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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2010 (UNAUDITED)

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

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the period ended 31 March 2010

	Notes	Three months ended 31 March	
		2010 KD	2009 KD
Continuing operations			
Contract revenue		**4,987,564**	11,525,871
Rental income from investment property		**106,138**	216,766
Share of results of associates		**(116,145)**	(107,083)
Gain on sale of intangible asset	3	**21,243,825**	-
Foreign exchange (loss) / gain		**(23,655)**	281,423
Other income		**451,813**	152,926
Income		**26,649,540**	12,069,903
Contract cost		**3,980,500**	9,883,073
Finance cost		**334,408**	361,664
Amortisation of intangible assets		**24,114**	66,789
General and administration expenses		**718,192**	1,076,073
Expenses		**5,057,214**	11,387,599
Profit before taxation from continuing operations		**21,592,326**	682,304
Taxation	8	**(8,102,872)**	(285,902)
Profit for the period after taxation from continuing operations		**13,489,454**	396,402
Loss on sale of discontinued operation		**-**	(25,543)
Profit for the period		**13,489,454**	370,859
Attributable to:			
Equity holders of the company		**13,346,513**	88,716
Non-controlling interests		**142,941**	282,143
Profit for the period		**13,489,454**	370,859
Basic and diluted earnings per share attributable to equity holders of the company	9	**17.8 fils**	0.1 fils
Basic and diluted earnings per share from continuing operations attributable to equity holders of the company	9	**17.8 fils**	0.2 fils

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2010

	Three months ended 31 March	
	2010	*2009*
	KD	*KD*
Profit for the period	**13,489,454**	370,859
Foreign currency translation adjustment	**464,196**	1,292,168
Other comprehensive income for the period	**464,196**	1,292,168
Total comprehensive income for the period	**13,953,650**	1,663,027
Attributable to:		
Equity holders of the company	**13,657,045**	1,380,884
Non-controlling interests	**296,605**	282,143
Total comprehensive income for the period	**13,953,650**	1,663,027

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2010

	Notes	*Three months ended 31 March*	
		2010	*2009*
		KD	*KD*
OPERATING ACTIVITIES			
Profit for the period		**13,489,454**	370,859
Adjustments for:			
Rental income from investment property		**(106,138)**	(216,766)
Share of results of associates		**116,145**	107,083
Amortisation of intangible assets		**24,114**	66,789
Depreciation		**1,008,482**	1,068,277
Provision for employees' end of service benefits		**32,485**	67,930
Finance cost		**334,408**	361,664
Gain on disposal of property and equipment		**(1,289)**	-
Gain on disposal of intangible asset		**(21,243,825)**	-
Loss on sale of discontinued operation		**-**	25,543
		(6,346,164)	1,851,379
Working capital changes:			
Inventories		**(623,505)**	(2,309,840)
Accounts receivable and other assets		**(1,375,795)**	1,700,879
Accounts payable and other liabilities		**7,749,021**	1,904,082
Cash (used in) from operating activities		**(596,443)**	3,146,500
End of service benefits paid		**(17,695)**	(52,264)
Net cash (used in) from operating activities		**(614,138)**	3,094,236
INVESTING ACTIVITIES			
Purchase of property and equipment		**(192,707)**	(459,168)
Sale of property and equipment		**139,594**	-
Rental income from investment property		**106,138**	216,766
Acquisition of intangible assets		**(263,493)**	(1,522,663)
Disposal of intangible assets		**30,924,157**	-
Decrease / (increase) in restricted bank balances and deposits	5	**153,060**	(165,689)
Proceeds from disposal of discontinued operation		**-**	242,161
Net cash from (used in) investing activities		**30,866,749**	(1,688,593)
FINANCING ACTIVITIES			
Finance cost paid		**(334,408)**	(361,664)
Net movement in murabaha payables		**(1,891,150)**	(256,180)
Net movement in liabilities against assets subject to finance lease		**(34,654)**	-
Net cash used in financing activities		**(2,260,212)**	(617,844)
Net increase in cash and cash equivalents		**27,992,399**	787,799
Net foreign exchange difference		**256,192**	714,706
Cash and cash equivalents at the beginning of the period		**2,670,505**	937,495
Cash and cash equivalents at the end of the period	5	**30,919,096**	2,440,000

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2010

	Attributable to equity holders of the company									
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Foreign currency translation reserve KD*	*Cumulative changes in fair value KD*	*(Accumulated losses) / retained earnings KD*	*Total KD*	*Non-controlling interests KD*	*Total equity KD*
Balance at 1 January 2010	75,000,000	193,550	314,957	314,957	(1,294,751)	23,922	(9,937,083)	64,615,552	9,355,609	73,971,161
Profit for the period	-	-	-	-	-	-	13,346,513	13,346,513	142,941	13,489,454
Other comprehensive income	-	-	-	-	310,532	-	-	310,532	153,664	464,196
Total comprehensive income for the period	-	-	-	-	310,532	-	13,346,513	13,657,045	296,605	13,953,650
Balance at 31 March 2010	**75,000,000**	**193,550**	**314,957**	**314,957**	**(984,219)**	23,922	**3,409,430**	**78,272,597**	**9,652,214**	**87,924,811**
Balance at 1 January 2009	75,000,000	193,550	314,957	314,957	(1,331,866)	-	(1,977,473)	72,514,125	11,847,361	84,361,486
Profit for the period	-	-	-	-	-	-	88,716	88,716	282,143	370,859
Other comprehensive income	-	-	-	-	1,292,168	-	-	1,292,168	-	1,292,168
Total comprehensive income for the period	-	-	-	-	1,292,168	-	88,716	1,380,884	282,143	1,663,027
Movement in non-controlling interest on discontinued operation	-	-	-	-	-	-	-	-	(269,248)	(269,248)
Balance at 31 March 2009	75,000,000	193,550	314,957	314,957	(39,698)	-	(1,888,757)	73,895,009	11,860,256	85,755,265

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

9 BASIC AND DILUTED EARNINGS PER SHARE (continued)

Basic and diluted earnings per share from continuing operations

	Three months ended 31 March	
	2010	*2009*
Profit for the period attributable to equity holders of the company (KD)	**13,346,513**	88,716
Add: Loss on sale of discontinued operation (KD)	-	25,543
Profit for the period attributable to equity holders of the company from continuing operation (KD)	**13,346,513**	114,259
Weighted average number of shares outstanding during the period	**750,000,000**	750,000,000
Basic and diluted earnings per share	**17.8 fils**	0.2 fils

10 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:

	Ultimate parent/parent company KD	*Other related parties KD*	***31 March 2010 KD***	*(Audited) 31 December 2009 KD*	*31 March 2009 KD*
Bank balances, deposits and cash (Note 5)	2,991,376	289,496	**3,280,872**	2,756,070	741,227
Accounts receivables and other assets (Note 4)	-	2,097,078	**2,097,078**	1,324,156	134,354
Murabaha payables secured against:					
-Financial assets (Note 6)	4,179,507	-	**4,179,507**	5,831,588	1,499,884
-Non-financial asset (Note 6)	-	3,852,557	**3,852,557**	4,160,108	7,200,938
Unsecured murabaha payables	723,000	-	**723,000**	718,000	1,252,416
Liabilities against assets subject to finance lease	-	5,640,338	**5,640,338**	5,674,992	-
Accounts payable and other liabilities (Note 7)	25,439	-	**25,439**	24,939	94,093

As at 31 March 2010, the group had outstanding letter of guarantee facilities obtained from a related party amounting to KD 2,452,660 (31 December 2009: KD 2,706,332; 31 March 2009: KD 2,860,386) (Note 11).

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

	Ultimate parent/parent company	*Other related parties*	*Three months ended 31 March*	
			2010 KD	*2009 KD*
Transactions				
Brokerage fees	-	-	-	15,200
Murabaha finance cost	69,041	223,886	**292,927**	300,245

10 RELATED PARTY TRANSACTIONS (continued)

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:

	Three months ended 31 March	
	2010 KD	*2009 KD*
Short term benefits	**111,891**	150,448
End of service benefits	**6,288**	8,635
	118,179	159,083

11 CAPITAL COMMITMENTS AND CONTINGENCIES

	31 March 2010 KD	*(Audited) 31 December 2009 KD*	*31 March 2009 KD*
Capital expenditure commitments			
Financial assets			
Financial assets available for sale	**6,940,800**	6,665,940	7,000,200
Others			
Property and equipment	-	-	1,948,676
Intangible assets	-	5,736,820	1,672,490
	6,940,800	**12,402,760**	10,621,366

Contingent liabilities
As at 31 March 2010, the group had contingent liabilities in respect of outstanding letters of guarantees amounting to KD 4,278,399 (31 December 2009: KD 2,706,332; 31 March 2009: KD 5,851,331) from which it is anticipated that no material liabilities will arise. Letters of guarantees amounting to KD 2,452,660 (31 December 2009: KD 2,706,332; 31 March 2009: KD 2,860,386) have been obtained from a related party (Note 10). These letters of credit and letter of guarantees are partially secured against bank balances and deposits (Note 5).

12 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.

	Continuing operations					
	Energy		*Others*		*Total*	
	31 March 2010	*31 March 2009*	***31 March 2010***	*31 March 2009*	***31 March 2010***	*31 March 2009*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Revenue						
Segment revenues	**26,356,853**	11,795,709	**292,687**	274,194	**26,649,540**	12,069,903
Results						
Profit before taxation from continuing operations	**21,301,649**	408,110	**290,677**	274,194	**21,592,326**	682,304
Assets						
Segment assets	**125,594,282**	112,252,325	**7,098,685**	7,426,712	**132,692,967**	119,679,037