

THE SECURITIES HOUSE K.S.C. (CLOSED)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)**

30 JUNE 2009

THE BOARD OF DIRECTORS OF THE SECURITIES HOUSE K.S.C. (CLOSED)**Report on review of Interim Condensed Consolidated Financial Information***Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Securities House K.S.C. (Closed) (the "parent company") and subsidiaries (together, the "group") as at 30 June 2009 and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended, and the related interim condensed consolidated statements of cash flows and changes in equity for the six month period then ended and explanatory notes. The management of the parent company 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. 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.

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, no violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the parent company have occurred during the six month period ended 30 June 2009 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, 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 period ended 30 June 2009.



WALEED A. AL-OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG



ALI A. AL-HASAWI
LICENCE NO. 30 A
RÖDL MIDDLE EAST
BURGAN - INTERNATIONAL ACCOUNTANTS

The Securities House K.S.C. (Closed)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

Period ended 30 June 2009

	Notes	Three months ended 30 June		Six months ended 30 June	
		2009 KD	2008 KD	2009 KD	2008 KD
INCOME					
From investment activities					
Realised (losses) gains on sale of investments at fair value through income statement		(28,369)	787,423	(50,884)	981,226
Unrealised (losses) gains on investments at fair value through income statement	5	(5,004,155)	8,008,003	(4,875,158)	16,679,879
Realised gains on sale of available for sale investments		231,488	80,420	166,952	1,005,829
Impairment of available for sale investments	6	(2,120,583)	-	(2,120,583)	-
Dividends and return on murabaha finances		527,707	1,268,236	1,216,739	2,335,903
Share in result of associates		(1,583,491)	830,307	(4,056,689)	2,846,041
Realised gains on sale of associates		12,998	667,281	12,998	936,922
Unrealised losses on investment properties	7	(825,352)	-	(825,352)	-
Management fee income		131,639	242,640	254,545	462,797
Investment services income		287,495	313,556	432,634	469,039
Total (loss) income from investment activities		(8,370,623)	12,197,866	(9,844,798)	25,717,636
From commercial activities					
Sales of goods and services		2,869,618	781,839	5,115,180	4,158,576
Cost of sales		(1,959,244)	(402,177)	(3,369,983)	(3,620,273)
Gross profit from commercial activities		910,374	379,662	1,745,197	538,303
Other income		255,992	336,829	213,146	1,102,295
TOTAL (LOSS) INCOME		(7,204,257)	12,914,357	(7,886,455)	27,358,234
EXPENSES					
Staff costs		1,542,110	1,811,414	2,842,180	3,526,855
Selling and distribution		214,507	161,132	399,323	307,331
General and administration		1,016,827	1,321,498	1,843,965	2,620,066
Depreciation		224,532	100,506	469,769	127,993
TOTAL EXPENSES		2,997,976	3,394,550	5,555,237	6,582,245
(LOSS) PROFIT BEFORE MURABAHA PAYABLE COSTS AND DEDUCTIONS		(10,202,233)	9,519,807	(13,441,692)	20,775,989
Murabaha payable costs		(3,570,990)	(3,533,279)	(7,161,578)	(6,839,999)
Contribution to Kuwait Foundation for the Advancement of Sciences		-	(39,992)	-	(95,672)
National Labour Support Tax		-	(120,307)	-	(252,978)
Zakat		-	(50,248)	-	(107,737)
(LOSS) PROFIT FOR THE PERIOD		(13,773,223)	5,775,981	(20,603,270)	13,479,603
Attributable to:					
Equity holders of the parent		(12,906,422)	6,119,413	(19,367,219)	14,187,550
Non controlling interests		(866,801)	(343,432)	(1,236,051)	(707,947)
(LOSS) PROFIT FOR THE PERIOD		(13,773,223)	5,775,981	(20,603,270)	13,479,603
Basic and diluted (loss) earnings per share attributable to equity holders of the parent	3	(20.1) fils	9.3 fils	(30.0) fils	22.0 fils

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

The Securities House K.S.C. (Closed)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 30 June 2009

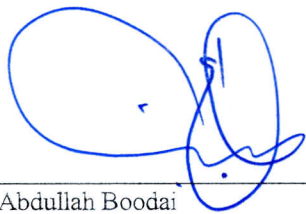
	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
(Loss) profit for the period	<u>(13,773,223)</u>	<u>5,775,981</u>	<u>(20,603,270)</u>	<u>13,479,603</u>
Other comprehensive income:				
Transfer of cumulative changes in fair value to consolidated income statement on sale of available for sale investments	101,400	-	-	-
Foreign currency translation adjustment	2,164,587	247,548	2,919,893	105,751
Employee share purchase plan expense	57,222	52,511	210,983	53,480
Share of movements in associates' equity	-	-	34,754	-
	<u>2,323,209</u>	<u>300,059</u>	<u>3,165,630</u>	<u>159,231</u>
Total comprehensive (loss) income for the period	<u>(11,450,014)</u>	<u>6,076,040</u>	<u>(17,437,640)</u>	<u>13,638,834</u>
Attributable to:				
Equity holders of the parent	(11,066,594)	6,386,654	(16,869,668)	14,339,603
Non controlling interests	(383,420)	(310,614)	(567,972)	(700,769)
Total comprehensive (loss) income for the period	<u>(11,450,014)</u>	<u>6,076,040</u>	<u>(17,437,640)</u>	<u>13,638,834</u>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2009

		(Audited)	
	Notes	30 June 2009 KD	31 December 2008 KD
			30 June 2008 KD
ASSETS			
Bank balances and cash	4	7,245,867	12,267,592
Short-term murabaha investments	4	14,393,816	26,579,870
Accounts receivable and prepayments		6,672,104	7,042,725
Inventories		1,527,665	1,841,897
Murabaha finances		2,921,122	-
Investments at fair value through income statement	5	101,369,355	102,308,773
Available for sale investments	6	42,793,009	47,457,204
Investments in associates		25,243,452	31,549,440
Goodwill		-	500,000
Investment properties	7	68,880,215	69,199,072
Property, plant and equipment		18,583,973	17,460,992
TOTAL ASSETS		289,630,578	315,707,565
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	8	68,000,000	68,000,000
Share premium		26,118,950	26,118,950
Statutory reserve	8	3,946,731	13,012,960
General reserve	8	-	13,101,460
Foreign currency translation adjustment		(1,710,113)	(3,964,704)
Employee share purchase plan reserve		565,206	357,000
Treasury shares reserve	9	11,689,249	11,689,249
Cumulative changes in equity of associates		248,634	213,880
(Accumulated deficit) retained earnings	8	(19,367,219)	(22,167,689)
Treasury shares	9	(20,044,606)	(16,367,649)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		69,446,832	89,993,457
Non controlling interests		7,892,268	8,460,240
TOTAL EQUITY		77,339,100	98,453,697
LIABILITIES			
Murabaha payables	10	185,677,932	190,295,393
Accounts payable and accruals		24,857,338	25,296,951
Employees' end of service benefits		1,756,208	1,661,524
TOTAL LIABILITIES		212,291,478	217,253,868
TOTAL EQUITY AND LIABILITIES		289,630,578	315,707,565



Ayman Abdullah Boodai
Chairman

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

The Securities House K.S.C. (Closed)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 30 June 2009

	Note	Six months ended 30 June	
		2009 KD	2008 KD
OPERATING ACTIVITIES			
(Loss) profit for the period		(20,603,270)	13,479,603
Adjustments for:			
Realised losses (gains) on sale of investments at fair value through income statement		50,884	(981,226)
Unrealised losses (gains) on investments at fair value through income statement		4,875,158	(16,679,879)
Realised gains on sale of available for sale investments		(166,952)	(1,005,829)
Impairment of available for sale investments		2,120,583	-
Dividends and return on murabaha finances		(1,216,739)	(2,335,903)
Share in result of associates		4,056,689	(2,846,041)
Realised gains on sale of associates		(12,998)	(936,922)
Unrealised losses on investment properties		825,352	-
Depreciation		510,112	328,667
Employee share purchase plan expense		210,983	53,480
Provision for employees' end of service benefits		119,277	309,105
Murabaha payable costs		7,161,578	6,839,999
		(2,069,343)	(3,774,946)
Working capital changes:			
Accounts receivable and prepayments		488,965	289,830
Inventories		314,232	(56,419)
Accounts payable and accruals		(1,052,261)	1,913,395
Cash used in operations		(2,318,407)	(1,628,140)
Employees' end of service benefits paid		(24,593)	(223,303)
Net cash used in operating activities		(2,343,000)	(1,851,443)
INVESTING ACTIVITIES			
Murabaha finances		(2,921,122)	-
Purchase of investments at fair value through income statement		(5,387,612)	(12,635,205)
Proceeds from sale of investments at fair value through income statement		1,400,988	11,870,606
Purchase of available for sale investments		(256,388)	(1,422,900)
Proceeds from sale of available for sale investments		2,966,952	2,323,325
Purchase of associates		(19,225)	(999,200)
Proceeds from sale of associates		2,285,929	2,031,789
Purchase of subsidiary companies, net of cash acquired		-	(3,450,685)
Dividends and return on murabaha finances received		1,221,895	3,719,294
Additions to investment properties		(506,495)	(2,608,427)
Purchase of property, plant and equipment		(1,633,093)	(4,410,459)
Net cash used in investing activities		(2,848,171)	(5,581,862)
FINANCING ACTIVITIES			
Proceeds from rights issue and employee share purchase plan		-	31,641,450
Dividends paid		(12,357)	(11,241,986)
Purchase of treasury shares		(3,676,957)	(18,390,877)
Proceeds from sale of treasury shares		-	27,802,588
Non controlling interest's share in capital increase of a subsidiary		-	545,250
Net (repayment of) proceeds from murabaha payable		(4,617,461)	24,555,876
Murabaha payable costs paid		(6,520,176)	(6,449,953)
Net cash (used in) from financing activities		(14,826,951)	48,462,348
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		2,810,343	102,012
Cash and cash equivalents at 1 January		38,847,462	12,810,930
CASH AND CASH EQUIVALENTS AT 30 JUNE	4	<u>21,639,683</u>	<u>53,941,985</u>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

The Securities House K.S.C. (Closed)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 June 2009

	Attributable to equity holders of the parent										Non controlling Interest	Total equity	
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Foreign currency translation adjustment KD	Employee share purchase plan reserve KD	Treasury shares reserve KD	Cumulative changes in equity of associates KD	Accumulated deficit KD	Treasury shares KD	Total KD	KD	KD
Balance at 1 January 2009	68,000,000	26,118,950	13,012,960	13,101,460	(3,964,704)	357,000	11,689,249	213,880	(22,167,689)	(16,367,649)	89,993,457	8,460,240	98,453,697
Loss for the period	-	-	-	-	-	-	-	-	(19,367,219)	-	(19,367,219)	(1,236,051)	(20,603,270)
Other comprehensive income	-	-	-	-	2,254,591	208,206	-	34,754	-	-	2,497,551	668,079	3,165,630
Total comprehensive loss for the period	-	-	-	-	2,254,591	208,206	-	34,754	(19,367,219)	-	(16,869,668)	(567,972)	(17,437,640)
Amortisation of accumulated loss (Note 8)	-	-	(9,066,229)	(13,101,460)	-	-	-	-	22,167,689	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(3,676,957)	(3,676,957)	-	(3,676,957)
Balance at 30 June 2009	68,000,000	26,118,950	3,946,731	-	(1,710,113)	565,206	11,689,249	248,634	(19,367,219)	(20,044,606)	69,446,832	7,892,268	77,339,100

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

The Securities House K.S.C. (Closed)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

Period ended 30 June 2009

	Attributable to equity holders of the parent									Non controlling interests	Total equity	
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Foreign currency translation adjustment KD	Employee share purchase plan reserve KD	Treasury shares reserve KD	Retained earnings KD	Treasury shares KD	Total KD	KD	KD
Balance at 1 January 2008	45,208,800	5,966,500	13,012,960	13,101,460	(295,043)	-	6,379,544	26,048,841	(15,715,315)	93,707,747	3,801,460	97,509,207
Profit for the period	-	-	-	-	-	-	14,187,550	-	-	14,187,550	(707,947)	13,479,603
Other comprehensive income	-	-	-	-	99,773	52,280	-	-	-	152,053	7,178	159,231
Total comprehensive income for the period	-	-	-	-	99,773	52,280	-	14,187,550	-	14,339,603	(700,769)	13,638,834
Bonus issue (Note 8)	11,302,200	-	-	-	-	-	(11,302,200)	-	-	-	-	-
Rights issue and employee share purchase plan (Note 8)	11,489,000	20,152,450	-	-	-	-	-	-	-	31,641,450	-	31,641,450
Cash dividends (Note 8)	-	-	-	-	-	-	(11,302,200)	-	-	(11,302,200)	-	(11,302,200)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(18,390,877)	(18,390,877)	-	(18,390,877)
Sale of treasury shares	-	-	-	-	-	-	5,322,542	-	22,480,046	27,802,588	-	27,802,588
Net movement in non controlling interests	-	-	-	-	-	-	-	-	-	-	(2,407,923)	(2,407,923)
Balance at 30 June 2008	68,000,000	26,118,950	13,012,960	13,101,460	(195,270)	52,280	11,702,086	17,631,991	(11,626,146)	137,798,311	692,768	138,491,079

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

The Securities House K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2009

1 ACTIVITIES

The Securities House K.S.C. (Closed) (the “parent company”) is a Kuwaiti Shareholding Company incorporated and registered in Kuwait on 28 March 1982 and is engaged in investment and trading in securities, investment in real estate, finance activities and in portfolio and fund management on behalf of third parties.

The parent company's Extraordinary General Assembly of the shareholders held on 30 April 2003 approved the transfer of the company's activities to conform with Shariah principles effective from 1 January 2003.

For details of the subsidiaries, refer to the consolidated financial statements for the year ended 31 December 2008.

The parent company's principal place of business and registered address is 17th floor, Al-Dhow Tower, Khalid Ibn Al-Waleed Street, Sharq, P.O.Box 26972 Safat, 13130, Kuwait.

The interim condensed consolidated financial information of the parent company and its subsidiaries (together, the “group”) were approved by the board of directors on -----2009.

2 BASIS OF PREPARATION

Basis of preparation

The interim condensed consolidated financial information of the group is prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, except as noted below:

The annual consolidated financial statements for the year ended 31 December 2008 were prepared in accordance with the regulations by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (“CBK”). 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 CBK's requirement for a minimum general provision.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the group's annual consolidated financial statements for the year ended 31 December 2008. 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 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2009.

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 2008.

During the period, the group has adopted the following standards effective for the annual periods beginning on or after 1 January 2009:

IAS 1 Revised presentation of financial statements

The revised standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present two statements. In addition, the standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in two single lines.

IFRS 8 Operating segments

This standard requires disclosures of information about the group's operating segments and replaces the requirement to determine primary (business) and secondary (geographic) reporting segments of the group. Adoption of this standard did not have any effect on the financial position or performance of the group. The group determined that operating segments were the same as the business segments previously identified under IAS 14 ‘Segment Reporting’. Additional disclosures about each of these segments are shown in Note 10.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2009

3 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Basic and diluted (loss) earnings per share is computed by dividing (loss) profit attributable to equity holders of the parent by the weighted average number of shares (net of treasury shares) outstanding during the period as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>	<i>2008</i> <i>KD</i>	<i>2008</i> <i>KD</i>
(Loss) profit for the period attributable to equity holders of the parent	<u>(12,906,422)</u>	<u>6,119,413</u>	<u>(19,367,219)</u>	<u>14,187,550</u>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares (net of treasury shares) outstanding for the period	<u>643,535,430</u>	<u>657,386,221</u>	<u>646,477,006</u>	<u>644,302,947</u>
Basic and diluted (loss) earnings per share attributable to equity holders of the parent	<u>(20.1) fils</u>	<u>9.3 fils</u>	<u>(30.0) fils</u>	<u>22.0 fils</u>

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as shown in the interim condensed consolidated statement of cash flows are reconciled to the related items in the interim condensed consolidated statement of financial position as follows:

	<i>30 June</i>	<i>(Audited)</i> <i>31 December</i>	<i>30 June</i>
	<i>2009</i> <i>KD</i>	<i>2008</i> <i>KD</i>	<i>2008</i> <i>KD</i>
Bank balances and cash	7,245,867	12,267,592	31,416,075
Short-term murabaha investments with original maturity up to three months	<u>14,393,816</u>	<u>26,579,870</u>	<u>22,525,910</u>
	<u>21,639,683</u>	<u>38,847,462</u>	<u>53,941,985</u>

The Securities House K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2009

5 INVESTMENTS AT FAIR VALUE THROUGH INCOME STATEMENT

	30 June	<i>(Audited)</i> 31 December	30 June
	2009	2008	2008
	KD	KD	KD
<i>Quoted local equities:</i>			
Carrying value before fair value adjustment	6,639,399	7,428,703	24,336,196
Fair value adjustment during the period/year	(1,238,466)	(152,996)	1,106,250
	5,400,933	7,275,707	25,442,446
<i>Unquoted local equities:</i>			
Carrying value before fair value adjustment	28,625,352	39,399,164	48,772,704
Fair value adjustment during the period/year	(1,063,485)	(9,960,812)	2,601,938
	27,561,867	29,438,352	51,374,642
<i>Unquoted equities in the Middle East:</i>			
Carrying value before fair value adjustment	67,778,395	61,578,748	61,536,519
Fair value adjustment during the period/year	(2,111,503)	814,599	12,962,013
	65,666,892	62,393,347	74,498,532
<i>Unquoted foreign equities:</i>			
Carrying value before fair value adjustment	3,201,367	5,127,522	5,127,522
Fair value adjustment during the period/year	(461,704)	(1,926,155)	9,678
	2,739,663	3,201,367	5,137,200
	101,369,355	102,308,773	156,452,820

The valuation of investments in unquoted securities involves the exercise of judgment and is based on information available on recent arm's length market transactions, current fair value of another instrument that is substantially the same, the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; earnings multiple technique, or other valuation models.

Unquoted equities include entities in which the group has more than 20% equity interest over which the group does not exercise significant influence.

The Securities House K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2009

6 AVAILABLE FOR SALE INVESTMENTS

	30 June 2009 KD	<i>(Audited)</i> 31 December 2008 KD	30 June 2008 KD
<i>Quoted local equities:</i>			
Carrying value before fair value adjustment	-	7,233,043	-
Impairment in value during the period/year	-	(4,433,043)	-
	<u>-</u>	<u>2,800,000</u>	<u>-</u>
<i>Unquoted local equities:</i>			
Carrying value before fair value adjustment	9,620,000	10,340,000	255,000
Impairment in value during the period/year	-	(720,000)	-
	<u>9,620,000</u>	<u>9,620,000</u>	<u>255,000</u>
<i>Unquoted equities in the Middle East:</i>			
Carrying value before fair value adjustment	5,944,525	6,154,700	6,450,330
Impairment in value during the period/year	(152,232)	(210,175)	-
	<u>5,792,293</u>	<u>5,944,525</u>	<u>6,450,330</u>
<i>Unquoted foreign equities:</i>			
Carrying value before fair value adjustment	29,349,067	29,847,333	27,730,798
Impairment in value during the period/year	(1,968,351)	(754,654)	-
	<u>27,380,716</u>	<u>29,092,679</u>	<u>27,730,798</u>
	<u>42,793,009</u>	<u>47,457,204</u>	<u>34,436,128</u>

Included in the investments above are unquoted investments amounting to KD 42,793,009 (31 December 2008: KD 44,657,204; 30 June 2008: KD 34,436,128) which are carried at cost after recognition of impairment since their fair value cannot be reliably measured due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments.

An impairment loss of KD 2,120,583 (31 December 2008: KD 6,117,872; 30 June 2008: Nil) was recognised in the statement of comprehensive income to account for adverse circumstances affecting certain available for sale investments, thus reducing the value of these available for sale investments to its recoverable amount. Management believes that there is no objective evidence or circumstances that indicate any further impairment in the value of these investments and that there is no need to recognise any additional impairment in its value.

The Securities House K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2009

7 INVESTMENT PROPERTIES

	<i>30 June</i> <i>2009</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2008</i> <i>KD</i>	<i>30 June</i> <i>2008</i> <i>KD</i>
Carrying value before fair value adjustment	69,705,567	50,515,293	43,810,890
Fair value adjustment during the period/year	(825,352)	18,683,779	-
	<u>68,880,215</u>	<u>69,199,072</u>	<u>43,810,890</u>

Investment properties are stated at fair value, which has been determined based on valuations performed as at 30 June 2009 by accredited independent valuers who are industry specialists in valuing these types of investment properties. One property under construction related to a subsidiary company with a carrying value of KD 60,482,078 is pledged against a murabaha facility obtained to finance the construction of the property (Note 10).

8 SHARE CAPITAL, DIVIDEND AND LOSS AMORTISATION

The authorised, issued and paid capital of the parent company are as follows:

	<i>30 June</i> <i>2009</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2008</i> <i>KD</i>	<i>30 June</i> <i>2008</i> <i>KD</i>
Authorised :			
Shares of 100 fils each	<u>68,000,000</u>	<u>68,250,000</u>	<u>68,250,000</u>
Issued and paid up:			
Shares of 100 fils each	<u>68,000,000</u>	<u>68,000,000</u>	<u>56,511,000</u>

In the annual general meeting held on 28 May 2009, the shareholders of the parent company and the regulatory authorities approved the following to the equity holders of the parent company on the register as of 28 May 2009:

- **Accumulated losses amortisation**

Amortisation of the accumulated losses at 31 December 2008 amounting to KD 22,167,689 through charging KD 13,101,460 to the general reserve and KD 9,066,229 to the statutory reserve (2007: Nil).

- **Cash dividend**

Non payment of cash dividend for the year ended 2008 (2007: 25%).

- **Share capital:**

The decrease of authorised share capital from KD 68,250,000 (682,500,000 shares of 100 fils each) to KD 68,000,000 (680,000,000 shares of 100 fils each) through:

- **Employee share purchase plan:**

The cancellation of 2,500,000 unissued shares of the employee share purchase plan of 0.37% of authorized share capital (2007: issuance of 4,368,000 shares through the employee share purchase plan of 0.97% of paid up share at 300 fils per share made up of par value of 100 fils and share premium of 200 fils of which only 1,868,000 shares have been granted).

- **Bonus shares:**

Non issuance of bonus shares (2007: issuance of 113,022,000 shares of 100 fils equivalent to 25% of paid up share capital).

- **Rights issue:**

Non issuance of rights issue (2007: issuance of 113,022,000 shares equivalent to 25% of paid up share capital at 275 fils per share made up of par value of 100 fils and share premium of 175 fils).

The Securities House K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2009

9 TREASURY SHARES

	30 June 2009	<i>(Audited)</i> 31 December 2008	30 June 2008
Number of shares held	41,563,911	27,005,911	17,810,911
Percentage of shares held	6.1%	4.0%	2.6%
Cost KD	20,044,606	16,367,649	11,626,146
Market value KD	7,980,271.	10,127,217	11,755,201

Reserves equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable in the parent company.

During the previous period ended 30 June 2008, the parent company sold treasury shares for a gain of KD 5,322,542. The full amount of gain was transferred to "treasury shares reserve" in shareholders' equity.

10 MURABAHA PAYABLES

	30 June 2009 KD	<i>(Audited)</i> 31 December 2008 KD	30 June 2008 KD
Short-term murabaha with maturity within 1 year	149,725,777	123,663,086	124,296,205
Long-term murabaha with maturity above 1 year	35,952,155	66,632,307	69,352,550
	185,677,932	190,295,393	193,648,755

Murabaha payables represent the value of assets purchased on a deferred settlement basis.

Of the murabaha payables, facilities amounting to KD 9,175,039 (31 December 2008: KD 1,942,829; 30 June 2008: KD 3,349,474) are secured against an investment property and property, plant and equipment related to two subsidiary companies amounting to KD 62,062,901 (31 December 2008: KD 2,532,577; 30 June 2008: KD 11,835,187) (Note 7).

The Securities House K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2009

11 RELATED PARTY TRANSACTIONS

These represent transactions with certain parties (major shareholders, directors and executive officers of the parent company, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties) entered into by the group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the group's management.

Related party transactions and balances consist of the following:

Interim condensed consolidated statement of income

	<i>Other related parties</i>	
	<i>Six months ended 30 June</i>	
	2009	2008
	KD	KD
Dividends	267,855	403,963
Management fee income - managed funds	152,263	333,389
Restructuring and arranging fees	58,064	87,595
Rent expense	(87,816)	(95,418)

Key management compensation

	<i>Six months ended 30 June</i>	
	2009	2008
	KD	KD
Salaries and other short term benefits	757,325	1,277,676
Employees' end of services and share purchase plan benefits	212,184	217,849
	969,509	1,495,525

Interim condensed consolidated statement of financial position

	<i>(Audited)</i>		
	30 June	31 December	30 June
	2009	2008	2008
	KD	KD	KD
Accounts receivable and prepayments:			
Accrued management fees – managed funds	149,766	236,338	128,178
Accrued dividends – managed funds	392,515	289,720	153,060

Assets amounting to KD 14,429,643 (31 December 2008: KD 19,079,251 and 30 June 2008: KD 14,561,972) are being managed on behalf of related parties.

The Securities House K.S.C. (Closed)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2009

12 SEGMENTAL ANALYSIS

For management purposes, the group is organised into three operating segments based on business units as follows:

- Proprietary investment management : Investing of group funds in securities and real estate, financing corporate and individual customers, and managing the group's liquidity requirements.
- Asset management and advisory services : Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related investment services.
- Commercial trading activities : Selling and distribution of manufactured and imported goods and services.

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segmental profit or loss.

The following table presents segment revenue, segment profit or loss and total assets information regarding the group's business segment for the six month period ended 30 June 2009:

	<i>Proprietary investment management</i>		<i>Asset management and advisory services</i>		<i>Commercial trading activities</i>		<i>Total</i>	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2009 KD	2008 KD	2008 KD	2008 KD	2009 KD	2007 KD	2009 KD	2008 KD
Segment (losses) revenues	(6,268,445)	23,010,174	687,179	931,836	5,121,483	4,190,456	(459,783)	28,132,466
Segment (loss) profit	(8,626,017)	18,937,431	670,710	899,983	254,999	(419,196)	(7,700,308)	19,418,218
Unallocated expenses							(448,644)	(780,323)
Share in results of associates							(4,056,689)	2,846,041
Murabaha payable costs							(7,161,578)	(6,839,999)
Deduction							-	(456,387)
(Loss) profit attributable to equity holders of the parent							(19,367,219)	14,187,550

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 30 June 2009

13 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 30 June 2009, the group's bankers have given bank guarantees on behalf of the group amounting to KD 405,071 (31 December 2008: KD 382,027 and 30 June 2008: KD 5,803,582).

At 30 June 2009, the group has an amount of KD 11,152,638 in respect of capital commitments for purchase of investments and assets (31 December 2008: KD 12,151,876 and 30 June 2008: KD 14,461,531).

A claim was raised against the parent company and a subsidiary company by a former investment advisor (the "claimant") in 2008. The claim is with regard to unpaid past incentive fees on the disposal of a real estate investment in December 2006 and is based on a terminated advisory agreement. The group believes that the agreement was rightfully terminated long before the disposal of the investment and has appointed a legal advisor to defend the claim. During the quarter ended 30 June 2009, first degree court ruling was issued in the favour of the parent company and the subsidiary company. The claimant appealed the ruling and appeal proceedings are expected to begin in September 2009 and the group has been advised by its legal advisor that it is only remotely possible, but not probable, that the legal action filed by the claimant will succeed. A provision amounting to KD 265,443 (31 December 2008: KD 522,700 and 30 June 2008: Nil) to cover the likely costs that could be incurred including the legal advisor fees is included in other payables under "Accounts payable and accruals".