LDD 22-11-12 0908

GLOBAL INVESTMENT HOUSE K.S.C. (CLOSED) AND ITS 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 GLOBAL INVESTMENT HOUSE K.S.C. (CLOSED)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Global Investment House K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively 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 period then ended, and the related interim condensed consolidated statement of cash flows and changes in equity for the nine months period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2.2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.2.

ERNST & YOUNG

Grant Thornton
Al-Qatami, Al-Aiban & Partners

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GLOBAL INVESTMENT HOUSE K.S.C. (CLOSED) (continued)

Emphasis of matters
Without qualifying our conclusion above, we draw attention to the following:

1) Note 2.1 to the interim condensed consolidated financial information, which states that the Group has incurred a loss of KD 36,407 thousand for the nine months period ended 30 September 2012 and as at that date, the Group has accumulated losses of KD 63,287 thousand and deficit attributable to the equity holders of the Parent Company of KD 15,805 thousand. Furthermore, notes 8 and 9 states that the Parent Company has obtained approval from its lenders and bondholders to defer repayment of the principal and contractual increase in interest rate and waiver of compliance with certain financial covenants until November 2012 and December 2012 respectively. The management of the Parent Company is actively seeking an acceptable resolution of the issues and material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

2) Note 6 of the accompanying interim condensed consolidated financial information, which describes the uncertainty related to the outcome of the lawsuit in connection with non-release of deposit of KD 70.3 million (31 December 2011: KD 69.7 million and 30 September 2011: KD 68.9 million).

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 the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Commercial Companies Law of 1960, as amended, or of the Articles of Association of the Parent Company during the nine months period ended 30 September 2012 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the nine months period ended 30 September 2012.

WALEED A. AL OSAIMI
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OF ERNST & YOUNG
AL AIBAN, AL OSAIMI & PARTNERS

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AL-QATAMI, AL-AIBAN & PARTNERS

22 October 2012
Kuwait

Global Investment House – K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 September 2012 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2012 KD '000	2011 KD '000	2012 KD '000	2011 KD '000
REVENUE					
Fees and commission income	3	**2,440**	3,232	**7,341**	11,575
Interest and similar income		**553**	580	**1,475**	1,967
Net (loss) gain on financial assets held for trading		**(96)**	270	**(162)**	474
Net gain (loss) on financial assets designated at fair value through profit or loss		**566**	(4,088)	**953**	(25,965)
Net gain (loss) on sale of financial assets available for sale		**10**	(1,167)	**1,988**	(1,115)
Share of results of associates		**92**	(2,281)	**(3,756)**	(9,062)
Net (loss) gain on investment properties and properties under development		**(50)**	681	**(1,625)**	(3,116)
Net loss on disposal of associate		**(517)**	(2,535)	**(755)**	(2,535)
Change in fair value of derivative financial instruments		**-**	629	**-**	1,817
Foreign exchange (loss) gain		**(1,433)**	(230)	**(2,502)**	2,771
Other income		**(51)**	552	**1,921**	3,303
		1,514	(4,357)	**4,878**	(19,886)
EXPENSES					
Personnel expenses		**2,032**	2,572	**6,541**	8,157
Other operating expenses		**3,623**	2,260	**10,980**	7,707
Interest and similar expenses		**5,528**	5,951	**17,148**	17,932
Impairment of financial assets, investment in associates and intangible assets		**5,518**	209	**6,657**	1,225
Impairment charge (reversal) for credit losses		**35**	(11)	**(41)**	555
		16,736	10,981	**41,285**	35,576
LOSS FOR THE PERIOD		**(15,222)**	(15,338)	**(36,407)**	(55,462)
Loss attributable to:					
Equity holders of the Parent Company		**(14,893)**	(15,531)	**(35,469)**	(54,224)
Non-controlling interests		**(329)**	193	**(938)**	(1,238)
		(15,222)	(15,338)	**(36,407)**	(55,462)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**(30) fils**	(31) fils	**(72) fils**	(110) fils

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Global Investment House – K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2012 (Unaudited)

	Three months ended 30 September		*Nine months ended 30 September*	
	2012 KD '000	*2011 KD '000*	***2012 KD '000***	*2011 KD '000*
Loss for the period	**(15,222)**	(15,338)	**(36,407)**	(55,462)
Other comprehensive income (loss):				
Net unrealised gain (loss) arising on financial assets available for sale	**187**	(868)	**3,134**	(3,223)
Transferred to interim condensed consolidated statement of income on sale of financial assets available for sale	**16**	1,167	**(1,988)**	1,115
Transferred to interim condensed consolidated statement of income on impairment of financial assets available for sale	**218**	210	**1,179**	823
	421	509	**2,325**	(1,285)
Exchange differences on translation of foreign operations	**(1,319)**	(358)	**(1,536)**	(3,667)
Share of other comprehensive (loss) gain of associates	**(1,267)**	(1,251)	**419**	(250)
Other comprehensive (loss) gain for the period	**(2,165)**	(1,100)	**1,208**	(5,202)
Total comprehensive loss for the period	**(17,387)**	(16,438)	**(35,199)**	(60,664)
Attributable to:				
Equity holders of the Parent Company	**(16,588)**	(16,029)	**(34,525)**	(58,824)
Non-controlling interests	**(799)**	(409)	**(674)**	(1,840)
	(17,387)	(16,438)	**(35,199)**	(60,664)

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012 (Unaudited)

	Notes	*30 September 2012* **KD'000**	*(Audited) 31 December 2011* KD'000	*30 September 2011* KD'000
ASSETS				
Cash and cash equivalents	5	**64,287**	71,749	76,082
Financial assets held for trading		**4,494**	7,849	7,995
Financial assets designated at fair value through profit or loss		**95,070**	103,302	115,106
Murabaha receivables		**5,392**	6,788	9,963
Loans and advances		**9,256**	12,128	14,067
Financial assets available for sale		**38,594**	37,147	36,767
Investments in associates		**131,483**	136,818	147,956
Investment properties and properties under development		**55,152**	56,584	58,539
Property and equipment		**14,798**	16,389	16,922
Intangible assets		**18,022**	18,029	18,028
Other assets	6	**89,352**	97,053	94,613
Total assets		**525,900**	563,836	596,038
EQUITY AND LIABILITIES				
Equity				
Share capital	7	**52,385**	131,243	131,243
Share premium	7	**19,218**	58,998	58,998
Treasury shares	7	**(19,218)**	(58,998)	(58,998)
Treasury shares reserve	7	**-**	1,059	1,059
Cumulative changes in fair values		**(1,470)**	(3,457)	(3,426)
Foreign currency translation reserve		**(3,433)**	(2,390)	(3,384)
Accumulated losses	7	**(63,287)**	(108,213)	(104,931)
(Deficit)/equity attributable to equity holders of the Parent Company		**(15,805)**	18,242	20,561
Non-controlling interests		**24,993**	27,510	27,783
Total equity		**9,188**	45,752	48,344
Liabilities				
Short term borrowings	8	**421,606**	425,445	158,933
Medium term borrowings	8	**-**	-	262,488
Bonds	9	**74,988**	74,929	74,859
Other liabilities	10	**20,118**	17,710	51,414
Total liabilities		**516,712**	518,084	547,694
Total equity and liabilities		**525,900**	563,836	596,038

Maha Khaled Al-Ghunaim
Chairperson and Managing Director

Hamad Tarek Al-Homaizi
Vice Chairman and Director

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Global Investment House – K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2012 (Unaudited)

	Notes	Nine months ended 30 September 2012 KD '000	Nine months ended 30 September 2011 KD '000
OPERATING ACTIVITIES			
Loss for the period		**(36,407)**	(55,462)
Adjustments for:			
Depreciation on properties and equipment		**1,642**	1,587
(Reversal) impairment charge for credit losses		**(41)**	555
Impairment of financial assets, investment in associates and intangible assets		**6,657**	1,225
Interest and similar income		**(1,475)**	(1,967)
Dividend income		**(1,208)**	(1,306)
Interest and similar expense		**17,148**	17,932
Net loss on investment properties and properties under development		**1,625**	3,116
Share of results of associates		**3,756**	9,062
Net loss on disposal of associates		**755**	2,535
Change in fair value of derivative financial instruments		**-**	(1,817)
		(7,548)	(24,540)
Changes in operating assets and liabilities:			
Financial assets held for trading		**3,355**	1,327
Financial assets designated at fair value through profit or loss		**8,764**	34,531
Murabaha receivables		**1,578**	1,580
Loans and advances		**2,398**	1,360
Financial assets available for sale		**507**	3,995
Other assets		**(2,280)**	10,488
Other liabilities		**(2,164)**	701
Cash flows from operations		**4,610**	29,442
Interest and similar income received		**1,369**	1,883
Dividend income received		**1,208**	1,306
Interest and similar expenses paid		**(9,785)**	(14,981)
Net cash flows (used in) from operating activities		**(2,598)**	17,650
INVESTING ACTIVITIES			
Proceeds from capital redemption/disposal of associates		**2,125**	6,035
Dividend from associates		**563**	-
Purchase of investment properties and properties under development		**(193)**	(2,079)
Proceeds from disposal of investment properties		**-**	385
Purchase of property and equipment		**(51)**	-
Net cash flows from investing activities		**2,444**	4,341
FINANCING ACTIVITIES			
Repayment of borrowings		**(7,308)**	(16,728)
Net cash flows used in financing activities		**(7,308)**	(16,728)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(7,462)**	5,263
Cash and cash equivalents at 1 January		**71,749**	70,819
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	**64,287**	76,082

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Global Investment House – K.S.C. (Closed) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2012 (Unaudited)

	Attributable to the equity holders of the Parent Company									
	Share capital KD'000	*Share premium KD'000*	*Treasury shares KD'000*	*Treasury shares reserve KD'000*	*Cumulative changes in fair values KD'000*	*Foreign currency translation reserve KD'000*	*Accumulated losses KD'000*	*Sub total KD'000*	*Non-controlling interests KD'000*	*Total KD'000*
At 1 January 2012	131,243	58,998	(58,998)	1,059	(3,457)	(2,390)	(108,213)	18,242	27,510	45,752
Loss for the period	-	-	-	-	-	-	(35,469)	(35,469)	(938)	(36,407)
Other comprehensive income (loss)	-	-	-	-	1,987	(1,043)	-	944	264	1,208
Total comprehensive income (loss) for the period	-	-	-	-	1,987	(1,043)	(35,469)	(34,525)	(674)	(35,199)
Write-off of accumulated losses against share capital (Note 7)	(77,125)	-	-	-	-	-	77,125	-	-	-
Write-off of accumulated losses against share premium (Note 7)	-	(31,088)	-	-	-	-	31,088	-	-	-
Cancellation of treasury shares (Note 7)	(1,733)	(8,692)	11,484	(1,059)	-	-	-	-	-	-
Loss on cancellation of treasury shares (Note 7)	-	-	28,296	-	-	-	(28,296)	-	-	-
Ownership changes and liquidation of subsidiaries	-	-	-	-	-	-	478	478	(1,843)	(1,365)
Balance at 30 September 2012	**52,385**	**19,218**	**(19,218)**	-	**(1,470)**	**(3,433)**	**(63,287)**	**(15,805)**	**24,993**	**9,188**
At 1 January 2011	131,243	230,323	(58,998)	1,059	(2,894)	684	(222,032)	79,385	29,623	109,008
Loss for the period	-	-	-	-	-	-	(54,224)	(54,224)	(1,238)	(55,462)
Other comprehensive loss	-	-	-	-	(532)	(4,068)	-	(4,600)	(602)	(5,202)
Total comprehensive loss for the period	-	-	-	-	(532)	(4,068)	(54,224)	(58,824)	(1,840)	(60,664)
Write-off of accumulated losses	-	(171,325)	-	-	-	-	171,325	-	-	-
Balance at 30 September 2011	131,243	58,998	(58,998)	1,059	(3,426)	(3,384)	(104,931)	20,561	27,783	48,344

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

This interim condensed consolidated financial information of Global Investment House K.S.C. (Closed) (the "Parent Company") and its Subsidiaries (collectively the "Group") for the period ended 30 September 2012 was authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 22 October 2012.

The Parent Company is a closed shareholding company incorporated on 16 June 1998 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company's shares are listed on Kuwait Stock Exchange, Bahrain Stock Exchange and Dubai Financial Market. Further, the Parent Company's shares in the form of Global Depositing Receipts (GDRs) are listed on London Stock Exchange (LSE). The Parent Company is regulated by the Central Bank of Kuwait and Capital Market Authority as an investment company.

The Group is principally engaged in provision of asset management, investment banking, principal investments, real estate and brokerage activities. Its registered office is at Global Tower, Sharq, Al Shuhada St, P.O. Box 28807, Safat 13149, Kuwait.

The Group primarily operates in the Gulf Co-operation Council (GCC) and other Middle Eastern and North African (MENA) countries.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Group has incurred a loss of KD 36,407 thousand (30 September 2011: KD 55,462 thousand) for the nine months period ended 30 September 2012 and as at that date, the Group has accumulated losses of KD 63,287 thousand after write off of KD 108,213 thousand against share capital and share premium (31 December 2011: KD 108,213 and 30 September 2011: KD 104,931 thousand) and deficit attributable to equity holders of the Parent Company of KD 15,805 thousand (31 December 2011: equity of KD 18,242 thousand and 30 September 2011: equity of KD 20,561 thousand). Furthermore, as stated in note 8 and 9, the Parent Company has obtained approval from its lenders and bondholders to defer repayment of principal, contractual increase in interest rate and waiver of compliance with certain financial covenants until November 2012 and December 2012 respectively. The management of the Parent Company is actively seeking an acceptable resolution of the issues and is currently encouraged by the progress as described in detail in Note 8.

The ability of the Group to continue as a going concern is dependent on restructuring of its debt obligations with the lenders, continued support from shareholders and future profitability which is dependent on adoption and implementation of the restructuring plan currently in discussions with the Group's lenders. The management is currently encouraged by the progress, and therefore, has prepared the interim condensed consolidated financial information under the going concern concept of accounting.

The interim condensed consolidated financial information do not include any adjustments relating to the recoverability and classification of the recorded assets amount and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

2.2 BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting except as noted below.

The annual consolidated financial statements for the year ended 31 December 2011 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait's (CBK) requirement for a minimum general provision.

2.2 BASIS OF PRESENTATION (continued)

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the 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. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2011.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2011.

3 FEES AND COMMISSION INCOME

	Three months ended 30 September		*Nine months ended 30 September*	
	2012 KD '000	*2011 KD '000*	***2012 KD '000***	*2011 KD '000*
Management fees on assets under management	**2,153**	2,809	**6,563**	8,725
Incentive fees on assets under management	**-**	62	**-**	1,469
Placement fees - managed funds	**-**	3	**30**	176
Investment banking and advisory fees	**29**	155	**98**	248
Brokerage	**258**	203	**650**	957
	2,440	3,232	**7,341**	11,575

4 BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted loss per share is computed by dividing the loss for the period attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the period less treasury shares. The Parent Company has no outstanding dilutive potential shares.

The following reflects the loss and share data used in the basic and diluted loss per share computations:

	Three months ended 30 September		*Nine months ended 30 September*	
	2012	*2011*	***2012***	*2011*
Loss for the period attributable to the equity holders of the Parent Company (KD'000)	**(14,893)**	(15,531)	**(35,469)**	(54,224)
Weighted average number of ordinary shares for basic earnings per share (excluding treasury shares) (in '000)	**494,853**	494,853	**494,853**	494,853
Basic and diluted loss per share attributable to equity holders of the Parent Company	**(30) fils**	(31) fils	**(72) fils**	(110) fils

The prior period comparative information has been restated for the effect of reduction of share capital and cancellation of treasury shares (Note 7).

5 CASH AND CASH EQUIVALENTS

	30 September 2012 KD'000	*(Audited) 31 December 2011 KD'000*	*30 September 2011 KD'000*
Bank balances and cash	**10,437**	23,618	26,351
Bank balances and cash arising on consolidation	**26,373**	17,579	20,732
Deposits with original maturities up to three months	**27,477**	30,552	28,999
	64,287	71,749	76,082

6 OTHER ASSETS

	30 September 2012 KD'000	*(Audited) 31 December 2011 KD'000*	*30 September 2011 KD'000*
Accrued income	**3,659**	4,438	5,494
Receivables for settlement on sale of securities	**1,356**	4,430	4,405
Deposit (see note below)	**70,381**	69,740	68,978
Prepayments and other receivables	**13,337**	14,821	14,426
Deferred expenses	**619**	3,624	1,310
	89,352	97,053	94,613

Deposit represents US Dollar 250 million with a bank in United Arab Emirates ('UAE'). The bank refused to release this deposit alleging that it represents an advance for a potential acquisition of a bond convertible into 330 million shares of the bank with a total value of AED 2,359,500,000 equivalent to KD 184.5 million. The Parent Company had filed a lawsuit against the bank for recovery of the deposit. On 19 July 2010, the Court of First Instance in Dubai, UAE, ruled in favour of the Parent Company and ordered the bank to repay the full amount of US Dollar 250 million with interest at the rate of 9% from 8 February 2009 until the date of payment and expenses. The court judgement also rejected the counter claim filed by the bank against the Parent Company.

The Bank filed an appeal against the court of First Instance judgement. On 25 April 2011, the Court of Appeal passed its verdict and ordered the bank to repay the Parent Company US Dollar 250 million deposit with interest, at the rate of 9% per annum with effect from 3 December 2008 until the date of payment plus expenses. The Bank approached the Court of Cassation on 28 June 2011 and the Court of Cassation on 15 November 2011 decided to revert case back to the Court of Appeal. On 21 May 2012, the Court of Appeal passed its verdict in the case reverted to it by the Court of Cassation, and ordered the bank to repay to the Parent company USD 250 million towards the refund of deposit placed by the Parent Company plus interest at the rate of 9% with effect from 3 December 2008 till the date of repayment plus expenses. On 18 September 2012 the Court of Cassation referred the case back to a different panel of the Court of Appeal.

The Parent Company and its legal advisors are confident of its strong legal position and are vigorously pursuing this litigation towards its successful conclusion.

7 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES AND ACCUMULATED LOSSES

a) Share capital, share premium and accumulated losses

	Authorised			*Issued and fully paid*		
		(Audited)			*(Audited)*	
	30 September 2012 KD'000	*31 December 2011 KD'000*	*30 September 2011 KD'000*	***30 September 2012 KD'000***	*31 December 2011 KD'000*	*30 September 2011 KD'000*
Shares of KD 0.100 each	**174,620**	131,243	131,243	**52,385**	131,243	131,243

The extra-ordinary general meeting (EGM) of the shareholders held on 2 September 2012 approved the write-off of accumulated losses of KD 108,213 thousand against share capital amounting to KD 77,125 thousand and share premium amounting to KD 31,088 thousand and cancellation of treasury shares amounting to KD 11,484 thousand against share capital amounting to KD 1,733 thousand, share premium amounting to KD 8,692 thousand and treasury shares reserve amounting to KD 1,059 thousand.

Further, the shareholders approved to increase the authorised share capital from KD 52,385 thousand to KD 174,620 thousand by issuance of 1,222,350,000 new shares at par value of KD 0.100 per share. The shareholders waived their right to participate in increase in share capital in favour of one or more SPEs established by the bank and bond creditors for the purpose of proposed restructuring transaction. The Board of Directors of the Parent Company has not yet formally commenced the process of capital increase (refer Note 8).

The EGM held on 2 September 2012 approved the consolidated financial statements for the year ended 31 December 2011. They approved not to distribute any dividend for the year ended 31 December 2011 (2010: Nil).

b) Treasury Shares

	30 September 2012	*(Audited) 31 December 2011*	*30 September 2011*
Number of shares ('000)	**28,998**	89,018	89,018
Percentage holding	**5.54%**	6.78%	6.78%
Market value (KD'000)	-	-	3,205

The EGM of the shareholders held on 2 September 2012 approved the cancellation of treasury shares (refer Note 7 (a)) resulting in decrease in number of treasury shares by 17,327 thousand and loss on cancelation of treasury shares amounting to KD 28,296 thousand.

Reserves (share premium) of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable.

The management has not disclosed market value of the treasury shares held as the Parent Company's shares are suspended from trading on the stock exchanges in Kuwait, Dubai and Bahrain as its accumulated losses exceeded 75% of share capital as at 30 September 2011. The market value of treasury shares as at 30 September 2012, based on last traded price on the Kuwait Stock Exchange on 14 November 2011, is amounting to KD 1.392 million (31 December 2011: KD 4.273 million).

8 INTEREST BEARING LOANS AND BORROWINGS

	30 September 2012 KD'000	*(Audited) 31 December 2011 KD'000*	*30 September 2011 KD'000*
Short term borrowings			
Bank and financial institution loans- conventional	**401,178**	403,970	149,842
Bank and financial institution facilities – Islamic	**20,428**	21,475	9,091
	421,606	425,445	158,933
Medium term borrowings			
Bank and financial institution loans- conventional	-	-	249,994
Bank and financial institution facilities - Islamic	-	-	12,494
	-	-	262,488

On 10 December 2009, the Parent Company entered into formal restructuring agreement with a group of 53 banks and financial institutions covering almost its entire debt outstanding, thereby ending the events of default that arose in December 2008. New multicurrency, conventional, Islamic and bilateral facilities aggregating to KD 485.34 million (USD 1.727 billion) were fully utilised to discharge the facilities under default. The new facilities were granted a security over substantially all of Group's non-strategic investments held by "Principal Investments and Group Treasury", "Proprietary Trading" and "Real Estate" business segments. The facilities will be repaid over three years. The mandated minimum principal repayments are:

	Principal repayment %	Cumulative principal repayment %
Year 1:	10%	10%
Year 2:	20%	30%
First half of year 3:	15%	45%
Second half of year 3:	20%	65%
End of year 3:	35%	100%

The facility has an embedded principal repayment grace mechanism and an event of default for non-payments does not occur so long as the following cumulative minimum principal repayment thresholds are met:

	Minimum Cumulative principal repayment %
12 months	7.5%
18 months	10.0%
24 months	20.0%
27 months	30.0%
33 months	45.0%

The facility became effective on 21 January 2010, when the Group met all the conditions precedent that primarily included completion of relevant documentation, obtaining satisfactory legal opinions and achieving specified thresholds for grant of security.

On 13 July 2011 the majority lenders approved an amendment to the facilities agreement to waive until 30 September 2012 a condition that might have restricted any negotiations for the rescheduling or restructuring of the Group's indebtedness. This has now been extended to 10 November 2012 pursuant to the 7 June 2012 waiver consent.

8 INTEREST BEARING LOANS AND BORROWINGS (continued)

On 15 September 2011, in light of the ongoing challenges in the financial markets, the Parent Company requested the lending banks for the near-term deferral of principal repayments due in December 2011, deferral of any increase in rate of interest from December 2011 onwards and waiver/deferral of certain covenants applicable to the Parent Company under its debt arrangements. A formal request for these waivers was circulated to the lending banks on 3 November 2011. On 12 December 2011, the lending banks agreed to grant all the requested deferrals and waivers till June 2012. In June 2012 these deferrals and waivers were extended to and including 10 November 2012, or if notified to the Parent Company by the Co-ordinating Committee of the lenders prior to 10 November 2012, the period up to and including 10 December 2012. Further the extended waiver and deferrals include deferral of all interest and profits payments during the waiver period.

The annual general assembly of the shareholders held on 2 September 2012 approved the proposed restructuring transaction which envisages the separation of Parent Company's fee businesses from its principal investments and real estate assets, increase in share capital and transfer of debt obligations. The proposed restructuring transaction, subject to approval of bank and bond creditors, would result in the Parent Company becoming a substantially deleveraged company.

Majority of the Parent Company's assets unrelated to the existing core fee businesses would be transferred to an "Asset SPE" ("SPEs"), wholly owned by the bank and bond creditors. New ordinary shares would be issued to another special purpose entity ("SPEs"), wholly owned by the bank and bond creditors, which would own approximately 70 per cent and existing shareholders would own approximately 30 per cent of the Parent Company's share capital after the proposed restructuring transaction. As a result of the above KD 489.3 million of the Parent Company's debt obligations, representing the vast majority of its existing debt obligations, will be irrevocably transferred to these SPEs with no further recourse to the Parent Company.

Subsequent to the proposed restructuring transaction, the Parent Company's core business would comprise of existing asset management, investment banking and brokerage businesses.

The Parent Company is in constructive discussions with the co-ordinating committee established on behalf of the lending banks, and bondholders to arrive at an acceptable debt restructuring that would bring a long term and sustainable solution to the Parent Company's capital structure.

9 BONDS

On 5 December 2011, the Parent Company held separate meetings with the holders of its KD 50 million bond issue due on 24 November 2013 ("2013 Bonds") and the holders of its KD 45 million bond issue due on 25 April 2012 ("2012 Bonds"). The holders of both the bonds issues voted in favour of all the agenda items including a request to approve the deferral of principal payments due to bank lenders to 10 June 2012, deferral of the upcoming 25 April 2012 bond maturity to 10 June 2012, deferral of an increase in interest margins on the bank debt to 10 June 2012, and a cash payment to bank lenders equal to 25 basis points in lieu of a portion of a pre-existing deferral fee.

On 7 June 2012, the Parent Company held separate meetings with the holders of its KD 50 million, 2013 Bonds and the holders of its KD 45 million, 2012 Bonds in continuation of its efforts to negotiate a transaction to enhance its equity position. The bondholders in their respective meetings approved deferral of the maturity of 2012 Bonds, deferral of payment of interest amounts to 2012 Bonds and 2013 Bonds and the deferral of an increase in margins by the bank lenders, to and including 10 December 2012 (also refer Note 8 Interest Bearing Loans and Borrowings for further details). Notwithstanding the deferral of interest approved by the 2012 Bonds and 2013 Bonds, the Parent Company made a payment equal to the amount of interest to the Bondholders up to 10 June 2012.

10 OTHER LIABILITIES

	30 September 2012 **KD'000**	*(Audited) 31 December 2011* KD'000	*30 September 2011* KD'000
Payable for properties under development	**235**	359	443
Accrued interest on borrowings	**5,883**	1,526	2,617
Accrued expenses, provision and other payables	**14,000**	15,825	48,354
	20,118	17,710	51,414

11 RELATED PARTY TRANSACTIONS

In the normal course of business, the Group entered into various transactions with related parties (i.e. associates, shareholders, directors and executive officers of the Parent Company) concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

	Key management personnel KD'000	*Associates KD'000*	***30 September 2012 KD'000***	*(Audited) 31 December 2011 KD'000*	*30 September 2011 KD'000*
Interim condensed consolidated statement of financial position					
Loans and advances	7	60	**67**	87	129
Other assets	-	228	**228**	1,839	1,841

		Nine months ended	
	Associates KD'000	***30 September 2012 KD'000***	*30 September 2011 KD'000*
Transactions included in interim condensed consolidated statement of income			
Interest and similar income	3	**3**	58
Fee and commission income	1,259	**1,259**	1,472

	Nine months ended	
	30 September 2012 KD'000	*30 September 2011 KD'000*
Key management personnel compensation		
Short-term employee benefits	**729**	728
Termination benefits	**57**	57
	786	785

Other transactions with associated companies:
During the period, the Parent Company acquired additional stake of 1.83% in Global MENA Financial Assets Limited (associate) from another associate for a consideration of KD1.6 million, which was settled against other receivables due from the associate.

12 SEGMENTAL INFORMATION

During the current period, the management of the Parent Company merged its Real Estate segment with the Principal Investments and Group Treasury segment due to the limited activities of real estate segment and overall restructuring of the Group. Accordingly for management purposes the Group is now organised into four major business segments and comparative segmental information is restated.

For management purposes the Group is organised into following four major business segments:

- Assets Management: Managing of GCC, MENA and international managed funds, discretionary and non-discretionary portfolio management and custody services.
- Principal Investments, Group Treasury and Real estate: Comprises of investing of company funds in private equity and quoted securities, equity trading in GCC, MENA and other emerging markets, sale and purchase of real estate and property development, lending to corporate and individual customers and managing the company's liquidity requirements.
- Investment banking and advisory: Venture capital, private placement of equities and debt, advising and managing listings, initial public offerings (IPOs), arranging conventional and Islamic debt and equity advising, advising on strategy, privatisation, mergers and reverse mergers and acquisitions.
- Brokerage: Quoted and unquoted equity and debt instruments brokerage.

	Asset management KD '000	*Principal investments, group treasury and real estate KD '000*	*Investment banking and advisory KD '000*	*Brokerage KD '000*	*Total KD '000*
Nine months ended 30 September 2012					
Segment income (loss)	**6,593**	**(2,463)**	**98**	**650**	**4,878**
Segment profit (loss)	**1,516**	**(34,497)**	**(1,325)**	**(2,101)**	**(36,407)**
Nine months ended 30 September 2011 *(restated)*					
Segment income (loss)	10,370	(31,461)	248	957	(19,886)
Segment profit (loss)	6,233	(59,738)	(1,195)	(762)	(55,462)

12 SEGMENTAL INFORMATION (continued)

	Asset Management KD '000	*Principal investments, real estate and group treasury KD '000*	*Investment banking and advisory KD '000*	*Brokerage KD '000*	*Total KD '000*
30 September 2012					
Total segment assets	-	**476,738**	-	**31,757**	**508,495**
Total segment liabilities	-	**(502,713)**	-	**(1,597)**	**(504,310)**
Net segmental assets	-	**(25,975)**	-	**30,160**	**4,185**
Unallocated assets					**17,405**
Unallocated liabilities					**(12,402)**
Net assets					**9,188**
Depreciation					**1,642**
30 September 2011					
Total segment assets	-	543,030	-	31,770	574,800
Total segment liabilities	-	(535,030)	-	(1,114)	(536,144)
Net segmental assets	-	8,000	-	30,656	38,656
Unallocated assets					21,238
Unallocated liabilities					(11,550)
Net assets					48,344
Depreciation					1,587

13 FIDUCIARY ACCOUNTS

The Group manages portfolios on behalf of others, mutual funds, and maintains cash balances and securities in fiduciary accounts, which are not reflected in the Group's interim condensed consolidated statement of financial position.

The aggregate value of assets held in a fiduciary capacity by the Group at 30 September 2012 amounted to KD 978.024 million (31 December 2011: KD 1,045.545 million and 30 September 2011: KD 1,098.686 million).

14 CONTINGENT LIABILITIES AND COMMITMENTS

The total outstanding contingent liabilities and commitments are as follows.

	30 September 2012 KD'000	*(Audited) 31 December 2011 KD'000*	*30 September 2011 KD'000*
Commitments			
Commitments to invest in private equity funds	**2,252**	2,232	4,277
Undrawn commitments to lend	**28,152**	27,896	27,591
Irrevocable and unconditional bank guarantee	**1,660**	1,776	1,580
Commitments to buy securities	**-**	2,070	2,070

Legal claims
Legal claims related to compensation by two individuals for a cancelled private equity acquisition transaction. The total claims amounted to KD 2.65 million (31 December 2011: KD 2.65 million and 30 September 2011: KD 2.65 million). The Parent Company has been advised by its legal advisors that it is possible, but not probable, that the action will succeed.