

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2011 (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)**

**Report on the 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 September 2011, and the related interim condensed consolidated statement of income and comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended. The management of the company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34: Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim 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 during the period ended 30 September 2011 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

14 November 2011  
Kuwait

DR. SAUD 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 September 2011

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2011 KD</i>	<i>2010 KD</i>	<i>2011 KD</i>	<i>2010 KD</i>
Contract revenue		2,574,713	7,158,676	11,843,380	16,482,897
Rental income from investment property		114,796	152,934	386,016	416,966
Share of results of associates		(100,654)	(273,651)	(246,176)	(820,474)
Gain on sale of exploration assets		-	260,473	-	24,515,994
Dividend income		-	-	900,000	-
Other income		37,477	61,867	266,422	729,051
<b>Income</b>		<b>2,626,332</b>	<b>7,360,299</b>	<b>13,149,642</b>	<b>41,324,434</b>
Contract cost		2,434,188	6,838,993	10,867,063	16,333,643
Finance cost		172,220	286,604	555,179	923,051
Foreign exchange loss (gain)		125,037	(100,504)	162,594	(332,613)
Amortisation of intangible assets		24,650	24,650	73,147	73,147
Impairment of accounts receivable		19,138	75,566	187,523	231,383
Impairment of intangible assets		-	-	-	2,607,504
Staff cost		548,013	363,815	1,670,088	1,017,603
General and administration expenses		312,539	383,156	1,237,641	1,363,280
Write back of excess provision for Board of directors' remuneration	11	-	-	(150,000)	-
<b>Expenses</b>		<b>3,635,785</b>	<b>7,872,280</b>	<b>14,603,235</b>	<b>22,216,998</b>
<b>(Loss) profit before taxation</b>		<b>(1,009,453)</b>	<b>(511,981)</b>	<b>(1,453,593)</b>	<b>19,107,436</b>
Taxation	3	29,999	(33,584)	(219,456)	(8,333,982)
<b>(Loss) profit for the period</b>		<b>(979,454)</b>	<b>(545,565)</b>	<b>(1,673,049)</b>	<b>10,773,454</b>
<b>Attributable to:</b>					
Equity holders of the company		(761,897)	(583,399)	(1,386,347)	11,292,243
Non-controlling interests		(217,557)	37,834	(286,702)	(518,789)
<b>(Loss) profit for the period</b>		<b>(979,454)</b>	<b>(545,565)</b>	<b>(1,673,049)</b>	<b>10,773,454</b>
Basic and diluted (loss) earnings per share attributable to equity holders of the company	4	(1.0) fils	(0.8) fils	(1.8) fils	15.1 fils

The attached notes 1 to 11 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 2011

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
(Loss) profit for the period	(979,454)	(545,565)	(1,673,049)	10,773,454
Other comprehensive income (loss)				
Cumulative changes in fair value	97	-	25,077	-
Foreign currency translation adjustment	119,561	(2,164,327)	(3,094,190)	(443,192)
Other comprehensive income (loss) for the period	119,658	(2,164,327)	(3,069,113)	(443,192)
Total comprehensive (loss) income for the period	(859,796)	(2,709,892)	(4,742,162)	10,330,262
Attributable to:				
Equity holders of the company	(680,590)	(1,997,594)	(3,382,974)	11,106,064
Non-controlling interests	(179,206)	(712,298)	(1,359,188)	(775,802)
Total comprehensive (loss) income for the period	(859,796)	(2,709,892)	(4,742,162)	10,330,262

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.




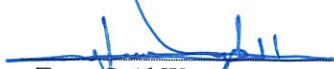
## AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)

At 30 September 2011

	Notes	30 September 2011 KD	(Audited) 31 December 2010 KD	30 September 2010 KD
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment		12,985,032	15,817,396	16,743,564
Investment property		4,917,870	5,647,680	4,806,402
Intangible assets		948,351	673,863	698,513
Investment in associates		4,376,030	4,710,907	3,401,360
Financial assets available for sale		3,334,099	3,397,085	3,406,524
		<u>26,561,382</u>	<u>30,246,931</u>	<u>29,056,363</u>
<b>Current assets</b>				
Inventories		2,780,386	2,695,814	3,450,582
Financial assets at fair value through statement of income		32,400,000	32,400,000	32,400,000
Accounts receivable and other assets		21,173,077	22,771,342	28,655,172
Bank balances, deposits and cash	6	20,752,982	24,952,355	26,920,142
		<u>77,106,445</u>	<u>82,819,511</u>	<u>91,425,896</u>
<b>TOTAL ASSETS</b>		<u>103,667,827</u>	<u>113,066,442</u>	<u>120,482,259</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		75,000,000	75,000,000	75,000,000
Share premium		193,550	193,550	193,550
Statutory reserve		472,723	461,295	314,957
Voluntary reserve		314,957	314,957	314,957
Foreign currency translation reserve		(3,740,781)	(1,728,042)	(1,480,930)
Cumulative changes in fair values		40,034	23,922	23,922
Retained earnings		(682,914)	714,861	1,355,160
<b>Equity attributable to equity holders of the company</b>		<u>71,597,569</u>	<u>74,980,543</u>	<u>75,721,616</u>
Non-controlling interests		7,860,215	8,600,633	8,579,807
<b>Total equity</b>		<u>79,457,784</u>	<u>83,581,176</u>	<u>84,301,423</u>
<b>Non-current liabilities</b>				
Employees' end of service benefits		332,993	250,048	324,297
Liabilities against assets subject to finance lease	7	2,619,041	3,780,905	4,077,325
		<u>2,952,034</u>	<u>4,030,953</u>	<u>4,401,622</u>
<b>Current liabilities</b>				
Accounts payable and other liabilities		15,859,501	18,696,168	20,706,241
Current portion of liabilities against assets subject to finance lease	7	1,172,099	914,172	1,166,291
Bank overdrafts	6	1,145,768	-	-
Murabaha payables	8	3,080,641	5,843,973	9,906,682
		<u>21,258,009</u>	<u>25,454,313</u>	<u>31,779,214</u>
<b>Total liabilities</b>		<u>24,210,043</u>	<u>29,485,266</u>	<u>36,180,836</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>103,667,827</u>	<u>113,066,442</u>	<u>120,482,259</u>

  
 Walid K. Al-Hashash  
 Chairman

  
 Tareq J. Al Wazzan  
 Managing Director & CEO

The attached notes 1 to 11 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 2011

*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 values KD	Retained earnings KD	Total KD	Non- controlling interests KD	Total equity KD
Balance at 1 January 2011	75,000,000	193,550	461,295	314,957	(1,728,042)	23,922	714,861	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)	16,112	(1,386,347)	(3,382,974)	(1,359,188)	(4,742,162)
Transfer to reserve (Note 11)	-	-	11,428	-	-	-	(11,428)	-	-	-
Acquisition of a subsidiary (Note 5)	-	-	-	-	-	-	-	-	618,770	618,770
Balance at 30 September 2011	75,000,000	193,550	472,723	314,957	(3,740,781)	40,034	(682,914)	71,597,569	7,860,215	79,457,784
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 (loss) for the period	-	-	-	-	-	-	11,292,243	11,292,243	(518,789)	10,773,454
Other comprehensive loss	-	-	-	-	(186,179)	-	-	(186,179)	(257,013)	(443,192)
Total comprehensive (loss) income for the period	-	-	-	-	(186,179)	-	11,292,243	11,106,064	(775,802)	10,330,262
Balance at 30 September 2010	75,000,000	193,550	314,957	314,957	(1,480,930)	23,922	1,355,160	75,721,616	8,579,807	84,301,423

The attached notes 1 to 11 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 2011

		Nine months ended 30 September	
		2011 KD	2010 KD
	Notes		
<b>OPERATING ACTIVITIES</b>			
(Loss) profit for the period		(1,673,049)	10,773,454
Adjustments for:			
Rental income from investment property		(386,016)	(416,966)
Share of results of associates		246,176	820,474
Loss (gain) on disposal of property and equipment		1,337	(93,430)
Gain on disposal of exploration asset		-	(24,515,994)
Amortisation of intangible assets		73,147	73,147
Depreciation		2,245,729	3,031,693
Impairment of intangible asset		-	2,607,504
Provision for employees' end of service benefits		123,533	45,396
Finance cost		555,179	923,051
Impairment of accounts receivable		187,523	231,383
Provision for taxation		219,456	8,333,982
		<u>1,593,015</u>	<u>1,813,694</u>
Working capital changes:			
Inventories		(78,021)	1,246,363
Accounts receivable and other assets		1,565,312	(2,451,233)
Accounts payable and other liabilities		(2,669,611)	1,694,407
Cash from operating activities		<u>410,696</u>	<u>2,303,231</u>
Employees' end of service benefits paid		(62,432)	(58,105)
Taxes paid		(480,789)	(7,239,479)
Net cash used in operating activities		<u>(132,525)</u>	<u>(4,994,353)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(1,044,793)	(894,159)
Sale of property and equipment		20,946	766,103
Rental income from investment property		386,016	416,966
Investment in associates		(147,508)	(519,965)
Acquisition of intangible assets		-	(328,678)
Disposal of intangible assets (net)		-	34,992,457
Investment in wakala deposits	6	(5,691,100)	(1,800,000)
Net increase (decrease) in escrow and other restricted accounts	6	259,001	89,153
Net cash (used in) from investing activities		<u>(6,217,438)</u>	<u>32,721,876</u>
<b>FINANCING ACTIVITIES</b>			
Finance cost paid		(267,136)	(518,867)
Net cash inflow on acquisition of subsidiaries	5	58,885	-
Net movement in murabaha payables		(3,051,375)	(4,817,684)
Net movement in liabilities against assets subject to finance lease		(911,406)	(431,376)
Net cash used in financing activities		<u>(4,171,032)</u>	<u>(5,767,927)</u>
Net (decrease) increase in cash and cash equivalents		<u>(10,520,995)</u>	<u>21,959,596</u>
Net foreign exchange difference		(256,245)	(61,121)
Cash and cash equivalents at the beginning of the period		22,482,111	2,670,506
Cash and cash equivalents at the end of the period	6	<u>11,704,871</u>	<u>24,568,981</u>

The attached notes 1 to 11 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)

At 30 September 2011

### 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 10.

The company is a subsidiary of Aref Investment Group S.A.K. (the "parent company"). The parent company is a subsidiary of Kuwait Finance House (the "ultimate parent company"). Both the parent company and the ultimate parent company are listed on the Kuwait Stock Exchange.

The interim condensed consolidated financial information of the group for the period ended 30 September 2011 are approved by the board of directors on 14 November 2011.

### 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 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 2010, except for the following revised standards effective for annual periods beginning on or after 1 January 2011.

#### *IAS 24 Related party disclosures (Revised)*

The revised Standard clarified 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 of this revised standard does not have any impact on interim condensed consolidated financial information.

#### *IAS 34 Interim Financial Reporting (Revised)*

Improvement to IAS 34 introduces the concept of "Significant events and transactions" and has brought in additional disclosures for changes in business and economic circumstances, transfers between levels of the fair value hierarchy used and changes in the classification of financial assets resulting from change in the purpose or use of those assets. Adoption of this improvement did not have any material impact on the financial position or performance of the group.

Additionally, the following new IFRSs have been issued in May 2011 and are effective for annual periods beginning on or after 1 January 2013:

#### *IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

#### *IFRS 13 Fair Value Measurement*

IFRS 13 Fair Value Measurement replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.



AREF Energy Holding Company K.S.C. (Closed) and Subsidiaries  
 NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
 (UNAUDITED)  
 At 30 September 2011

**2 BASIS OF PREPARATION (continued)**

The application of the above standards is not expected to have a material impact on the financial position or performance of the group as and when they become effective or early adopted.

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 annual consolidated financial statements for the year ended 31 December 2010. Further, results for the nine months ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

**3 TAXATION**

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")	-	(5,492)	-	15,982
National Labour Support Tax ("NLST")	-	(15,256)	2,333	292,822
Zakat	-	(6,099)	-	111,814
Taxation relating to sale of exploration assets	(2,650)	-	24,110	7,553,805
Taxation on foreign operations	(27,349)	60,431	193,013	359,559
	<u>(29,999)</u>	<u>33,584</u>	<u>219,456</u>	<u>8,333,982</u>

**4 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE**

Basic and diluted (loss) earnings per share is calculated by dividing the (loss) profit 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 September</i>		<i>Nine months ended 30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
(Loss) profit for the period attributable to equity holders of the company (KD)	<u>(761,897)</u>	<u>(583,399)</u>	<u>(1,386,347)</u>	<u>11,292,243</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) earnings per share	<u>(1.0) fils</u>	<u>(0.8) fils</u>	<u>(1.8) fils</u>	<u>15.1 fils</u>

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2011

### 5 ACQUISITION OF SUBSIDIARIES

- a. On 24 March 2011, the group acquired 51% equity interest in Al Meshari Heavy Equipment Trading L.L.C., a company incorporated in Dubai, United Arab Emirates, ("Al Meshari") and engaged in the business of trading and rental of construction equipment and machinery and loading and lifting equipment.
- b. On 1 July 2011, the group acquired 75% equity interest in Nordic Energy FZC ("Nordic"), a company incorporated in Ras Al Khaimah Free Trade Zone, Ras Al Khaimah, United Arab Emirates, and engaged in the business of trading in oilfield & well drilling equipments and spare parts.

These acquisitions have been accounted in accordance with requirements of IFRS 3 - Business Combinations.

The provisional fair values of identifiable assets and liabilities of Al Meshari and Nordic as at the date of acquisition are as follows:

	<i>Al Meshari</i> KD	<i>Nordic Energy</i> FZC KD	<i>Total</i> KD
Property and equipment	171,178	-	171,178
Inventories	6,551	-	6,551
Accounts receivable and other assets	136,122	226	136,348
Bank balances, deposits and cash	996,034	72,785	1,068,819
Accounts payable and other liabilities	(54,967)	(42,931)	(97,898)
Liabilities against assets subject to finance lease	(7,469)	-	(7,469)
Total net assets value	1,247,449	30,080	1,277,529
Less: Non controlling interest	(611,250)	(7,520)	(618,770)
Add: provisional goodwill	351,175	-	351,175
Total purchase consideration	987,374	22,560	1,009,934
Less: Bank balances, deposits and cash acquired	(996,034)	(72,785)	(1,068,819)
Net cash inflow on acquisition	(8,660)	(50,225)	(58,885)

Had the acquisition taken place at the beginning of the period, income of the group for the period would have been higher by KD 39,396 and the loss attributable to the shareholders of the company would have been higher by KD 9,912.

- c. On 23 February 2011, the company has incorporated a 100% owned Special Purpose Vehicle ("SPV") AREF Energy Global Ltd in Cayman Islands with a share capital of USD 400,000 (equivalent to KD 111,240). Subsequently, the SPV acquired 25% equity interest in Eastbridge Aref Holding Company Limited, a newly incorporated entity in Cayman Islands for an amount of KD 111,240. Accordingly, the investment in Eastbridge Aref Holding Company Limited is included as investment in associate in the interim condensed consolidated financial information.
- d. On 19 July 2011, the company has incorporated a 100% owned subsidiary Nordic Intervention Services L.L.C in Dubai, United Arab Emirates, with a share capital of AED 300,000 (equivalent to KD 22,560). The company has been incorporated with the purpose of performing certain administrative and support services for Nordic Energy FZC.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(UNAUDITED)

At 30 September 2011

## 6 BANK BALANCES, DEPOSITS AND CASH

	30 September 2011 KD	(Audited) 31 December 2010 KD	30 September 2010 KD
Bank balances and cash	8,323,382	23,152,355	25,120,142
Wakala deposits	12,429,600	1,800,000	1,800,000
Bank balances, deposits and cash	20,752,982	24,952,355	26,920,142
Less: Bank overdrafts	(1,145,768)	-	-
Less: restricted bank balances	(411,243)	(670,244)	(551,161)
Less: wakala deposits with original maturity more than 3 months	(7,491,100)	(1,800,000)	(1,800,000)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	11,704,871	22,482,111	24,568,981

Restricted bank balances and deposits represent margin deposits that are held as security against letters of guarantees. (Note 7 and 9). Further, wakala deposits with original maturity of more than 3 months includes KD 1,400,000 (31 December 2010: KD 1,800,000; 30 September 2010: KD 1,800,000) that represent margin deposits that are held as security against the same letters of guarantee.

## 7 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	30 September 2011 KD	(Audited) 31 December 2010 KD	30 September 2010 KD
<b>Interim condensed consolidated statement of financial position</b>					
Bank balances, deposits and cash	6,305,842	2,331	6,308,173	21,503,929	1,925,383
Accounts receivables and other assets	-	2,287,271	2,287,271	1,770,324	2,485,567
Murabaha payables secured against:					
- Financial assets (Note 8)	2,559,340	-	2,559,340	4,039,558	4,038,151
- Non-financial asset (Note 8)	-	-	-	299,981	2,734,892
Unsecured murabaha payables	-	-	-	-	356,000
Liabilities against assets subject to finance lease	-	3,786,677	3,786,677	4,695,077	5,243,616
Accounts payable and other liabilities	450	347,995	348,445	351,648	151,036

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

	Ultimate parent/parent company	Other related parties	Nine months ended 30 September	
			2011 KD	2010 KD
<b>Interim condensed consolidated statement of income</b>				
Brokerage fees	500	-	500	-
Murabaha finance cost	131,505	401,918	533,423	815,071

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

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 September 2011

### 7 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:

	Nine months ended 30 September	
	2011 KD	2010 KD
Salaries and other short term benefits	343,347	275,436
End of service benefits	30,752	24,158
	<u>374,099</u>	<u>299,594</u>

### 8 MURABAHA PAYABLES

Murabaha payables include facilities amounting to KD 2,559,340 (31 December 2010: KD 4,039,558; 30 September 2010: KD 4,038,151) taken from a related party (Note 7) and are secured against financial assets at fair value through statement of income amounting to KD 8,000,000 (31 December 2010: KD 8,000,000; 30 September 2010: KD 8,000,000).

Of the murabaha payables, facilities amounting to KD 505,301 (31 December 2010: KD 1,788,415; 30 September 2010: KD 5,496,531) taken by a subsidiary are secured against plant and equipment amounting to KD 4,637,964 (31 December 2010: KD 5,326,235; 30 September 2010: KD 4,364,205). These payables include facilities amounting to KD Nil (31 December 2010: KD 299,981; 30 September 2010: KD 2,734,892) that are borrowed from a related party (Note 7).

### 9 CAPITAL COMMITMENTS AND CONTINGENCIES

	30 September 2011 KD	(Audited) 31 December 2010 KD	30 September 2010 KD
<b>Capital expenditure commitments</b>			
<i>Financial assets</i>			
Financial assets available for sale	<u>6,624,000</u>	<u>6,743,700</u>	<u>6,834,600</u>

#### Contingent liabilities

As at 30 September 2011, the group had contingent liabilities in respect of outstanding letters of guarantee amounting to KD 3,049,881 (31 December 2010: KD 6,200,382; 30 September 2010: KD 3,666,053) from which it is anticipated that no material liabilities will arise. These letters of guarantee are partially secured against bank balances and deposits (Note 6).

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)  
At 30 September 2011

10 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	30 September	30 September	30 September	30 September	30 September
	2011	2010	2011	2010	2011	2010
	KD	KD	KD	KD	KD	KD
Segment revenue	11,162,459	40,376,883	1,987,183	947,551	13,149,642	41,324,434
(Loss) profit before taxation	(2,027,501)	18,282,412	573,908	825,024	(1,453,593)	19,107,436
Segment assets	93,156,440	113,163,391	10,511,387	7,318,868	103,667,827	120,482,259
Segment liabilities	18,962,170	30,212,273	5,247,873	5,968,563	24,210,043	36,180,836

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
(UNAUDITED)

At 30 September 2011

**11 ANNUAL GENERAL MEETING**

The annual general meeting of the shareholders held on 24 April 2011 approved the consolidated financial statements for the year ended 31 December 2010. The directors did not propose any dividend for the year ended 31 December 2010. The following changes affecting the interim condensed consolidated financial information were approved in the annual general meeting.

- To reduce the Board of Director remuneration from KD 300,000 as proposed by the Board of Directors for the year ended 31 December 2010; to KD 150,000. Accordingly the excess provision of KD 150,000 has been written back during the current period.
- To transfer KD 11,428 from retained earnings to statutory reserve due to an error in the computation of statutory reserve for the year ended 31 December 2010. Accordingly, the amount has been transferred from the retained earnings to statutory reserve in the current period.