

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

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2012
(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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(UNAUDITED)
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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 September 30, 2012 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months 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

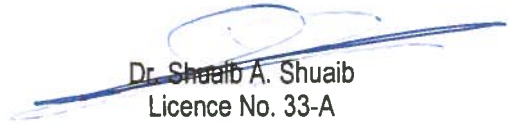
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

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 violations of the Commercial Companies' Law of 1960, as amended, or of the Parent Company's Articles of Association during the period ended September 30, 2012 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 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.

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS OF SEPTEMBER 30, 2012

(All amounts are in Kuwaiti Dinars)

	Note	September 30, 2012	(Audited) March 31, 2012	September 30, 2011
ASSETS				
Cash on hand and at banks		6,442,142	7,228,553	8,655,083
Investments at fair value through statement of income	3	5,048,160	300,680	28,270
Accounts receivable and other debit balances	4	3,520,493	990,291	2,121,667
Investments available for sale	5	54,625,038	63,475,666	74,601,086
Investment in associates	6	25,899,360	13,402,537	19,224,561
Investment in unconsolidated subsidiaries		896,305	881,219	1,362,256
Investment properties	7	13,083,338	5,478,321	18,690,842
Total assets		109,514,836	91,757,267	124,683,765
LIABILITIES AND EQUITY				
Liabilities:				
Loans	8	53,631,003	30,831,004	68,315,000
Accounts payable and other credit balances		2,651,966	2,693,560	3,654,008
Total liabilities		56,282,969	33,524,564	71,969,008
Equity:				
Capital		25,528,372	25,528,372	25,528,372
Treasury shares	9	(87,765)	(87,765)	(87,765)
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		(4,159)	2,128	(5,358)
Cumulative changes in fair value		(11,422,075)	(12,656,468)	(11,998,304)
Retained earnings		18,933,892	25,161,805	19,051,461
Equity attributable to the shareholders of Parent Company		53,164,935	58,164,742	52,705,076
Non-controlling interests		66,932	67,961	9,681
Total equity		53,231,867	58,232,703	52,714,757
Total liabilities and equity		109,514,836	91,757,267	124,683,765
Memorandum accounts off the statement of financial position	12	1,244,782,650	1,323,033,674	1,206,109,128

The accompanying notes (1) to (16) form an integral part of the interim consolidated financial information



Ali Y. Al - Awadi
 Chairman and Managing Director



Khaled S. Al - Ali
 Vice Chairman

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2012
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended September 30,		Six months ended September 30,	
		2012	2011	2012	2011
Revenues:					
Net investment loss	10	(2,957,095)	(3,310,675)	(3,436,042)	(2,671,624)
Interest income		27,402	12,788	36,436	28,831
Fees and commission income		347,564	356,820	683,233	1,170,074
Rental income		171,771	154,350	342,201	303,338
Group's share of results from associates		28,129	403,457	410,022	1,044,207
Foreign exchange (loss) gain		(6,757)	28,097	(4,049)	13,906
Other income		10,713	28,927	47,532	68,157
		<u>(2,378,273)</u>	<u>(2,326,236)</u>	<u>(1,920,667)</u>	<u>(43,111)</u>
Expenses and other charges:					
General and administrative expenses		(333,310)	(659,548)	(817,670)	(1,155,005)
Finance charges		(383,321)	(495,216)	(617,383)	(1,009,005)
Impairment loss on investments available for sale		(1,249,275)	(1,344,585)	(2,873,222)	(1,344,585)
Provision for doubtful debts		-	(177,629)	-	(1,743,160)
		<u>(1,965,906)</u>	<u>(2,676,978)</u>	<u>(4,308,275)</u>	<u>(5,251,755)</u>
Net loss for the period		<u>(4,344,179)</u>	<u>(5,003,214)</u>	<u>(6,228,942)</u>	<u>(5,294,866)</u>
Attributable to:					
Shareholders of the Parent Company		(4,342,876)	(5,003,214)	(6,227,913)	(5,294,866)
Non-controlling interests		(1,303)	-	(1,029)	-
Net loss for the period		<u>(4,344,179)</u>	<u>(5,003,214)</u>	<u>(6,228,942)</u>	<u>(5,294,866)</u>
		<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Loss per share attributable to the shareholders of the Parent Company	11	<u>(17.04)</u>	<u>(19.63)</u>	<u>(24.43)</u>	<u>(20.77)</u>

The accompanying notes (1) to (16) 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 SEPTEMBER 30, 2012

(All amounts are in Kuwaiti Dinars)

	Three months ended September 30		Six months ended September 30	
	2012	2011	2012	2011
Net loss for the period	(4,344,179)	(5,003,214)	(6,228,942)	(5,294,866)
Other comprehensive income (loss):				
Change in fair value of investments available for sale	(2,252,520)	(806,237)	(2,310,362)	(2,392,430)
Reversal on sale of investments available for sale	3,171,086	2,637,355	3,544,141	2,680,529
Reversal on impairment of investments available for sale	-	931,315	-	931,315
Share of other comprehensive loss of associates	-	-	(2,506)	-
Foreign currency translation adjustments	(14,051)	(317,292)	(3,167)	(323,215)
Other comprehensive income for the period	904,515	2,445,141	1,228,106	896,199
Total comprehensive loss for the period	(3,439,664)	(2,558,073)	(5,000,836)	(4,398,667)
Attributable to:				
Shareholders of the Parent Company	(3,438,361)	(2,558,073)	(4,999,807)	(4,398,667)
Non-controlling interests	(1,303)	-	(1,029)	-
	(3,439,664)	(2,558,073)	(5,000,836)	(4,398,667)

The accompanying notes (1) to (16) 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 EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2012
 (All amounts are in Kuwaiti Dinars)

	Equity attributable to the Shareholders of the Parent Company										
	Capital	Treasury shares	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation adjustments	Cumulative changes in fair value	Retained earnings	Sub-total	Non-controlling interests	Total
Balance as of March 31, 2012	25,528,372	(87,765)	3,046,592	12,764,186	4,405,892	2,128	(12,656,468)	25,161,805	58,164,742	67,961	58,232,703
Total comprehensive (loss) income for the period	<u>25,528,372</u>	<u>(87,765)</u>	<u>3,046,592</u>	<u>12,764,186</u>	<u>4,405,892</u>	<u>(6,287)</u>	<u>1,234,393</u>	<u>(6,227,913)</u>	<u>(4,999,807)</u>	<u>(1,029)</u>	<u>(5,000,836)</u>
Balance as of September 30, 2012											
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	-	59,688,101
Total comprehensive (loss) income for the period	-	-	-	-	-	(323,215)	1,219,414	(5,294,866)	(4,398,667)	-	(4,398,667)
Purchase of treasury shares	-	(34,284)	-	-	-	-	-	-	(34,284)	-	(34,284)
Effect of partial disposal of a subsidiary	-	-	-	-	-	-	(750)	-	(750)	9,681	8,931
Cash dividends	-	-	-	-	-	-	-	(2,549,324)	(2,549,324)	-	(2,549,324)
Balance as of September 30, 2011	<u>25,528,372</u>	<u>(87,765)</u>	<u>3,046,592</u>	<u>12,764,186</u>	<u>4,405,892</u>	<u>(5,358)</u>	<u>(11,998,304)</u>	<u>19,051,461</u>	<u>52,705,076</u>	<u>9,681</u>	<u>52,714,757</u>

The accompanying notes (1) to (16) 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)
SEPTEMBER 30, 2012
(All amounts are in Kuwaiti Dinars)

	Six months ended September 30,	
	2012	2011
Cash flow from operating activities:		
Net loss for the period	(6,228,942)	(5,294,866)
Adjustments to:		
Net Investment loss	3,436,042	2,671,624
Interest income	(36,436)	(28,831)
Provision for credit facilities no longer required	(5,000)	(2,500)
Group's share of results from associates	(410,022)	(1,044,207)
Finance charges	617,383	1,009,005
Impairment loss on investments available for sale	2,873,222	1,344,585
Provision for doubtful debts	-	1,743,160
	<u>246,247</u>	<u>397,970</u>
Changes in operating assets and liabilities:		
Investments at fair value through statement of income	(5,068,631)	(3,456)
Accounts receivable and other debit balances	147,641	94,745
Loans granted to others	-	250,000
Accounts payable and other credit balances	(302,678)	108,320
Net cash (used in) generated from operating activities	<u>(4,977,421)</u>	<u>847,579</u>
Cash flow from investing activities:		
Purchase of investments available for sale	(7,282,362)	(7,135,965)
Proceeds from sale of investments available for sale	8,080,881	8,751,266
Paid for investment in associates	(12,353,256)	-
Proceeds from liquidation of an associate	59,699	-
Paid for investment in unconsolidated subsidiaries	(15,086)	-
Proceeds from partial sale of investment in unconsolidated subsidiaries	-	9,727
Proceeds from partial sale of investment in subsidiaries	-	8,931
Paid for investment properties	(7,564,561)	(1,603,472)
Interest received	36,436	35,588
Dividends received	785,559	772,704
Net cash (used in) generated from investing activities	<u>(18,252,690)</u>	<u>838,779</u>
Cash flows from financing activities:		
Loans	22,799,999	582,226
Purchase of treasury shares	-	(34,284)
Cash dividends paid	(62,488)	(2,474,091)
Finance charges paid	(293,811)	(664,955)
Net cash generated from (used in) financing activities	<u>22,443,700</u>	<u>(2,591,104)</u>
Net decrease in cash on hand and at banks	(786,411)	(904,746)
Cash on hand and at banks at the beginning of the period	7,228,553	9,559,829
Cash on hand and at banks at the end of the period	<u>6,442,142</u>	<u>8,655,083</u>

The accompanying notes (1) to (16) 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
SEPTEMBER 30, 2012

(All amounts are in Kuwaiti Dinars)

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 September 9, 2007. The Parent Company is 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 Parent Company is under the supervision of the Capital Markets Authority according to Law No. 7/2010 for investment companies.

The interim consolidated financial information was authorized for issue by the Board of Directors on November 5, 2012.

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, 2012.

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 September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending March 31, 2013. For further information, refer to the consolidated financial statements and notes thereto for the year ended March 31, 2012.

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

3. Investments at fair value through income statement

Investments at fair value through income statement represent quoted securities held for trading.

4. Accounts receivable and other debit balances

Accounts receivable and other debit balances include an amount of KD 2,727,103 receivable from Kuwait Clearing Company against the sale of quoted securities. The receivable was collected subsequent to the reporting date.

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION
SEPTEMBER 30, 2012

(All amounts are in Kuwaiti Dinars)

5. Investments available for sale

	September 30, 2012	(Audited) March 31, 2012	September 30, 2011
Quoted securities	36,002,990	41,896,173	45,342,455
Unquoted securities	14,616,744	17,574,189	25,253,465
Funds	4,005,304	4,005,304	4,005,166
	<u>54,625,038</u>	<u>63,475,666</u>	<u>74,601,086</u>

Unquoted securities and investment in funds amounting to KD 14,647,315 (March 31, 2012 - KD 17,604,760; September 30, 2011 – KD 23,021,776) 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.

Quoted securities amounting to KD 18,328,650 (March 31, 2012 - KD 20,393,850; September 30, 2011 – KD 21,426,450) were pledged with a local bank against a loan (Note 8).

6. Investment in associates

During the period, the Group acquired 49.32% equity interest in Kuwaiti Saudi Pharmaceutical Industries Co. S.A.K. (closed) (KSPI) from a former related party for a consideration of KD 12,256,780. Accordingly the Group's equity interest in KSPI increased to 50% thereby achieving significant influence over the associate. The management is in the process of assessing the fair value of the net identifiable assets of the associate.

7. Investment properties

During the period, the Group acquired investment property located in the Kingdom of Saudi Arabia from a former related party for a total cost of KD 7,564,561.

8. Loans

	September 30, 2012	(Audited) March 31, 2012	September 30, 2011
Loans maturing within 3 months	27,816,003	-	42,500,000
Loans maturing from 3 months to one year	25,815,000	30,831,004	25,815,000
	<u>53,631,003</u>	<u>30,831,004</u>	<u>68,315,000</u>

Loans carry an annual interest rate ranging from 2.5% to 3.5% (March 31, 2012– 2.5 % to 3.5 %, September 30, 2011 – 2.5% to 3.5%) per annum.

Loan of KD 25,815,000 is secured by quoted securities (Note 5) and other loans are secured by promissory notes.

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION
SEPTEMBER 30, 2012

(All amounts are in Kuwaiti Dinars)

9. Treasury shares

	September 30, 2012	(Audited) March 31, 2012	September 30, 2011
Number of treasury shares	351,342	351,342	351,342
Percentage of ownership	0.14%	0.14%	0.14%
Market value (KD)	49,188	80,809	80,809
Cost (KD)	87,765	87,765	87,765

10. Net investment loss

	Three months ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Unrealized (loss) gain from investments at fair value through statement of income	(122,440)	1,240	(269,996)	334
Realized loss from sale of investments at fair value through statement of income	(45,357)	-	(51,155)	-
Realized loss from investments available for sale	(3,204,033)	(3,527,151)	(3,599,732)	(3,431,782)
Dividend income	414,735	215,236	484,841	759,824
	<u>(2,957,095)</u>	<u>(3,310,675)</u>	<u>(3,436,042)</u>	<u>(2,671,624)</u>

11. Loss per share

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

	Three months ended September 30,		Six months ended September 30,	
	2012	2011	2012	2011
Net loss for the period attributable to shareholders of the Parent Company	<u>(4,342,876)</u>	<u>(5,003,214)</u>	<u>(6,227,913)</u>	<u>(5,294,866)</u>
Weighted average number of shares outstanding	<u>254,932,376</u>	<u>254,932,376</u>	<u>254,932,376</u>	<u>254,981,119</u>
Loss per share attributable to shareholders of the Parent Company	<u>(17.04)</u>	<u>(19.63)</u>	<u>(24.43)</u>	<u>(20.77)</u>

SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION
SEPTEMBER 30, 2012
 (All amounts are in Kuwaiti Dinars)

12. Memorandum accounts off the statement of financial position

The Parent Company manages investment portfolios and funds for related parties and others amounting to KD 1,244,782,650 as of September 30, 2012 (March 31, 2012 – KD 1,323,033,674, September 30, 2011 – KD 1,206,109,128) 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.

13. Related party transactions

The Group has entered into transactions with related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management.

Significant related party balances and transactions are as follows:

	<u>September 30,</u> <u>2012</u>	<u>(Audited)</u> <u>March 31,</u> <u>2012</u>	<u>September 30,</u> <u>2011</u>	
(i) Interim condensed consolidated statement of financial position				
Cash at banks	6,004,610	6,977,919	7,881,081	
Accounts receivable and other debit balances	507,903	450,176	785,213	
Loans	53,631,003	30,831,004	68,315,000	
Accounts payable and other credit balances	736,424	489,001	463,876	
	<u>Three months ended</u> <u>September 30,</u>		<u>Six months ended</u> <u>September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
(ii) Interim condensed consolidated statement of Income				
Net investment income	-	-	269,000	269,000
Interest income	2,402	9,672	11,436	21,112
Finance charges	(383,321)	(493,080)	(617,383)	(967,909)
(iii) Compensation to key management personnel:				
Short-term benefits	71,376	70,032	133,460	140,501
Termination benefits	5,208	5,168	10,037	10,337

14. Capital commitments and contingent liabilities

	<u>September 30,</u> <u>2012</u>	<u>(Audited)</u> <u>March 31,</u> <u>2012</u>	<u>September 30,</u> <u>2011</u>
Letters of guarantee	200,000	1,200,000	1,200,000
Uncalled capital for investments	13,796	13,796	3,013,796
	<u>213,796</u>	<u>1,213,796</u>	<u>4,213,796</u>

