

**SECURITIES GROUP COMPANY K.S.C. (CLOSED)  
AND SUBSIDIARIES (THE GROUP)  
STATE OF KUWAIT**

**INTERIM CONSOLIDATED FINANCIAL INFORMATION  
FOR THE PERIOD ENDED JUNE 30, 2011  
(UNAUDITED)  
WITH  
REPORT ON REVIEW OF INTERIM CONSOLIDATED  
FINANCIAL INFORMATION**

SECURITIES GROUP COMPANY K.S.C. (CLOSED)  
AND SUBSIDIARIES (THE GROUP)  
STATE OF KUWAIT

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Report on review of interim consolidated financial information

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Public Accountants

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**REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION**

The Board of Directors  
Securities Group Company K.S.C. (Closed)  
State of Kuwait

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Securities Group Company K.S.C. (Closed) (the Parent Company) and subsidiaries (the Group) as of June 30, 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim 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 consolidated 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**

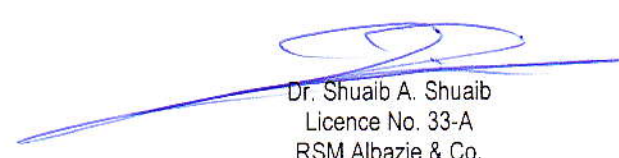
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

**Report on other Legal and Regulatory Requirements**

Furthermore, the interim consolidated financial information is in agreement with the Parent Company's books of account. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Commercial Companies' Law of 1960, as amended, or of the Parent Company's Articles of Association during the period ended June 30, 2011 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our review, 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 Organization of Banking Business, and its related regulations.

  
Abdul-Mageed Murad Ashkanani  
Licence No. 95-A  
First Audit  
Member of MGI International

  
Dr. Shuaib A. Shuaib  
Licence No. 33-A  
RSM Albazie & Co.

State of Kuwait  
September 11, 2011




**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS OF JUNE 30, 2011**

(All amounts are in Kuwaiti Dinars)

	Note	June 30, 2011	(Audited) March 31, 2011	June 30, 2010
<b><u>ASSETS</u></b>				
Cash on hand and at banks		10,229,167	9,559,829	2,464,785
Investments at fair value through statement of income		27,030	24,480	177,255
Accounts receivable and other debit balances	3	2,577,700	3,979,209	3,329,594
Loans granted to others		247,500	247,500	622,550
Investments available for sale	4	76,819,240	80,090,632	71,584,201
Investment in associates		18,821,104	18,180,354	17,243,511
Investment in unconsolidated subsidiaries		1,371,983	1,371,983	1,061,982
Investment properties		17,066,331	17,128,185	17,272,451
Total assets		<u>127,160,055</u>	<u>130,582,172</u>	<u>113,756,329</u>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>				
Liabilities:				
Loans	5	66,390,598	67,732,774	45,733,185
Accounts payable and other credit balances		2,956,234	3,161,297	4,878,023
Total liabilities		<u>69,346,832</u>	<u>70,894,071</u>	<u>50,611,208</u>
Shareholders' equity:				
Capital		25,528,372	25,528,372	25,528,372
Treasury shares	6	(87,765)	(53,481)	(48,554)
Share premium		3,046,592	3,046,592	3,046,592
Statutory reserve		12,764,186	12,764,186	12,764,186
Voluntary reserve		4,405,892	4,405,892	4,405,892
Foreign currency translation adjustments		311,934	317,857	334,240
Cumulative changes in fair value		(14,759,987)	(13,216,968)	(14,120,034)
Retained earnings		26,603,999	26,895,651	31,234,427
Total shareholders' equity		<u>57,813,223</u>	<u>59,688,101</u>	<u>63,145,121</u>
Total liabilities and shareholder's equity		<u>127,160,055</u>	<u>130,582,172</u>	<u>113,756,329</u>
Memorandum accounts off the statement of financial position	9	<u>1,261,767,427</u>	<u>1,310,698,305</u>	<u>1,142,295,353</u>

The accompanying notes (1) to (13) form an integral part of the interim consolidated financial information

  
 Ali Mousa Al-Mousa  
 Chairman and Managing Director

Sheikha / Abeer Salem Al-Ali Al-Sabah  
 Vice Chairman

**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)**  
**FOR THE PERIOD ENDED JUNE 30, 2011**

(All amounts are in Kuwaiti Dinars)

		Three months ended June 30,	
	Note	2011	2010
<b>Revenues:</b>			
Net investment income	7	639,051	460,527
Interest income		16,043	12,024
Fees and commission income		813,254	466,707
Rental income		148,988	164,950
Share of results from associates		640,750	688,733
Gain on sale of unconsolidated subsidiary		-	363,099
Provision for loan no longer required		-	3,061
Other income		39,230	34,060
		<u>2,297,316</u>	<u>2,193,161</u>
<b>Expenses and other charges:</b>			
General and administrative expenses		(495,457)	(536,729)
Finance charges		(513,789)	(341,538)
Impairment loss on investments available for sale		-	(808,355)
Foreign exchange (loss) gain		(14,191)	25,425
Provision for doubtful debts		<u>(1,565,531)</u>	<u>-</u>
(Loss) Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST) and Zakat		(291,652)	531,964
Contribution to KFAS		-	-
NLST		-	(6,633)
Zakat		-	-
Net (loss) profit for the period		<u>(291,652)</u>	<u>525,331</u>
		<u>Fils</u>	<u>Fils</u>
(Loss) Earnings per share	8	<u>(1.14)</u>	<u>2.06</u>

The accompanying notes (1) to (13) form an integral part of the interim consolidated financial information

**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(UNAUDITED)**  
**FOR THE PERIOD ENDED JUNE 30, 2011**  
 (All amounts are in Kuwaiti Dinars)

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	Three months ended June 30	
	2011	2010
Net (loss) profit for the period	<u>(291,652)</u>	<u>525,331</u>
<b>Other comprehensive loss:</b>		
Investments available for sale:		
Change in fair value of investments available for sale	(1,586,193)	(2,613,592)
Reversal on sale of investments available for sale	43,174	(310,610)
	<u>(1,543,019)</u>	<u>(2,924,202)</u>
Foreign currency translation adjustments	(5,923)	110
<b>Other comprehensive loss for the period</b>	<u>(1,548,942)</u>	<u>(2,924,092)</u>
<b>Total comprehensive loss for the period</b>	<u><u>(1,840,594)</u></u>	<u><u>(2,398,761)</u></u>

The accompanying notes (1) to (13) form an integral part of the interim consolidated financial information



**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)**  
**FOR THE PERIOD ENDED JUNE 30, 2011**  
 (All amounts are in Kuwaiti Dinars)

	Capital	Treasury shares	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation adjustments	Cumulative changes in fair value	Retained earnings	Total
Balance as of March 31, 2011	25,528,372	(53,481)	3,046,592	12,764,186	4,405,892	317,857	(13,216,968)	26,895,651	59,688,101
Total comprehensive loss for the period	-	-	-	-	-	(5,923)	(1,543,019)	(291,652)	(1,840,594)
Purchase of treasury shares	-	(34,284)	-	-	-	-	-	-	(34,284)
<b>Balance as of June 30, 2011</b>	<b>25,528,372</b>	<b>(87,765)</b>	<b>3,046,592</b>	<b>12,764,186</b>	<b>4,405,892</b>	<b>311,934</b>	<b>(14,759,987)</b>	<b>26,603,999</b>	<b>57,813,223</b>
Balance as of March 31, 2010	25,528,372	(33,822)	3,046,592	12,764,186	4,405,892	334,130	(11,195,832)	30,709,096	65,558,614
Total comprehensive income (loss) for the period	-	-	-	-	-	110	(2,924,202)	525,331	(2,398,761)
Purchase of treasury shares	-	(14,732)	-	-	-	-	-	-	(14,732)
<b>Balance as of June 30, 2010</b>	<b>25,528,372</b>	<b>(48,554)</b>	<b>3,046,592</b>	<b>12,764,186</b>	<b>4,405,892</b>	<b>334,240</b>	<b>(14,120,034)</b>	<b>31,234,427</b>	<b>63,145,121</b>

The accompanying notes (1) to (13) form an integral part of the interim consolidated financial information

**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE PERIOD ENDED JUNE 30, 2011**

(All amounts are in Kuwaiti Dinars)

	Three months ended June 30,	
	2011	2010
<b>Cash flow from operating activities:</b>		
(Loss) Profit for the period before contribution to KFAS, NLST and Zakat	(291,652)	531,964
Adjustments to:		
Net investment income	(639,051)	(460,527)
Interest income	(16,043)	(12,024)
Share of results from associates	(640,750)	(688,733)
Gain on sale of unconsolidated subsidiary	-	(363,099)
Provision for loan no longer required	-	(3,061)
Provision for end of service indemnity	25,493	9,448
Impairment loss on investments available for sale	-	808,355
Finance charges	513,789	341,538
Provision for doubtful debts	1,565,531	-
	517,317	163,861
Changes in operating assets and liabilities:		
Investment at fair value through statement of income	(3,456)	-
Accounts receivable and other debit balances	(183,659)	324,478
Loans granted to others	-	306,140
Accounts payable and other credit balances	(85,074)	582,376
Cash generated from operations	245,128	1,376,855
Paid to KFAS	-	(15,317)
Paid for NLST	-	(44,964)
Paid for Zakat	-	(32,123)
Net cash generated from operating activities	245,128	1,284,451
<b>Cash flow from investing activities:</b>		
Purchase of investments available for sale	(674,679)	(1,774,597)
Proceeds from sale of investments available for sale	2,498,421	1,160,244
Proceeds from sale of investment in unconsolidated subsidiaries	-	620,600
Paid for investment properties	-	(540,512)
Paid for additional investment in associates	-	(23,726)
Interest received	22,800	29,909
Dividends received	557,468	789,404
Net cash generated from investing activities	2,404,010	261,322
<b>Cash flows from financing activities:</b>		
Loans	(1,342,176)	(1,454,104)
Purchase of treasury shares	(34,284)	(14,732)
Cash dividends paid	(73,593)	(33,244)
Finance charges paid	(529,747)	(23,733)
Net cash used in financing activities	(1,979,800)	(1,525,813)
Net increase in cash on hand and at banks	669,338	19,960
Cash on hand and at banks at the beginning of the period	9,559,829	2,444,825
Cash on hand and at banks at the end of the period	10,229,167	2,464,785

The accompanying notes (1) to (13) form an integral part of the interim consolidated financial information



**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**JUNE 30, 2011**

(All amounts are in Kuwaiti Dinars)

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1. Incorporation and principal activities

Securities Group Company K.S.C. (Closed) (the Parent Company) is a Kuwaiti Closed Shareholding Company incorporated by agreement no. 786 / Vol. 2 dated October 24, 1981 and the latest amendment on June 9, 2007. The Parent Company is registered as an investment company with the Central Bank of Kuwait and listed in the Kuwait Stock Exchange. The Parent Company's registered office is P.O. Box 26953, Safat 13130, State of Kuwait.

The principal activities of the Parent Company include:

- Trading in securities listed in Kuwait and the GCC
- Acting as custodian and managers of funds
- Conducting research and studies
- Providing financial and investment services
- Obtaining loans from the financial market, granting to others and acting as an intermediary in the lending and borrowing process
- Establishing and managing real estate portfolios for its clients inside and outside Kuwait and
- Investment in real estate.

The interim consolidated financial information was authorized for issue by the Board of Directors on September 11, 2011.

2. Basis of preparation

The interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended March 31, 2011 except that the Group has accounted for the portfolio and fund management fee income on a cash basis rather than on an accrual basis, which is a departure from the requirements of IAS 1 "Presentation of financial statements".

The interim consolidated financial information do not include all of the information and footnotes required for complete financial statements prepared in accordance with 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 period ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending March 31, 2012. For further information, refer to the consolidated financial statements and notes thereto for the year ended March 31, 2011.

The policy of the Group for calculation of the impairment provisions for loans granted to others complies in all material respects with the specific provision requirements of the Central Bank of Kuwait. In addition and in accordance with Central Bank of Kuwait instructions, the Group provides a minimum general provision of 1% on cash credit facilities not subject to specific provision and net of certain categories of collateral and 0.5% on non-cash credit facilities.

**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**JUNE 30, 2011**

(All amounts are in Kuwaiti Dinars)

3. Accounts receivable and other debit balances

	June 30, 2011	(Audited) March 31, 2011	June 30, 2010
Accrued management fees	2,862,550	2,871,214	2,432,174
Due from related parties	746,161	758,585	525,927
Receivable from sale of investment properties	1,148,812	1,148,812	-
Accrued dividend	4,597	17,477	5,042
Other receivables	1,041,423	843,433	591,964
	5,803,543	5,639,521	3,555,107
Less: Provision for doubtful debts	(3,225,843)	(1,660,312)	(225,513)
	2,577,700	3,979,209	3,329,594

4. Investments available for sale

	June 30, 2011	(Audited) March 31, 2011	June 30, 2010
Quoted securities	47,338,048	50,499,660	38,894,802
Unquoted securities	25,253,465	25,253,465	28,520,376
Funds	4,227,727	4,337,507	4,169,023
	76,819,240	80,090,632	71,584,201

Unquoted securities amounting to KD 23,021,776 (March 31, 2011 - KD 23,021,776; June 30, 2010 - KD 28,550,949) are carried at cost less impairment losses, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value for these investments. There is no active market for these investments and the Group intends to hold them for the long term.

Investments available for sale amounting to KD 22,975,350 (March 31, 2011 - KD 24,266,100; June 30, 2010 - KD 24,007,950) were pledged with a local bank against a loan (Note 5).

5. Loans

	June 30, 2011	(Audited) March 31, 2011	June 30, 2010
Loans maturing within 3 months	39,160,943	16,250,000	5,130,180
Loans maturing from 3 months to one year	27,229,655	51,482,774	40,603,005
	66,390,598	67,732,774	45,733,185

Loans carry an annual interest rate ranging from 2.5% to 3.5% (March 31, 2011 - 2.5% to 3.5%, June 30, 2010 - 3.25% to 4.5%).

Loan of KD 25,815,000 is secured by quoted securities (Note 4) and other loans are secured by promissory notes.

6. Treasury shares

	June 30, 2011	(Audited) March 31, 2011	June 30, 2010
Number of treasury shares	351,342	211,342	191,342
Percentage of ownership	0.14%	0.08%	0.075%
Market value (KD)	87,836	53,892	47,856
Cost (KD)	87,765	53,481	48,554



**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**JUNE 30, 2011**

(All amounts are in Kuwaiti Dinars)

7. Net Investment income

	Three months ended June 30,	
	2011	2010
Realized gain from investments available for sale	95,369	368,452
Unrealized loss from investments at fair value through statement of income	(906)	(146,145)
Dividend income	544,588	238,220
	<u>639,051</u>	<u>460,527</u>

8. (Loss) Earnings per share

There are no potential dilutive ordinary shares. Earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the period:

	Three months ended June 30,	
	2011	2010
Net (loss) profit for the period	<u>(291,652)</u>	<u>525,331</u>
	<u>Shares</u>	<u>Shares</u>
Weighted average number of shares outstanding	<u>255,030,398</u>	<u>255,105,409</u>
	<u>Fils</u>	<u>Fils</u>
(Loss) Earnings per share	<u>(1.14)</u>	<u>2.06</u>

9. Memorandum accounts off the statement of financial position

The Parent Company manages investment portfolios and funds for related parties and others amounting to KD 1,261,767,427 as of June 30, 2011 (March 31, 2011 – KD 1,310,698,305, June 30, 2010 – KD 1,142,295,353) to earn management fees. These investment portfolios are registered in the name of the Group and are not included in the accompanying interim consolidated financial information.

10. Related party transactions

The Group has entered into various transactions with related parties in the normal course of its business concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party balances and transactions are as follows:

	June 30, 2011	(Audited) March 31, 2011	June 30, 2010
(i) <b>Interim condensed consolidated statement of financial position</b>			
Cash on hand and at banks	9,584,272	7,919,084	1,172,137
Accounts receivable and other debit balances	781,555	801,533	567,972
Investments available for sale	29,490,956	31,021,735	28,517,844
Loans	61,846,003	63,140,000	40,603,005
Accounts payable and other credit balances	314,089	1,031,231	2,191,883



**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**  
**JUNE 30, 2011**

(All amounts are in Kuwaiti Dinars)

	Three months ended June 30,	
	2011	2010
<b>(ii) Interim condensed consolidated statement of income</b>		
Net Investment income	495,337	-
Interest income	11,440	2,401
Fees and commission income	-	31,573
Finance charges	(474,829)	(295,367)
<b>(iii) Compensation to key management personnel:</b>		
Short-term benefits	70,469	70,303
Termination benefits	5,169	5,049

**11. Capital commitments and contingent liabilities**

	June 30, 2011	(Audited) March 31, 2011	June 30, 2010
Letters of guarantee	7,343,960	5,761,960	5,576,105
Uncalled capital for investments	3,000,000	3,000,000	4,019,900
	<u>10,343,960</u>	<u>8,761,960</u>	<u>9,596,005</u>

## JUNE 30, 2011

## 12. Segment information

- Investment activities: Direct investment for the Group's benefit in securities, portfolios and funds
- Asset management services: Portfolio and Fund management services for clients
- Lending activities: Direct lending to others and acting as a broker in lending and borrowing activities.
- Real estate activities: Investment in real estate and managing real estate portfolios

### 13. General Assembly

The Shareholders' Annual General Assembly held on July 19, 2010 approved the distribution of cash dividends of 15 fils per share amounting to KD 3,829,256 and Board of Directors' remuneration amounting to KD 50,000 for the year ended March 31, 2010.