

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74 Safat
13001 Safat, Kuwait
Baitak Tower, 18-21st Floor
Safat Square
Ahmed Al Jaber Street
Tel : 2245 2880/2295 5000
Fax: 2245 6419
Email: kuwait@kw.ey.com
www.ey.com/me

Auditors & Consultants
Souq Al Kabest Building - Block A - 9th Floor
Tel: (965) 2244 5000-9
Fax: (965) 2245 8451
P.O. Box 2986, Safat 13030, Kuwait
E-mail : gt@kw.gt.com

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF YIACO MEDICAL COMPANY K.S.C. (CLOSED)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of YIACO Medical Company – K.S.C. (Closed) (the “Parent Company”) and its subsidiaries (collectively the “Group”) at 30 September 2011 and the related interim condensed consolidated statements of income and statement of comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

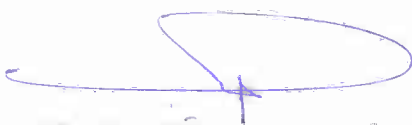
We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 International Accounting Standard 34, “Interim Financial Reporting”.

Report on other Legal and Regulatory Requirements

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, or of the Articles of Association of the Parent Company, as amended, that have occurred during the nine months period ended 30 September 2011 that might have had a material effect on the business of the Parent Company or on its financial position.



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



ABDULLATIF M. AL-AIBAN (CPA)
LICENCE NO. 94-A
OF GRANT THORNTON
AL-QATAMI, AL-AIBAN & PARTNERS

14 November 2011
Kuwait

**YIACO Medical Company K.S.C. (Closed)
and Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2011

YIACO Medical Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

Period ended 30 September 2011 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
<i>Note</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Sales	23,117,567	17,887,047	68,059,758	62,596,004
Cost of sales	(18,332,827)	(14,445,671)	(53,214,326)	(49,737,347)
Gross profit	4,784,740	3,441,376	14,845,432	12,858,657
Other operating income	87,837	124,919	353,730	497,608
Distribution costs	(915,790)	(832,395)	(2,666,426)	(2,442,849)
Administrative expenses	(2,775,287)	(1,999,473)	(8,263,430)	(7,022,307)
Allowance for bad and doubtful debts	(295,317)	(350,195)	(437,552)	(448,722)
Profit from operating activities	886,183	384,232	3,831,754	3,442,387
Dividend income	6,875	8,250	20,625	24,750
Gain (loss) on disposal of property, plant and equipment	24	161,622	(31,558)	14,865
Share of results of associate	359,695	104,728	599,588	303,485
Net gain on investments carried at fair value through statement of income	5,500	97,630	142,056	121,650
Finance costs	(165,962)	(191,102)	(460,848)	(590,941)
Profit for the period before income tax	1,092,315	565,360	4,101,617	3,316,196
Income tax for overseas subsidiaries	(10,042)	(13,568)	(30,246)	(39,734)
Profit before directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat	1,082,273	551,792	4,071,371	3,276,462
Directors' remuneration	(5,250)	(5,250)	(15,750)	(15,750)
Provision for contribution to KFAS	(9,740)	(3,539)	(36,642)	(29,655)
Provision for NLST	(27,013)	(10,521)	(114,172)	(83,066)
Provision for Zakat	(13,265)	(3,103)	(45,669)	(30,188)
Profit for the period	1,027,005	529,379	3,859,138	3,117,803
Attributable to:				
Equity holders of the parent company	1,021,289	526,104	3,847,331	3,103,055
Non-controlling interests	5,716	3,275	11,807	14,748
	1,027,005	529,379	3,859,138	3,117,803
Basic and diluted earnings per share attributable to the equity holders of the parent company	6.19 Fils	3.19 Fils	23.32 Fils	18.81 Fils

The attached notes 1 to 8 form part of this interim condensed consolidated financial information.

YIACO Medical Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 September 2011 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period	1,027,005	529,379	3,859,138	3,117,803
<i>Other comprehensive income:</i>				
Exchange differences arising on translation of foreign operations	(14,906)	(37,903)	(91,567)	(78,218)
Other comprehensive loss for the period	(14,906)	(37,903)	(91,567)	(78,218)
Total comprehensive income for the period	1,012,099	491,476	3,767,571	3,039,585
Total comprehensive (loss)/income attributable to:				
Equity holders of the parent company	1,028,050	492,532	3,787,120	3,047,591
Non-controlling interests	(15,951)	(1,056)	(19,549)	(8,006)
	1,012,099	491,476	3,767,571	3,039,585

The attached notes 1 to 8 form part of this interim condensed consolidated financial information.

YIACO Medical Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011 (Unaudited)

	Note	30 September 2011 KD	31 December 2010 (Audited) KD	30 September 2010 KD
Assets				
Non-current assets				
Property, plant and equipment		7,722,668	7,429,411	7,694,114
Inventory assigned to customers		51,233	119,989	167,634
Intangible assets		1,151,314	1,300,807	78,576
Investment in associate		6,677,724	5,991,647	5,772,738
Investments carried at fair value through statement of income		1,161,600	1,592,000	1,449,250
Available for sale investment		117,600	117,600	117,600
		16,882,139	16,551,454	15,279,912
Current assets				
Inventories		18,843,891	19,968,222	15,250,938
Accounts receivable and prepayments		28,101,258	23,305,476	21,493,657
Bank balances and cash		5,885,618	7,265,429	8,097,139
		52,830,767	50,539,127	44,841,734
Total assets		69,712,906	67,090,581	60,121,646
Equity and liabilities				
Equity				
Share capital		16,500,000	16,500,000	16,500,000
Statutory reserve		2,655,918	2,655,918	2,182,345
Voluntary reserve		120,622	120,622	120,622
General reserve		637,472	637,472	637,472
Foreign currency translation reserve		8,342	68,553	119,031
Retained earnings		8,576,076	6,378,745	5,457,581
Equity attributable to equity holders of the parent company		28,498,430	26,361,310	25,017,051
Non-controlling interests		178,728	198,277	205,885
Total equity		28,677,158	26,559,587	25,222,936
Non-current liabilities				
Murabaha payable	4	215,774	273,947	298,577
Employees' end of service benefits		1,527,834	1,275,246	1,238,159
		1,743,608	1,549,193	1,536,736
Current liabilities				
Accounts payable and accruals		22,215,426	23,060,045	19,260,387
Murabaha payable	4	17,076,714	15,921,756	14,101,587
		39,292,140	38,981,801	33,361,974
Total liabilities		41,035,748	40,530,994	34,898,710
Total equity and liabilities		69,712,906	67,090,581	60,121,646


Dr. Hamed A. Hamadah
Chairman & Managing Director


Mr. Walid Abu Zaid
Chief Financial Officer

The attached notes 1 to 8 form part of this interim condensed consolidated financial information.

YIACO Medical Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 September 2011(Unaudited)

	Attributable to equity holders of the parent company						Non-	Total equity	
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Foreign currency translation reserve KD	Retained earnings KD	controlling interests KD	KD	
Balance at 1 January 2011	16,500,000	2,655,918	120,622	637,472	68,553	6,378,745	26,361,310	198,277	26,559,587
Profit for the period	-	-	-	-	-	3,847,331	3,847,331	11,807	3,859,138
Other comprehensive loss	-	-	-	-	(60,211)	-	(60,211)	(31,356)	(91,567)
Total comprehensive (loss)/income for the period	-	-	-	-	(60,211)	3,847,331	3,787,120	(19,549)	3,767,571
Dividend paid (note 5)	-	-	-	-	-	(1,650,000)	(1,650,000)	-	(1,650,000)
Balance at 30 September 2011	16,500,000	2,655,918	120,622	637,472	8,342	8,576,076	28,498,430	178,728	28,677,158
Balance at 1 January 2010	16,500,000	2,182,345	120,622	637,472	174,495	3,307,102	22,922,036	86,315	23,008,351
Profit for the period	-	-	-	-	-	3,103,055	3,103,055	14,748	3,117,803
Other comprehensive loss	-	-	-	-	(55,464)	-	(55,464)	(22,754)	(78,218)
Total comprehensive (loss)/income for the period	-	-	-	-	(55,464)	3,103,055	3,047,591	(8,006)	3,039,585
Arising on part disposal of subsidiary	-	-	-	-	-	(127,576)	(127,576)	127,576	-
Dividend paid (note 5)	-	-	-	-	-	(825,000)	(825,000)	-	(825,000)
Balance at 30 September 2010	16,500,000	2,182,345	120,622	637,472	119,031	5,457,581	25,017,051	205,885	25,222,936

The attached notes 1 to 8 form part of this interim condensed consolidated financial information.

YIACO Medical Company K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 September 2011 (Unaudited)

	<i>Nine months ended 30 September</i>	
	2011	2010
	KD	KD
OPERATING ACTIVITIES		
Profit for the period	3,859,138	3,117,803
Adjustments for:		
Depreciation and amortisation	1,267,480	958,758
Share of results of associate	(599,588)	(303,485)
Provision for employees' end of service benefits	370,881	312,050
Dividend income	(20,625)	(24,750)
Finance costs	460,848	590,941
Loss (gain) on disposal of property, plant and equipment	31,558	(14,865)
Income tax	30,246	39,734
Net gain on investments carried at fair value through statement of income	(142,056)	(121,650)
Write-off of inventory assigned to customers	59,302	-
Provision for slow moving and expired items	359,858	357,212
Allowance for bad and doubtful debts	437,552	448,722
	6,114,594	5,360,470
Working capital changes :		
Inventories	764,473	2,742,637
Accounts receivable and prepayments	(5,233,334)	(571,936)
Accounts payable and accruals	(853,408)	(800,007)
Cash from operation	792,325	6,731,164
Income tax paid	(30,246)	(39,734)
Employees' end of service benefits paid	(118,293)	(250,311)
Net cash from operating activities	643,786	6,441,119
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,497,124)	(250,618)
Proceeds from disposal of property, plant and equipment	54,322	246,393
Addition to investment in associates	(222,995)	-
Proceeds from sale of investments carried at fair value through statement of income	572,456	-
Net movement in inventory assigned to customers	9,454	48,911
Payment for key money	-	49,762
Dividends received from associate	136,506	130,141
Dividend received	20,625	24,750
Net cash (used in) from investing activities	(926,756)	249,339
FINANCING ACTIVITIES		
Finance cost paid	(452,059)	(686,372)
Proceeds from murabaha payable	1,096,785	542,356
Repayment of term loans	-	(1,167)
Dividend paid	(1,650,000)	(825,000)
Net cash used in financing activities	(1,005,274)	(970,183)
Net impact of foreign currency translation adjustments	(91,567)	(78,218)
(Decrease) increase in bank balances and cash	(1,379,811)	5,642,057
Bank balances and cash at the beginning of the period	7,265,429	2,455,082
Bank balances and cash at the end of the period	5,885,618	8,097,139

The attached notes 1 to 8 form part of this interim condensed consolidated financial information.

YIACO Medical Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2011 (Unaudited)

1 INCORPORATION AND ACTIVITIES

The interim condensed consolidated financial information of YIACO Medical Company – KSC (Closed) (the ‘Parent Company’) and its subsidiaries (collectively the ‘Group’) for the nine months ended 30 September 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 14th November 2011.

The Parent Company was incorporated on 15 January 1969 in Kuwait. The Group’s principal activities are the import and sale of medical, chemical and dental products and equipment, and mainly operates in Kuwait and Egypt

The Parent Company’s shares are listed on the Kuwait Stock Exchange. The address of the Parent Company’s registered office is P.O. Box 435, Safat 13005, State of Kuwait.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial information of the Group for nine month period ended 30 September 2011 has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

Significant accounting policies

This interim condensed consolidated financial information does not include all information and disclosures required for complete consolidated financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine month period ended 30 September 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011. For further details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2010.

The interim condensed consolidated financial information has been prepared in Kuwaiti Dinars which is the functional currency of the Parent Company.

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 audited consolidated financial statements of the Group for the year ended 31 December 2010 except for adoption of revised standards discussed below.

Annual Improvements 2010

The IASB issued in May 2010 Improvements to IFRS. Most of these amendments became effective in annual periods beginning on or after 1 July 2010 and 1 January 2011. The 2010 Improvements amended certain provisions of IFRS 3, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The adoption did not have any impact on the financial position or performance of the Group.

IAS 24 Related party disclosures (Revised)

The revised Standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The adoption of this revised standard does not have any impact on interim condensed consolidated financial information.

IAS 34 Interim Financial Reporting (Revised)

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

YIACO Medical Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2011 (Unaudited)

3 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earning per share are calculated by dividing the profit for the period attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the period.

	<i>Three months ended 30 September (Unaudited)</i>		<i>Nine months ended 30 September (Unaudited)</i>	
	2011	2010	2011	2010
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>1,021,289</u>	<u>526,104</u>	<u>3,847,331</u>	<u>3,103,055</u>
Weighted average number of shares outstanding during the period	<u>165,000,000</u>	<u>165,000,000</u>	<u>165,000,000</u>	<u>165,000,000</u>
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	<u>6.19 Fils</u>	<u>3.19 Fils</u>	<u>23.32 Fils</u>	<u>18.81 Fils</u>

4 MURABAHA PAYABLE

Murabaha payable represents the value of commodities purchased on a deferred settlement basis and carries effective profit payable rates ranging from 4.5 % to 9.5% (31 December 2010: 4.5% to 9.5% and 30 September 2010: 4.4% to 8.6%) per annum. The murabaha is payable on different dates ending 31 May 2015 and are secured over property, plant and equipment with net book value of KD 714,462 (31 December 2010: KD 742,470 and 30 September 2010: KD 751,806) and against investment in Al Salam Hospital (associate). Amounts payable within the next twelve months are shown as current liabilities.

5 ANNUAL GENERAL ASSEMBLY

The annual general assembly of the shareholders held on 25 April 2011 approved the consolidated financial statements for the year ended 31 December 2010 and cash dividend of 10 fils (31 December 2009: 5 fils) per share amounting to KD 1,650,000 for the year ended 31 December 2010 (31 December 2009: KD 825,000) which was been paid following the approval.

6 CONTINGENT LIABILITIES

At 30 September 2011 the Group had contingent liabilities in respect of outstanding letters of guarantees arising in the ordinary course of business amounting to KD 13,223,215 (31 December 2010: KD 11,451,862 and 30 September 2010: KD 18,986,679).

YIACO Medical Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2011 (Unaudited)

7 RELATED PARTY TRANSACTIONS

Related party transactions are transactions with certain related parties (directors and executive officers of the Parent Company, Associate and their related concerns) entered into by the Group in the ordinary course of business and they appear as follows:

	<i>30 September 2011 (Unaudited) KD</i>	<i>31 December 2010 (Audited) KD</i>	<i>30 September 2010 (Unaudited) KD</i>
Included in the interim condensed consolidated statement of financial position:			
Amount due from related parties (included in accounts receivable and prepayments)	108,341	38,618	-
Amounts due to related parties (included in accounts payables and accruals)	-	9,000	127,576
	<u> </u>	<u> </u>	<u> </u>

The amount due from related parties represents balance from an associate.

	<i>Three months ended 30 September (Unaudited)</i>		<i>Nine months ended 30 September (Unaudited)</i>	
	<i>2011 KD</i>	<i>2010 KD</i>	<i>2011 KD</i>	<i>2010 KD</i>
Included in the interim condensed consolidated statement of income:				
Write-off of inventory assigned to customers (associate)	-	-	59,302	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<i>Three months ended 30 September (Unaudited)</i>		<i>Nine months ended 30 September (Unaudited)</i>	
	<i>2011 KD</i>	<i>2010 KD</i>	<i>2011 KD</i>	<i>2010 KD</i>
Compensation of key management:				
Management remuneration	87,288	38,132	329,154	226,750
Short term benefits	80,948	68,292	235,809	196,372
End of service benefits	4,354	3,467	18,547	15,023
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	172,590	109,891	583,510	438,145
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

8 SEGMENTAL INFORMATION

The Group's primary basis of segment reporting is by business segments, which consist of medical and related activities and investments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to business segments.

YIACO Medical Company K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 September 2011 (Unaudited)

8 SEGMENTAL INFORMATION (continued)

The revenues and result generated by the Group from business segments are summarised as follows:

	<i>Medical and related activities KD</i>	<i>Investments KD</i>	<i>Total KD</i>
Nine months ended 30 September 2011 (Unaudited)			
Segment revenue	68,059,758	762,269	68,822,027
Segment results	3,309,102	762,269	4,071,371
Unallocated expenses (KFAS, NLST, Zakat and directors' remuneration)			(212,233)
Profit for the period			3,859,138
Three months ended 30 September 2011 (Unaudited)			
Segment revenue	23,117,567	372,070	23,489,637
Segment results	710,203	372,070	1,082,273
Unallocated expenses (KFAS, NLST, Zakat and directors' remuneration)			(55,268)
Profit for the period			1,027,005
At 30 September 2011			
Total assets	61,755,982	7,956,924	69,712,906
Nine months ended 30 September 2010 (Unaudited)			
Segment revenue	62,596,004	449,885	63,045,889
Segment results	2,826,577	449,885	3,276,462
Unallocated expenses (KFAS, NLST, Zakat and directors' remuneration)			(158,659)
Profit for the period			3,117,803
Three months ended 30 September 2010 (Unaudited)			
Segment revenue	17,887,047	210,608	18,097,655
Segment results	341,184	210,608	551,792
Unallocated expenses (KFAS, NLST, Zakat and directors' remuneration)			(22,413)
Profit for the period			529,379
At 30 September 2010			
Total assets	52,782,058	7,339,588	60,121,646

The Group mainly operates in Kuwait and Egypt.