

**Privatization Holding Company K.S.C.P.  
and its Subsidiaries**

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

**30 JUNE 2014**



Building a better  
working world

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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF PRIVATIZATION HOLDING COMPANY K.S.C.P.

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Privatization Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group") as at 30 June 2014 and the related interim condensed consolidated statement of income, and interim condensed consolidated comprehensive income for the three and six months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). 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 IAS 34.

### 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 accounts 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 Companies Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association that might have had a material effect on the business of the Parent Company or on its financial position during the six months period ended 30 June 2014.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations that might have had a material effect on the business of the Group or on its financial position during the six months period ended 30 June 2014.

WALEED A. AL OSAIMI  
LICENCE NO. 68-A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

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

10 August 2014  
Kuwait

Privatization Holding Company K.S.C.P. and its Subsidiaries  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME**  
**(UNAUDITED)**  
Period ended 30 June 2014

		Three months ended 30 June		Six months ended 30 June	
	Notes	2014 KD	2013 KD	2014 KD	2013 KD
<b>INCOME</b>					
Realised gain on financial assets at fair value through income statement		1,096	13,057	29,766	3,784
Unrealised gain (loss) on financial assets at fair value through income statement		35,357	(838,980)	406,311	(974,728)
Gain on sale of financial assets available-for-sale		817,109	52,154	1,243,157	531,749
Dividend income		845,049	1,938,565	1,296,349	2,083,522
Interest income		76,093	27,298	194,911	177,924
Murabaha income	9	186,402	186,758	370,845	371,643
Share of results of associates	4	466,893	325,902	878,116	649,766
Gain on sale of subsidiary		-	137,135	-	137,135
Gain on sale of investment property		48,598	17,838	80,265	17,838
Foreign exchange gain (loss)		59,684	(62,709)	41,124	(328,224)
Revenue from services		1,544,528	(365,653)	4,674,593	465,316
Other income		17,074	173,619	110,175	189,807
<b>Total income</b>		<b>4,097,883</b>	<b>1,604,984</b>	<b>9,325,612</b>	<b>3,325,532</b>
<b>EXPENSES</b>					
Cost of services rendered		(1,333,941)	103,082	(3,526,905)	(448,915)
Administrative expenses		(697,065)	47,935	(1,323,665)	(650,482)
Portfolio management fees		(33,174)	(23,972)	(54,852)	(64,639)
Finance costs		(826,329)	(765,258)	(1,576,969)	(1,405,247)
Amortisation of intangibles		-	(69,916)	-	(139,832)
<b>Total expenses</b>		<b>(2,890,509)</b>	<b>(708,129)</b>	<b>(6,482,391)</b>	<b>(2,709,115)</b>
<b>PROFIT FOR THE PERIOD BEFORE TAXATION</b>					
Taxation		1,207,374 (5,064)	896,855	2,843,221 (67,570)	616,417
<b>PROFIT FOR THE PERIOD</b>		<b>1,202,310</b>	<b>896,855</b>	<b>2,775,651</b>	<b>616,417</b>
<b>Attributable to:</b>					
Equity holders of the Parent Company		1,265,359	882,106	2,690,015	589,693
Non-controlling interests		(63,049)	14,749	85,636	26,724
		<b>1,202,310</b>	<b>896,855</b>	<b>2,775,651</b>	<b>616,417</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>					
	3	1.7 fils	1.2 fils	3.6 fils	0.8 fils

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Privatization Holding Company K.S.C.P. and its Subsidiaries  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME (UNAUDITED)**  
Period ended 30 June 2014

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>	<i>2014</i> <i>KD</i>	<i>2013</i> <i>KD</i>
<b>Profit for the period</b>	<b>1,202,310</b>	896,855	<b>2,775,651</b>	616,417
<b>Other comprehensive income</b>				
<i>Other comprehensive (loss) income to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Change in fair value of financial assets available-for-sale	(3,831,914)	(7,211,402)	3,925,196	(8,724,704)
Realised gain on sale of financial assets available-for-sale	(817,109)	(52,154)	(1,243,157)	(531,749)
Share of cumulative changes in fair value of associates (Note 4)	(116,157)	197,422	264,847	424,472
Share of foreign currency translation reserve of associates (Note 4)	4,194	15,380	(6,969)	60,589
<b>Other comprehensive (loss) income for the period</b>	<b>(4,760,986)</b>	(7,050,754)	<b>2,939,917</b>	(8,771,392)
<b>Total comprehensive (loss) income for the period</b>	<b>(3,558,676)</b>	(6,153,899)	<b>5,715,568</b>	(8,154,975)
<b>Attributable to:</b>				
Equity holders of the Parent Company	(3,483,196)	(6,162,778)	5,635,787	(8,178,416)
Non-controlling interests	(75,480)	8,879	79,781	23,441
	<b>(3,558,676)</b>	(6,153,899)	<b>5,715,568</b>	(8,154,975)

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

# Privatization Holding Company K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2014

		30 June 2014 KD	(Audited) 31 December 2013 KD	30 June 2013 KD
<b>ASSETS</b>	<b>Notes</b>			
<b>Non-current assets</b>				
Property, plant and equipment		12,091,925	11,122,663	10,147,548
Intangible assets		2,150,171	2,150,171	2,150,171
Investment in associates	4	44,830,284	43,811,809	26,791,316
Held-to-maturity investment		2,700,000	2,700,000	2,700,000
Murabaha receivable	9	15,054,445	15,068,831	15,083,216
Financial assets available-for-sale	5	61,293,421	59,001,954	63,418,464
Investment property		3,654,021	3,842,658	3,869,369
		<u>141,774,267</u>	<u>137,698,086</u>	<u>124,160,084</u>
<b>Current assets</b>				
Due from sale of investment in subsidiaries		-	-	39,841
Accounts receivable and prepayments		13,045,816	11,304,472	21,557,317
Financial assets at fair value through income statement	6	14,849,334	14,839,294	14,466,498
Bank balances and cash	7	11,870,670	14,930,092	15,156,694
		<u>39,765,820</u>	<u>41,073,858</u>	<u>51,220,350</u>
<b>TOTAL ASSETS</b>		<u>181,540,087</u>	<u>178,771,944</u>	<u>175,380,434</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		73,828,000	73,828,000	73,828,000
Share premium		24,761,544	24,761,544	24,761,544
Statutory reserve		1,061,335	1,061,335	1,061,335
General reserve		1,061,335	1,061,335	1,061,335
Treasury shares		(151,584)	-	-
Treasury shares reserve		1,801,684	1,801,684	1,801,684
Cumulative changes in fair value		3,963,087	1,010,346	(7,309,621)
Foreign currency translation reserve		(41,931)	(34,962)	63,946
Other reserves		(7,605)	(20,790)	(20,790)
Retained earnings (accumulated losses)		1,820,062	(869,953)	1,013,558
<b>Equity attributable to equity holders of the Parent Company</b>		<u>108,095,927</u>	<u>102,598,539</u>	<u>96,260,991</u>
Non-controlling interests		875,159	805,184	729,595
<b>Total equity</b>		<u>108,971,086</u>	<u>103,403,723</u>	<u>96,990,586</u>
<b>Non-current liabilities</b>				
Term loans	8	35,836,245	15,532,125	15,000,000
Employees' end of service benefits		595,860	523,001	477,536
		<u>36,432,105</u>	<u>16,055,126</u>	<u>15,477,536</u>
<b>Current liabilities</b>				
Accounts payable and accruals		3,759,556	2,078,725	3,034,949
Bank overdraft	7	942,284	5,308,782	5,355,244
Term loans	8	31,435,056	51,925,588	54,522,119
		<u>36,136,896</u>	<u>59,313,095</u>	<u>62,912,312</u>
<b>Total liabilities</b>		<u>72,569,001</u>	<u>75,368,221</u>	<u>78,389,848</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>181,540,087</u>	<u>178,771,944</u>	<u>175,380,434</u>

Mohammad A. Al-Asfor  
Vice Chairman

Jamal A. Al-Saleem  
Executive Vice President

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

Privatization Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 June 2014

	Attributable to equity holders of the Parent Company											
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Treasury shares KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Other reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
At 1 January 2014	73,828,000	24,761,544	1,061,335	1,061,335	1,801,684	1,010,346	(34,962)	(20,790)	(869,953)	102,598,539	805,184	103,403,723
Profit for the period	-	-	-	-	-	-	-	-	2,690,015	2,690,015	85,636	2,775,651
Other comprehensive loss for the period	-	-	-	-	-	2,952,741	(6,969)	-	-	2,945,772	(5,855)	2,939,917
Total comprehensive income (loss) for the period	-	-	-	-	-	2,952,741	(6,969)	-	2,690,015	5,635,787 (151,584)	79,781 -	5,715,568 (151,584)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
Share of other reserves of associate (Note 4)	-	-	-	-	-	-	-	26,126	-	26,126	-	26,126
Ownership changes in equity of a subsidiary without loss of control	-	-	-	-	-	-	-	(12,941)	-	(12,941)	(9,806)	(22,747)
At 30 June 2014	73,828,000	24,761,544	1,061,335	1,061,335	1,801,684	3,963,087	(41,931)	(7,605)	1,820,062	108,095,927	875,159	108,971,086
At 1 January 2013	73,828,000	24,761,544	1,061,335	1,061,335	1,591,786	1,519,077	3,357	-	4,852,363	107,947,926	697,812	108,645,738
Profit for the period	-	-	-	-	-	-	-	-	589,693	589,693	26,724	616,417
Other comprehensive (loss) income for the period	-	-	-	-	-	(8,828,698)	60,589	-	-	(8,768,109)	(3,283)	(8,771,392)
Total comprehensive (loss) income for the period	-	-	-	-	-	(8,828,698)	60,589	-	589,693	(8,178,416) 940,769	23,441 -	(8,154,975) 940,769
Sale of treasury shares	-	-	-	-	730,871	-	-	-	-	-	-	-
Ownership changes in equity of a subsidiary without loss of control	-	-	-	-	-	-	-	(20,790)	-	(20,790)	21,790	1,000
Dividend paid	-	-	-	-	-	-	-	-	(4,428,498)	(4,428,498)	(13,448)	(4,441,946)
At 30 June 2013	73,828,000	24,761,544	1,061,335	1,061,335	1,801,684	(7,309,621)	63,946	(20,790)	1,013,558	96,260,991	729,595	96,990,586

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

# Privatization Holding Company K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

Period ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 KD	2013 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		2,775,651	616,417
Adjustments for:			
Depreciation		378,870	151,986
Amortisation of intangibles		-	139,832
Provision for employees' end of service benefits		125,733	45,881
Gain on sale of financial assets available-for-sale		(1,243,157)	(531,749)
Realised gain on financial assets at fair value through income statement		(29,766)	(3,784)
Unrealised (gain) loss on financial assets at fair value through income statement		(406,311)	974,728
Dividend income		(1,296,349)	(2,083,522)
Interest income		(194,911)	(177,924)
Murabaha income		(370,845)	(371,643)
Finance costs		1,576,969	1,405,247
Foreign exchange (gain) loss		(41,124)	328,224
Share of results of associates	4	(878,116)	(649,766)
Gain on sale of investment property		(80,265)	(17,838)
Gain on sale of a subsidiary		-	(137,135)
		316,379	(311,046)
Working capital changes:			
Accounts receivable and prepayments		(1,790,880)	(1,680,055)
Financial assets at fair value through income statement		426,037	(465,826)
Accounts payable and accruals		1,444,658	466,360
Due from sale of investment in subsidiary		-	160,159
Cash flows from (used in) operating activities		396,194	(1,830,408)
Taxation paid		-	(143,366)
Employees' end of service benefits paid		(52,874)	(11,577)
Net cash flows from (used in) operating activities		343,320	(1,985,351)
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(1,348,132)	(193,984)
Proceeds from sale of investment property		268,902	65,711
Purchase of investment in associates	4	-	(9,295,691)
Dividend received from associates	4	143,645	548,484
Purchase of financial assets available-for-sale		(4,062,943)	(3,425,025)
Proceeds from sale of financial assets available-for-sale		5,696,671	5,649,003
Net movement in murabaha receivable		385,231	386,029
Interest income received		194,911	59,464
Dividend income received		1,296,349	2,083,522
Net cash flows from (used in) investing activities		2,574,634	(4,122,487)
<b>FINANCING ACTIVITIES</b>			
Purchase of treasury shares		(151,584)	-
Proceeds from sale of treasury shares		-	940,769
Finance costs paid		(1,202,835)	(1,145,110)
Dividends paid		(79,753)	(4,124,447)
Term loan obtained		1,104,696	14,000,000
Repayment of short term loan		(1,258,655)	(118,149)
Movement in non-controlling interest		(22,747)	1,000
Net cash flows (used in) from financing activities		(1,610,878)	9,554,063
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		1,307,076	3,446,225
Cash and cash equivalents at 1 January		9,621,310	6,355,225
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	7	10,928,386	9,801,450

The attached notes 1 to 12 form part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2014

**1 CORPORATE INFORMATION**

The interim condensed consolidated financial information of Privatization Holding Company K.S.C.P. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") for the six months period ended 30 June 2014 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 10 August 2014.

The Parent Company is a Kuwaiti shareholding company registered in Kuwait on 10 October 1994 and is listed on the Kuwait Stock Exchange. It is licensed to invest in Kuwaiti and foreign shareholding companies and limited liability companies and to participate in the establishment and management of such entities. The Parent Company is also licensed to lend to such entities and act as their guarantor. The Parent Company may also invest in real estate, hold patents and copy rights, and advance loans to associates. The Parent Company's registered office is located in Sharq, Ahmad Al-Jaber Street, Dar Al-Awadi Tower, 23<sup>rd</sup> Floor, P.O. Box 4323, Safat 13104, Kuwait.

The new Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law") cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law, issued on 29 September 2013 was published in the official Gazette on 6 October 2013. As per article three of the Executive Regulations, companies have one year from the date of publishing the executive regulations to comply with the new amended law.

The Annual General Assembly meeting held on 1 June 2014 approved nil cash dividends per share (2012: 6 fils per share) for the year ended 31 December 2013 on outstanding shares excluding treasury shares.

**2 BASIS OF PRESENTATION**

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

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013. Operating results for the six months period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations effective as of 1 January 2014:

*IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)*  
These amendments are effective for annual periods beginning on or after 1 January 2014 and clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment has not resulted in any impact on the financial position or performance of the Group.

*IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)*  
These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash generating units for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. Though these amendments have not resulted in any additional disclosures currently, the same would continue to be considered for future disclosures.



# Privatization Holding Company K.S.C.P. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 30 June 2014

### 2 BASIS OF PRESENTATION (continued)

#### *IFRS 15 – Revenue from Contracts with customers*

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 and does not expect any significant impact on adoption of this standard.

The adoption of these standards did not have any significant or material impact on the interim condensed consolidated financial information of the Group and relevant disclosures will be made in the annual consolidated financial statements of the Group.

### 3 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period less treasury shares as follows:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	<b>1,265,359</b>	882,106	<b>2,690,015</b>	589,693
Weighted average number of shares outstanding during the period	<b>737,438,045</b>	736,473,537	<b>737,856,696</b>	732,977,965
Basic and diluted earnings per share from continuing operations	<b>1.7 fils</b>	1.2 fils	<b>3.6 fils</b>	0.8 fils

The weighted average number of shares outstanding during the period is calculated after adjusting for treasury shares as follows:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Weighted average number of paid up shares	<b>738,280,000</b>	738,280,000	<b>738,280,000</b>	738,280,000
Less: Weighted average number of treasury shares	<b>(841,955)</b>	(1,806,463)	<b>(423,304)</b>	(5,302,035)
Weighted average number of shares outstanding during the period	<b>737,438,045</b>	736,473,537	<b>737,856,696</b>	732,977,965

Privatization Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

At 30 June 2014

**4 INVESTMENT IN ASSOCIATES**

The movement in investment in associates is as follows:

	<b>30 June 2014 KD</b>	<b>(Audited) 31 December 2013 KD</b>	<b>30 June 2013 KD</b>
Opening balance	43,811,809	12,772,146	12,772,146
Additions	-	13,432,826	13,295,692
Transfer from financial assets available for sale	-	16,644,512	-
Dividends received	(143,645)	(1,538,889)	(548,484)
Transfer from investment in subsidiary	-	-	137,135
Share of results	878,116	2,427,896	649,766
Cumulative changes in fair values	264,847	111,638	424,472
Foreign currency translation adjustment	(6,969)	(38,320)	60,589
Other reserve	26,126	-	-
Closing balance	<u>44,830,284</u>	<u>43,811,809</u>	<u>26,791,316</u>

One of the investment in associates, with a carrying value of KD 14,381,000 is secured against a term loan (Note 8).

**5 FINANCIAL ASSETS AVAILABLE-FOR-SALE**

	<b>30 June 2014 KD</b>	<b>(Audited) 31 December 2013 KD</b>	<b>30 June 2013 KD</b>
Quoted equity securities	42,668,211	39,276,022	47,764,893
Unquoted equity securities	9,206,054	10,105,980	14,479,775
Mutual funds	9,419,156	9,619,952	1,173,796
	<u>61,293,421</u>	<u>59,001,954</u>	<u>63,418,464</u>

- Mutual funds are carried at net asset values provided by the fund managers and portfolio managers.
- Unquoted equity securities are carried at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold them for the long term.
- Management has performed a review of financial assets available-for-sale to assess whether impairment has occurred and are of the view that there are no indications of impairment. No impairment loss was recorded in the current period (30 June 2013: KD Nil) interim condensed consolidated statement of income.

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**6 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT**

	<b>30 June 2014 KD</b>	<b>(Audited) 31 December 2013 KD</b>	<b>30 June 2013 KD</b>
<b>Held for trading</b>			
Quoted equity securities	<b>3,539,150</b>	<b>3,452,264</b>	<b>3,095,212</b>
<b>Designated upon initial recognition</b>			
Unquoted equity security	<b>10,672,634</b>	<b>10,672,634</b>	<b>10,672,634</b>
Mutual funds	<b>637,550</b>	<b>714,396</b>	<b>698,652</b>
	<b>14,849,334</b>	<b>14,839,294</b>	<b>14,466,498</b>

**7 CASH AND CASH EQUIVALENTS**

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprises of the following:

	<b>30 June 2014 KD</b>	<b>(Audited) 31 December 2013 KD</b>	<b>30 June 2013 KD</b>
Bank balances and cash	<b>10,562,980</b>	<b>13,868,068</b>	<b>11,459,034</b>
Cash with a portfolio manager	<b>1,307,690</b>	<b>1,062,024</b>	<b>3,697,660</b>
	<b>11,870,670</b>	<b>14,930,092</b>	<b>15,156,694</b>
Bank overdraft	<b>(942,284)</b>	<b>(5,308,782)</b>	<b>(5,355,244)</b>
	<b>10,928,386</b>	<b>9,621,310</b>	<b>9,801,450</b>

**8 TERM LOANS**

On 11 August 2012, the Parent Company obtained a term loan of KD 15,000,000 from a local financial institution which is repayable on 10 August 2015. It carries interest at the rate of 5% per annum. The term loan is secured against certain portfolios maintained by the Parent Company with a third party whose value should not be below twice the amount of outstanding loan balance.

Term loans amounting to KD 25,890,000 (31 December 2013: KD 26,565,748, 30 June 2013: KD 26,796,045) represents credit facilities from a local bank and are subject to interest rate of 2.5% per annum over the CBK discount rate. Subsequent to the year end, the Parent Company restructured these term loans which will be payable in 2015 and 2016.

Term loans amounting to KD 6,802,813 (31 December 2013: KD 6,808,173, 30 June 2013: KD 6,881,073) represents short-term credit facilities from a local bank and are subject to interest rates ranging between 1.5% to 2.5% per annum over the CBK discount rate or 3 months LIBOR. These term loans are secured against unquoted equity securities classified as financial assets at fair value through income statement amounting to KD 10,672,634 as of 30 June 2014.

Term loan amounting to KD 9,975,000 (31 December 2013: KD 9,985,000, 30 June 2013: KD 10,000,000) from a local financial institution is repayable on 13 August 2014. It carries interest at the rate of 4.5% per annum. The term loan is secured against murabaha receivable.

Term loan of KD 4,000,000 (31 December 2013: KD 4,000,000, 30 June 2013: KD 4,000,000) from a local financial institution is auto renewable and carries interest at the rate of 4.75% per annum. The term loan is secured against an investment portfolio comprising of shares of a listed entity amounting to KD 2,567,573 as of 30 June 2014.

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### 8 TERM LOANS (continued)

Term loan of KD 1,446,245, (31 December 2013: KD532,125; 30 June 2013: KD Nil) from a local financial institution carries interest at the rate of 3.5% per annum.

Term loans also includes Tawarruq finance amounting to KD 4,157,243 (31 December 2013: KD 4,566,667, 30 June 2013: KD 6,850,000) which was obtained in 2011 from a local bank. Tawarruq carries profit at rate of 5.25% (2013: 5.75%) per annum. The amount is repayable in December 2014.

During 2012, a term loan of KD 72,672,640 was settled against the amount due from sale of subsidiary Ajwan General Trading and Contracting Company W.L.L. on transfer of term loan by NBK to a third party which is guaranteed by the Parent Company and Al Khair National for Stocks and Real Estate Company (Note 10).

### 9 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the interim condensed consolidated financial information are as follows:

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
<b>Interim condensed consolidated statement of income</b>		
Interest income	755	119,962
Dividend income	385,932	1,098,963
Murabaha income	370,845	371,643
Portfolio management fees	(1,198)	(2,662)
	<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
<b>Interim condensed consolidated statement of financial position</b>		
Cash with portfolio manager	44,788	91,745
Murabaha receivable	15,054,445	15,068,831
Financial assets available-for-sale	9,352,367	8,966,583
Financial assets at fair value through income statement	211,004	195,610
Due from related parties	3,129,983	2,958,226
Due to related parties	(17,716)	(17,770)
		(427,933)

The amount due from/to related parties are interest free and are receivable/payable on demand.

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**9 RELATED PARTY TRANSACTIONS (continued)**

**Compensation of key management personnel**

The remuneration of key management personnel of the Group during the period was as follows:

	<i>Six months ended 30 June</i>	
	<i>2014 KD</i>	<i>2013 KD</i>
Short-term employee benefits	<b>276,618</b>	233,178
End of service benefits	<b>100,814</b>	31,848
	<b>377,432</b>	<b>265,026</b>

**Other information**

a) The following financial assets are managed by related parties:

	<i>30 June 2014 KD</i>	<i>(Audited) 31 December 2013 KD</i>	<i>30 June 2013 KD</i>
<b>Financial assets available-for-sale</b>			
Quoted equity securities	<b>1,184,545</b>	5,438,751	4,755,759
Mutual funds	<b>186,059</b>	186,223	188,465
<b>Financial assets at fair value through income statement</b>			
Quoted equity securities	<b>71,295</b>	54,855	46,192

b) The equity securities classified as financial assets available-for-sale with a carrying value of KD 12,462,083 (quoted KD 557,046, unquoted KD 2,674,330, mutual funds KD 9,230,707), (31 December 2013: KD 12,659,846 (quoted KD 557,536, unquoted KD 2,674,330, mutual funds KD 9,427,980), (30 June 2013: KD 5,912,906 (quoted KD 564,249, unquoted KD 5,348,659, mutual funds KD Nil)) are registered in the name of a major shareholder of the Parent Company who has confirmed in writing that it holds these equity securities on behalf of the Parent Company.

c) The real estate properties in Egypt classified as investment properties are registered in the name of a key management personnel who has confirmed in writing that he holds the investment property on behalf of the Parent Company.

**10 COMMITMENTS AND CONTINGENCIES**

	<i>30 June 2014 KD</i>	<i>(Audited) 31 December 2013 KD</i>	<i>30 June 2013 KD</i>
<b>Commitments</b>			
Purchase of financial assets available-for-sale	<b>4,326,288</b>	4,506,062	1,023,303

**Contingencies**

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 4,154,562 (31 December 2013: KD 3,007,751 and 30 June 2013: KD 2,072,000) from which it is anticipated that no material liabilities will arise.

The Parent Company and Al Khair National for Stocks and Real Estate Company have provided a guarantee to NBK against loan of KD 72,672,640 assigned to a third party during 2012 (Note 8). This loan was rescheduled during 2013 and the principal (excluding interest) is repayable in eleven annual installments commencing 15 June 2016.

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**11 SEGMENT INFORMATION**

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 return on investments. The Group does not have any inter-segment transactions.

The following table presents segment income and results information regarding the Group's business segments:

<i>Six months ended 30 June 2014</i>	<i>Investment KD</i>	<i>Other KD</i>	<i>Total KD</i>
<b>Income</b>	<b>4,468,760</b>	<b>4,856,852</b>	<b>9,325,612</b>
<b>Results</b>			
Segment profit	<b>2,117,960</b>	<b>657,691</b>	<b>2,775,651</b>
<i>Six months ended 30 June 2013</i>	<i>Investment KD</i>	<i>Other KD</i>	<i>Total KD</i>
<b>Income</b>	<b>2,580,488</b>	<b>745,044</b>	<b>3,325,532</b>
<b>Results</b>			
Segment profit	<b>536,211</b>	<b>80,206</b>	<b>616,417</b>

The following table presents segment assets and liabilities of the Group's business segments:

	<i>Investment KD</i>	<i>Other KD</i>	<i>Total KD</i>
<b>Assets</b>			
<b>At 30 June 2014</b>	<b>155,552,111</b>	<b>25,987,976</b>	<b>181,540,087</b>
At 31 December 2013	156,201,263	22,570,681	178,771,944
At 30 June 2013	150,029,520	25,350,914	175,380,434
<b>Liabilities</b>			
<b>At 30 June 2014</b>	<b>62,995,324</b>	<b>9,573,677</b>	<b>72,569,001</b>
At 31 December 2013	68,377,216	6,991,005	75,368,221
At 30 June 2013	68,283,617	10,106,231	78,389,848

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**12 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the amount at which an asset, liability or financial instrument could be exchanged or settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. Financial instruments comprise financial assets and financial liabilities.

The estimated fair values of financial instruments, except for unquoted equity securities classified as financial assets available-for-sale (Note 5) approximated their carrying values at the reporting date.

**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial assets recorded at fair value by level of the fair value hierarchy:

	<i>Level 1</i> <i>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<b>30 June 2014</b>				
Financial assets available-for-sale	42,668,211	9,419,156		52,087,367
Financial assets at fair value through income statement	3,539,150	637,550	10,672,634	14,849,334
<b>31 December 2013</b>				
Financial assets available-for-sale	39,276,022	9,619,952		48,895,974
Financial assets at fair value through income statement	3,452,264	714,396	10,672,634	14,839,294
<b>30 June 2013</b>				
Financial assets available-for-sale	47,764,899	1,173,796	-	48,938,695
Financial assets at fair value through income statement	3,095,212	698,652	10,672,634	14,466,498

During the six months period ended 30 June 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.