1,110,628	22,651,552
Bank balances, deposits and cash	4	16,194,139	18,408,063	20,623,833
		<u>19,600,627</u>	<u>19,702,702</u>	<u>78,484,512</u>
Assets classified as held for sale	5	20,655,315	31,387,191	-
		<u>40,255,942</u>	<u>51,089,893</u>	<u>78,484,512</u>
TOTAL ASSETS		<u>83,048,454</u>	<u>93,740,215</u>	<u>104,830,967</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
Foreign currency translation reserve		151,512	129,230	(3,822,026)
(Accumulated losses) retained earnings		(13,427,599)	(4,410,139)	78,983
Cumulative changes in fair values		-	-	39,972
Reserves of a disposal group classified as held for sale		-	(3,510,807)	-
Equity attributable to equity holders of the company		<u>62,705,143</u>	<u>68,189,514</u>	<u>72,278,159</u>
Non-controlling interests		360,809	640,868	8,031,901
Non-controlling interests relating to disposal group		3,281,416	5,433,443	-
Total equity		<u>66,347,368</u>	<u>74,263,825</u>	<u>80,310,060</u>
Non-current liabilities				
Employees' end of service benefits		309,754	258,794	296,435
Liabilities against assets subject to finance lease		11,198	3,191	2,841,200
		<u>320,952</u>	<u>261,985</u>	<u>3,137,635</u>
Current liabilities				
Accounts payable and other liabilities		1,254,950	740,909	16,034,947
Current portion of liabilities against assets subject to finance lease		6,211	3,926	1,116,561
Bank overdrafts	4	1,108,955	475,029	1,139,636
Murabaha payables	7	2,534,664	2,613,252	3,092,128
		<u>4,904,780</u>	<u>3,833,116</u>	<u>21,383,272</u>
Liabilities directly associated with the assets classified as held for sale	5	11,475,354	15,381,289	-
		<u>16,380,134</u>	<u>19,214,405</u>	<u>21,383,272</u>
Total liabilities		<u>16,701,086</u>	<u>19,476,390</u>	<u>24,520,907</u>
TOTAL EQUITY AND LIABILITIES		<u>83,048,454</u>	<u>93,740,215</u>	<u>104,830,967</u>

Walid K. Al-Hashash
Chairman

Tareq J. Al Wazzan
Managing Director & CEO

The attached notes 1 to 9 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 June 2012

	<i>Attributable to equity holders of the company</i>											
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary 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	-	-	-	-	-	(9,017,460)	-	-	(9,017,460)	(281,565)	(4,105,512)	(13,404,537)
Other comprehensive income for the period	-	-	-	-	22,282	-	-	3,510,807	3,533,089	1,506	1,953,485	5,488,080
Total comprehensive income (loss) for the period	-	-	-	-	22,282	(9,017,460)	-	3,510,807	(5,484,371)	(280,059)	(2,152,027)	(7,916,457)
Balance at 30 June 2012	75,000,000	193,550	472,723	314,957	151,512	(13,427,599)	-	-	62,705,143	360,809	3,281,416	66,347,368
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	-	-	-	-	-	(624,450)	-	-	(624,450)	(69,145)	-	(693,595)
Other comprehensive income	-	-	-	-	(2,093,984)	-	16,050	-	(2,077,934)	(1,110,837)	-	(3,188,771)
Total comprehensive (loss) income for the period	-	-	-	-	(2,093,984)	(624,450)	16,050	-	(2,702,384)	(1,179,982)	-	(3,882,366)
Transfer to reserve	-	-	11,428	-	-	(11,428)	-	-	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	611,250	-	611,250
Balance at 30 June 2011	75,000,000	193,550	472,723	314,957	(3,822,026)	78,983	39,972	-	72,278,159	8,031,901	-	80,310,060

The attached notes 1 to 9 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 June 2012

	Notes	Six months ended 30 June	
		2012 KD	2011 KD
OPERATING ACTIVITIES			
Loss for the period from continuing operations		(1,108,675)	(568,560)
Loss for the period from discontinued operations		(12,295,862)	(125,035)
		(13,404,537)	(693,595)
Adjustments for:			
Rental income from investment property		(332,114)	(271,220)
Share of results from associates		(187,088)	145,522
Dividend income		(828,292)	(900,000)
Gain on disposal of property and equipment		(113,290)	-
Depreciation		893,328	1,543,714
Amortisation of intangible assets		52,256	48,497
Impairment of accounts receivable		1,680,308	168,385
Impairment of investment in associates		241,564	-
Impairment of inventory		219,365	-
Impairment of property and equipment		1,574,624	-
Transfer of foreign currency translation reserves	5	11,348,012	-
Provision for employees' end of service benefits		63,804	88,102
Provision for taxation		58,501	249,455
Finance cost		150,761	382,959
		1,417,202	761,819
Working capital changes:			
Inventories		547,487	(106,762)
Accounts receivable and other assets		(1,063,405)	1,001,327
Accounts payable and other liabilities		(3,644,185)	(2,935,262)
Cash used in operating activities		(2,742,901)	(1,278,878)
Employees' end of service benefits paid		(102,437)	(59,136)
Taxes paid		-	(26,760)
Net cash used in operating activities		(2,845,338)	(1,364,774)
INVESTING ACTIVITIES			
Purchase of property and equipment		(467,606)	(68,380)
Proceeds from disposal of property and equipment		201,221	-
Purchase of intangible assets		(34,775)	-
Rental income from investment property		332,114	271,220
Investment in associates		-	(147,367)
Dividend income from associates		34,292	-
Other dividend income		11,447	-
Net movement in wakala deposits	4	4,455,500	(5,670,000)
Net movement in restricted bank balances and deposits	4	173,686	264,323
Net cash inflow on acquisition of subsidiary		-	8,660
Net cash from (used in) investing activities		4,705,879	(5,341,544)
FINANCING ACTIVITIES			
Finance cost paid		(195,878)	(131,240)
Net movement in murabaha payables		72,811	(3,003,565)
Net movement in liabilities against assets subject to finance lease		(637,341)	(744,786)
Net cash used in financing activities		(760,408)	(3,879,591)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,100,133	(10,585,909)
Net foreign exchange difference		473,865	(287,926)
Cash and cash equivalents at the beginning of the period		10,433,542	22,482,111
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	12,007,540	11,608,276

The attached notes 1 to 9 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 June 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 June 2012 are approved by the board of directors on 9 August 2012.

Aref Investment Group S.A.K. ("AIG"), one of the subsidiaries of Kuwait Finance House ("KFH") had 72.52% equity interest in the company. Accordingly, AIG was the parent company and KFH was the ultimate parent company up to 28 December 2011. On 29 December 2011, AIG sold 29% equity interest in the company to Development Enterprise Holding Company K.S.C. (Closed) ("DEH"), another subsidiary of KFH. AIG continued to hold the remaining 43.52% equity interest in the company with significant influence as at the reporting date. As a result, at the reporting date, AIG is no longer the parent company, however KFH is considered the parent company by virtue of its holdings in the company through AIG and DEH.

Subsequent to the period end, DEH 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 AIG of the remaining 43.52% equity interest in the company as on the date of the interim condensed consolidated financial information. Consequently, DEH is the new 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 six months ended 30 June 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 June 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 PROFIT (LOSS) PER SHARE

Basic and diluted profit (loss) per share is calculated by dividing the profit (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 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Profit (loss) for the period attributable to equity holders of the company (KD)	<u>175,737</u>	<u>8,575</u>	<u>(9,017,460)</u>	<u>(624,450)</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 profit (loss) per share	<u>0.2 fils</u>	<u>0 fils</u>	<u>(12) fils</u>	<u>(0.8) fils</u>

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

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Profit (loss) for the period attributable to equity holders of the company (KD)	<u>175,737</u>	<u>8,575</u>	<u>(9,017,460)</u>	<u>(624,450)</u>
Profit (loss) from discontinued operations attributable to equity holders of the company (KD)	<u>56,556</u>	<u>(203,608)</u>	<u>(8,190,350)</u>	<u>(80,335)</u>
Profit (loss) for the period attributable to equity holders of the company from continuing operations (KD)	<u>119,181</u>	<u>212,183</u>	<u>(827,110)</u>	<u>(544,115)</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 profit (loss) per share from continuing operations	<u>0.1 fils</u>	<u>0.3 fils</u>	<u>(1.1) fils</u>	<u>(0.7) fils</u>
Basic and diluted profit (loss) per share from discontinued operations	<u>0.1 fils</u>	<u>(0.3) fils</u>	<u>(10.9) fils</u>	<u>(0.1) fils</u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

As at 30 June 2012

4 BANK BALANCES, DEPOSITS AND CASH

	<i>(Audited)</i>		
	<i>30 June</i> <i>2012</i> <i>KD</i>	<i>31 December</i> <i>2011</i> <i>KD</i>	<i>30 June</i> <i>2011</i> <i>KD</i>
Bank balances and cash	4,396,739	5,868,763	7,882,733
Wakala deposits	11,797,400	12,539,300	12,741,100
Bank balances, deposits and cash	<u>16,194,139</u>	<u>18,408,063</u>	<u>20,623,833</u>
Add: discontinued operation (Note 5)	221,801	429,139	-
Less: Bank overdrafts	(1,108,955)	(475,029)	(1,139,636)
Less: restricted bank balances	(200,645)	(374,331)	(405,921)
Less: wakala deposits with original maturity more than 3 months	<u>(3,098,800)</u>	<u>(7,554,300)</u>	<u>(7,470,000)</u>
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	<u><u>12,007,540</u></u>	<u><u>10,433,542</u></u>	<u><u>11,608,276</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 June 2011: KD 1,011,088) that represent margin deposits that are held as security against the same letters of guarantee.

5 DISCONTINUED OPERATIONS

As at 30 June 2012 the management of the company has committed 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 in the third quarter of 2012 and, as at the reporting date, final negotiations for the sale were in progress.

Subsequent to the reporting date, 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 discontinued operation as per International Financial Reporting Standard 5: Non-current Assets held for sale and discontinued operations. The results of Higlieg for the period are presented below:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</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	775,742	4,413,550	1,913,654	8,790,020
Expenses	(506,725)	(4,636,419)	(2,035,791)	(8,694,693)
Impairment reversal (loss) recognised on the remeasurement of fair value less costs to sell	<u>5,664,229</u>	-	<u>(767,212)</u>	-
Profit (loss) before tax from discontinued operations	<u>5,933,246</u>	(222,869)	<u>(889,349)</u>	95,327
Taxation	(1,855)	(94,030)	(58,501)	(220,362)
Transfer of foreign currency translation reserves to interim condensed consolidated statement of income	<u>(5,839,648)</u>	-	<u>(11,348,012)</u>	-
Profit (loss) for the period from discontinued operations	<u><u>91,743</u></u>	<u><u>(316,899)</u></u>	<u><u>(12,295,862)</u></u>	<u><u>(125,035)</u></u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

As at 30 June 2012

5 DISCONTINUED OPERATIONS (continued)

The impairment reversal during the three month period ended 30 June 2012 was mainly due to the significant revision of foreign currency exchange rate between Sudanese Pound (SDG) and Kuwaiti Dinar (KD) as at the reporting date. Consequently, the impairment reversal has been compensated by the foreign currency translation adjustment as noted in the table above.

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

	<i>30 June 2012 KD</i>	<i>31 December 2011 KD</i>
Assets		
Property and equipment	2,964,187	7,090,249
Investment property	4,723,988	7,751,803
Investment in associate	934,945	1,400,008
Financial assets available for sale	380,938	625,097
Inventories	916,963	1,831,554
Accounts receivable and other assets	10,512,493	12,259,341
Cash and bank balances (Note 4)	221,801	429,139
	<u>20,655,315</u>	<u>31,387,191</u>
Liabilities		
Employees' end of service benefits	(61,631)	(133,902)
Liabilities against assets subject to finance lease	(399,512)	(826,059)
Accounts payable and other liabilities	(10,770,052)	(14,062,365)
Current portion of liabilities against assets subject to finance lease	(213,652)	(251,593)
Murabaha payables	(30,507)	(107,370)
	<u>(11,475,354)</u>	<u>(15,381,289)</u>
Liabilities directly associated with the assets classified as held for sale	<u>(11,475,354)</u>	<u>(15,381,289)</u>
Net assets directly associated with disposal group	<u>9,179,961</u>	<u>16,005,902</u>
Impairment loss allocation		<i>30 June 2012 KD</i>
Property and equipment		<u>(767,212)</u>

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

As at 30 June 2012

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. Transactions with related parties are as follows:

	<i>Parent company KD</i>	<i>Other related parties KD</i>	<i>30 June 2012 KD</i>	<i>(Audited) 31 December 2011 KD</i>	<i>30 June 2011 KD</i>
Interim condensed consolidated statement of financial position					
Bank balances, deposits and cash	2,832,194	-	2,832,194	4,972,633	6,788,952
Accounts receivables and other assets	-	416,977	416,977	422,692	2,121,215
Assets classified as held for sale	-	1,891,498	1,891,498	1,955,495	-
Murabaha payables secured against financial assets (Note 7)	2,518,664	-	2,518,664	2,597,252	2,521,428
Liabilities against assets subject to finance lease	-	-	-	-	3,952,368
Liabilities directly associated with the assets classified as held for sale	-	622,608	622,608	1,100,672	-
Accounts payable and other liabilities	-	1,013	1,013	23,116	263,043

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

	<i>Parent company KD</i>	<i>Other related parties KD</i>	<i>Six months ended 30 June</i>	
			<i>2012 KD</i>	<i>2011 KD</i>
Interim condensed consolidated statement of income				
Brokerage fees	305	-	305	500
Murabaha finance cost	71,823	-	71,823	93,593

	<i>Parent company KD</i>	<i>Other related parties KD</i>	<i>Six months ended 30 June</i>	
			<i>2012 KD</i>	<i>2011 KD</i>
Interim condensed consolidated statement of income				
Brokerage fees	250	-	250	250
Murabaha finance cost	34,323	-	34,323	39,664

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 June</i>		<i>Six months ended 30 June</i>	
	<i>2012 KD</i>	<i>2011 KD</i>	<i>2012 KD</i>	<i>2011 KD</i>
Salaries and other short term benefits	157,027	82,112	400,666	167,820
End of service benefits	(5,506)	7,666	22,624	14,835
Discontinued operation	15,643	17,121	37,467	37,227
	167,164	106,899	460,757	219,882

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2012

7 MURABAHA PAYABLES

Murabaha payables include facilities amounting to KD 2,518,664 (31 December 2011: KD 2,597,252; 30 June 2011: KD 2,521,428) 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 June 2011: Nil) and financial assets at fair value through profit or loss KD Nil (31 December 2011: KD Nil; 30 June 2011: KD 8,323,700).

8 CAPITAL COMMITMENTS AND CONTINGENCIES

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2012</i>	<i>31 December</i>	<i>2011</i>
	<i>KD</i>	<i>2011</i>	<i>2011</i>
		<i>KD</i>	<i>KD</i>
Capital expenditure commitments			
Financial assets available for sale	6,732,000	6,696,000	6,597,000

Contingent liabilities

As at 30 June 2012, the group had contingent liabilities in respect of outstanding letters of guarantee amounting to KD 1,650,838 (31 December 2011: KD 720,379; 30 June 2011: KD 3,021,179) 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).

AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
As at 30 June 2012

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 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	KD	KD	KD	KD	KD	KD
Segment revenue	251,193	-	1,029,614	749,867	1,280,807	749,867
Loss for the period from continuing operations	(1,079,937)	(518,623)	(28,738)	(49,937)	(1,108,675)	(568,560)
(Loss) profit for the period from discontinued operations	(12,477,355)	(382,255)	181,493	257,220	(12,295,862)	(125,035)
	(13,557,292)	(900,878)	152,755	207,283	(13,404,537)	(693,595)
Segment assets	72,602,200	94,180,227	10,446,254	10,650,740	83,048,454	104,830,967
Segment liabilities	14,010,363	19,220,601	2,690,723	5,300,306	16,701,086	24,520,907