

**Interim condensed consolidated financial information and review report
Privatization Holding Company – KPSC and Subsidiaries**

Kuwait

30 September 2015 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Privatization Holding Company – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Privatization Holding Company (Kuwaiti Public Shareholding Company) (the “Parent Company”) and its subsidiaries (collectively the “Group”) as of 30 September 2015 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine month 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

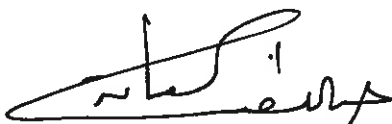
We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial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

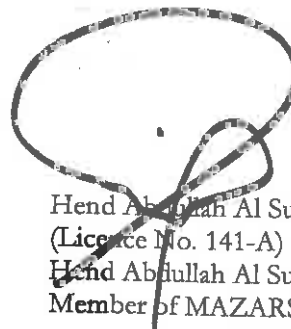
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

Report on review of 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, no violations of the Companies Law No. 25 of 2012 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine month period ended 30 September 2015 that might have had a material effect on the business or financial position of the Parent Company.



Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners



Hend Abdulla Al Surayea
(Licence No. 141-A)
Hend Abdulla Al Surayea & Co.
Member of MAZARS

Interim condensed consolidated statement of profit or loss

| | Notes | Three months ended | | Nine months ended | |
|----------------------------------------------------------------------------------------------|-------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | | 30 Sept. 2015 (Unaudited) KD | 30 Sept. 2014 (Unaudited) KD | 30 Sept. 2015 (Unaudited) KD | 30 Sept. 2014 (Unaudited) KD |
| Revenue | | | | | |
| Gain on sale of investments at fair value through profit or loss | | - | - | 50,892 | 29,766 |
| Change in fair value of investments at fair value through profit or loss | | (166,029) | 180,840 | (263,293) | 587,151 |
| Gain on sale of available for sale investments | | 303,716 | 405,014 | 397,437 | 1,648,171 |
| Dividend income | | 108,120 | 288,965 | 1,988,686 | 1,585,314 |
| Interest income | | 24,156 | 97,986 | 210,210 | 292,897 |
| Murabaha income | 8 | 85,849 | 188,361 | 453,941 | 559,206 |
| Share of results of associates | 10 | 879,460 | 1,362,918 | 941,779 | 2,241,034 |
| (Loss)/gain on sale of investment properties | | (1,404) | 41,679 | 25,829 | 121,944 |
| Revenue from services | | 3,880,048 | 1,540,887 | 10,153,649 | 5,998,280 |
| Foreign exchange (loss)/gain | | (55,437) | (7,010) | (9,358) | 34,115 |
| Other income | | 106,884 | 114,128 | 421,446 | 441,503 |
| Total income | | 5,165,363 | 4,213,768 | 14,371,218 | 13,539,381 |
| Expenses and other charges | | | | | |
| Cost of services rendered | | (2,984,619) | (1,117,602) | (8,058,640) | (4,644,507) |
| General and administrative expenses | | (695,541) | (675,024) | (2,018,707) | (1,998,690) |
| Portfolio management fees | | (19,876) | (31,424) | (74,403) | (86,276) |
| Finance costs | | (665,843) | (796,130) | (2,262,646) | (2,373,099) |
| Total expenses | | (4,365,879) | (2,620,180) | (12,414,396) | (9,102,572) |
| Profit for the period before taxation | | 799,484 | 1,593,588 | 1,956,822 | 4,436,809 |
| Taxation | | - | (43,000) | - | (110,571) |
| Profit for the period | | 799,484 | 1,550,588 | 1,956,822 | 4,326,238 |
| Attributable to: | | | | | |
| Owners of the Parent Company | | 710,098 | 1,555,823 | 1,710,192 | 4,245,836 |
| Non-controlling interests | | 89,386 | (5,235) | 246,630 | 80,402 |
| | | 799,484 | 1,550,588 | 1,956,822 | 4,326,238 |
| Basic and diluted earnings per share attributable to the owners of the parent company | 5 | 0.9 Fils | 2.2 Fils | 2.3 Fils | 5.8 Fils |

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income


| | Note | Three months ended | | Nine months ended | |
|----------------------------------------------------------------------------------------------------------|------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | | 30 Sept. 2015 (Unaudited) KD | 30 Sept. 2014 (Unaudited) KD | 30 Sept. 2015 (Unaudited) KD | 30 Sept. 2014 (Unaudited) KD |
| Profit for the period | | 799,484 | 1,550,588 | 1,956,822 | 4,326,238 |
| Other comprehensive income | | | | | |
| <i>Items that may be reclassified to consolidated statement of profit or loss in subsequent periods:</i> | | | | | |
| Available for sale investments : | | | | | |
| - Change in fair value | | (4,128,801) | 3,278,553 | (5,201,823) | 7,203,750 |
| - Transferred to consolidated statement of profit or loss on sale | | (303,716) | (405,014) | (397,437) | (1,648,171) |
| Exchange difference arising on translation of foreign operations | | (60) | - | 530 | - |
| Share of other comprehensive (loss)/income of associates | 10 | (480,840) | 53,766 | (234,542) | 311,644 |
| Other comprehensive (loss)/income for the period | | (4,913,417) | 2,927,305 | (5,833,272) | 5,867,223 |
| Total comprehensive (loss)/income for the period | | (4,113,933) | 4,477,893 | (3,876,450) | 10,193,461 |
| Attributable to: | | | | | |
| Owners of the Parent Company | | (4,036,357) | 4,477,044 | (3,924,673) | 10,112,831 |
| Non-controlling interests | | (77,576) | 849 | 48,223 | 80,630 |
| | | (4,113,933) | 4,477,893 | (3,876,450) | 10,193,461 |

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

| | Notes | 30 Sept. 2015 (Unaudited) KD | 31 Dec. 2014 (Audited) KD | 30 Sept. 2014 (Unaudited) KD |
|------------------------------------------------------------|-------|---------------------------------------|------------------------------------|---------------------------------------|
| Assets | | | | |
| Bank balances and cash | 6 | 9,411,216 | 11,070,292 | 11,957,680 |
| Investments at fair value through profit or loss | 7 | 13,799,079 | 14,380,792 | 14,990,944 |
| Accounts receivable and prepayments | | 18,315,327 | 14,520,646 | 12,362,464 |
| Murabaha receivable | 8 | - | 15,040,060 | 15,047,252 |
| Available for sale investments | 9 | 44,440,663 | 57,588,215 | 63,049,062 |
| Investment in associates | 10 | 47,219,904 | 48,375,955 | 45,885,316 |
| Investment properties | | 3,540,151 | 3,663,596 | 3,576,594 |
| Held-to-maturity investment | 11 | 1,500,000 | 2,700,000 | 2,700,000 |
| Intangible assets | | 2,160,176 | 2,150,171 | 2,150,171 |
| Property, plant and equipment | | 11,622,989 | 11,746,334 | 11,904,366 |
| Total assets | | 152,009,505 | 181,236,061 | 183,623,849 |
| Equity and liabilities | | | | |
| Equity | | | | |
| Share capital | | 73,828,000 | 73,828,000 | 73,828,000 |
| Share premium | | 24,761,544 | 24,761,544 | 24,761,544 |
| Statutory reserve | | 1,486,581 | 1,486,581 | 1,061,335 |
| General reserve | | 1,061,335 | 1,061,335 | 1,061,335 |
| Treasury shares | 12 | (1,138,453) | (282,084) | (151,584) |
| Treasury shares reserve | | 1,812,140 | 1,801,684 | 1,801,684 |
| Fair value reserve | | (6,291,456) | (384,428) | 6,695,068 |
| Foreign currency translation reserve | | 572,563 | 300,400 | 147,311 |
| Other reserves | | (14,412) | 5,336 | 5,336 |
| Retained earnings | | 1,771,999 | 3,742,501 | 3,375,883 |
| Equity attributable to owners of the parent company | | 97,849,841 | 106,320,869 | 112,585,912 |
| Non-controlling interests | | 1,625,068 | 988,704 | 893,981 |
| Total equity | | 99,474,909 | 107,309,573 | 113,479,893 |
| Liabilities | | | | |
| Term loans | 13 | 46,877,885 | 68,229,880 | 67,355,341 |
| Employees' end of service benefits | | 853,813 | 642,938 | 623,630 |
| Accounts payable and other liabilities | | 4,311,640 | 4,266,613 | 1,950,921 |
| Bank overdraft | | 491,258 | 787,057 | 214,064 |
| Total liabilities | | 52,534,596 | 73,926,488 | 70,143,956 |
| Total equity and liabilities | | 152,009,505 | 181,236,061 | 183,623,849 |


Riyadh S.A. Edrees
Chairman


Mohammad A. Al-Asfor
Vice Chairman

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.



Interim condensed consolidated statement of changes in equity

| | Equity attributable to the owners of the parent company | | | | | | | | | | Non- controlling interests | Total equity | |
|---------------------------------------------------------------------|---------------------------------------------------------|------------------------|----------------------------|--------------------------|--------------------------|-------------------------------------|-----------------------------|-----------------------------------------------------|-------------------------|----------------------------|----------------------------------|-----------------|-----------------|
| | Share capital KD | Share premium KD | Statutory reserve KD | General reserve KD | Treasury shares KD | Treasury shares reserve KD | Fair value reserve KD | Foreign currency translation reserve KD | Other reserves KD | Retained earnings KD | | | Sub-total KD |
| At 1 January 2015 | 73,828,000 | 24,761,544 | 1,486,581 | 1,061,335 | (282,084) | 1,801,684 | (384,428) | 300,400 | 5,336 | 3,742,501 | 106,320,869 | 988,704 | 107,309,573 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 1,710,192 | 1,710,192 | 246,630 | 1,956,822 |
| Other comprehensive income: | | | | | | | | | | | | | |
| Available for sale investments: | | | | | | | | | | | | | |
| - Change in fair value | - | - | - | - | - | - | (5,003,414) | - | - | - | (5,003,414) | (198,409) | (5,201,823) |
| - Transferred to statement of profit or loss on sale | - | - | - | - | - | - | (397,437) | - | - | - | (397,437) | - | (397,437) |
| Exchange difference arising on translation of foreign operations | - | - | - | - | - | - | - | 530 | - | - | 530 | - | 530 |
| Share of other comprehensive (loss)/income of associates | - | - | - | - | - | - | (506,177) | 271,633 | - | - | (234,544) | 2 | (234,542) |
| Other comprehensive (loss)/income for the period | - | - | - | - | - | - | (5,907,028) | 272,163 | - | - | (5,634,865) | (198,407) | (5,833,272) |
| Total comprehensive (loss)/income for the period | - | - | - | - | - | - | (5,907,028) | 272,163 | - | 1,710,192 | (3,924,673) | 48,223 | (3,876,450) |
| Purchase of treasury shares | - | - | - | - | (1,018,700) | - | - | - | - | - | (1,018,700) | - | (1,018,700) |
| Sale of treasury shares | - | - | - | - | 162,331 | 10,456 | - | - | - | - | 172,787 | - | 172,787 |
| Share of other reserves of associate (Note 10) | - | - | - | - | - | - | - | - | (6,807) | - | (6,807) | - | (6,807) |
| Ownership changes in equity of a subsidiary without loss of control | - | - | - | - | - | - | - | - | (12,941) | - | (12,941) | 4,257 | (8,684) |
| Purchase of subsidiary | - | - | - | - | - | - | - | - | - | - | - | 583,884 | 583,884 |
| Dividends paid | - | - | - | - | - | - | - | - | - | (3,680,694) | (3,680,694) | - | (3,680,694) |
| At 30 September 2015 | 73,828,000 | 24,761,544 | 1,486,581 | 1,061,335 | (1,138,453) | 1,812,140 | (6,291,456) | 572,563 | (14,412) | 1,771,999 | 97,849,841 | 1,625,068 | 99,474,909 |

Interim condensed consolidated statement of changes in equity (continued)

| | Equity attributable to owners of the parent company | | | | | | | | | | Non- controlling interests | Total equity | |
|---------------------------------------------------------------------|-----------------------------------------------------|------------------------|----------------------------|--------------------------|--------------------------|-------------------------------------|-----------------------------|-----------------------------------------------------|-------------------------|--------------------------------------------------------|----------------------------------|-----------------|-----------------|
| | Share capital KD | Share premium KD | Statutory reserve KD | General reserve KD | Treasury shares KD | Treasury shares reserve KD | Fair value reserve KD | Foreign currency translation reserve KD | Other reserves KD | (Accumulated losses)/ retained earnings KD | | | Sub-total 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 | - | - | - | - | - | - | - | - | - | 4,245,836 | 4,245,836 | 80,402 | 4,326,238 |
| Other comprehensive income: | | | | | | | | | | | | | |
| Available for sale investments: | | | | | | | | | | | | | |
| - Change in fair value | - | - | - | - | - | - | 7,203,525 | - | - | - | 7,203,525 | 225 | 7,203,750 |
| - Transferred to statement of profit or loss on sale | - | - | - | - | - | - | (1,648,171) | - | - | - | (1,648,171) | - | (1,648,171) |
| Share of other comprehensive income of associates | - | - | - | - | - | - | 129,368 | 182,273 | - | - | 311,641 | 3 | 311,644 |
| Other comprehensive income for the period | - | - | - | - | - | - | 5,684,722 | 182,273 | - | - | 5,866,995 | 228 | 5,867,223 |
| Total comprehensive income for the period | - | - | - | - | - | - | 5,684,722 | 182,273 | - | 4,245,836 | 10,112,831 | 80,630 | 10,193,461 |
| Purchase of treasury shares | - | - | - | - | - | - | - | - | - | - | (151,584) | - | (151,584) |
| Share of other reserves of associate (Note 10) | - | - | - | - | - | - | - | - | 26,126 | - | 26,126 | - | 26,126 |
| Ownership changes in equity of a subsidiary without loss of control | - | - | - | - | - | - | - | - | - | - | - | 8,167 | 8,167 |
| At 30 September 2014 | 73,828,000 | 24,761,544 | 1,061,335 | 1,061,335 | (151,584) | 1,801,684 | 6,695,068 | 147,311 | 5,336 | 3,375,883 | 112,585,912 | 893,981 | 113,479,893 |

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

| | Notes | Nine months ended 30 Sept. 2015 (Unaudited) KD | Nine months ended 30 Sept. 2014 (Unaudited) KD |
|--------------------------------------------------------------------------|-------|------------------------------------------------------------|------------------------------------------------------------|
| OPERATING ACTIVITIES | | | |
| Profit for the period | | 1,956,822 | 4,326,238 |
| Adjustments for: | | | |
| Depreciation | | 1,042,666 | 540,897 |
| Provision for employees' end of service benefits | | 253,971 | 156,026 |
| Gain on sale of available of sale of investments | | (397,437) | (1,648,171) |
| Gain on sale investments at fair value through profit or loss | | (50,892) | (29,766) |
| Change in fair value on investments at fair value through profit or loss | | 263,293 | (587,151) |
| Dividend income | | (1,988,686) | (1,585,314) |
| Interest income | | (210,210) | (292,897) |
| Murabaha income | | (453,941) | (559,206) |
| Finance costs | | 2,262,646 | 2,373,099 |
| Foreign exchange gain | | 9,358 | (34,115) |
| Share of results of associates | 10 | (941,779) | (2,241,034) |
| Gain on sale of investment property | | (25,829) | (121,944) |
| Change in operating assets and liabilities: | | 1,719,982 | 296,662 |
| Accounts receivable and prepayments | | (3,064,558) | (1,094,772) |
| Investments at fair value through profit or loss | | 369,312 | 465,267 |
| Accounts payable and accruals | | 34,885 | (71,708) |
| Cash flows used in operating activities | | (940,379) | (404,551) |
| Taxation paid | | (74,766) | - |
| Employees' end of service benefits paid | | (43,096) | (55,397) |
| Net cash flows used in operating activities | | (1,058,241) | (459,948) |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (579,321) | (1,322,600) |
| Proceeds from sale of investment property | | 149,274 | 388,008 |
| Dividend received from associates | 10 | 1,901,226 | 505,297 |
| Purchase of available for sale investments | | (1,595,741) | (4,324,357) |
| Proceeds from sale of available for sale investments | | 9,541,471 | 7,478,388 |
| Purchase of investment in associate company | | (44,749) | - |
| Murabaha receivable | | 15,494,001 | 580,785 |
| Interest income received | | 210,210 | 292,897 |
| Dividend income received | | 1,988,686 | 1,585,314 |
| Purchase of investment in held to maturity | | (1,500,000) | - |
| Proceeds from redemption of investment in held to maturity | | 2,700,000 | - |
| Purchase of investment in subsidiary | | (300,000) | - |
| Net cash flows from investing activities | | 27,965,057 | 5,183,732 |
| FINANCING ACTIVITIES | | | |
| Purchase of treasury shares | | (1,018,700) | (151,584) |
| Sale of treasury shares | | 172,787 | - |
| Finance costs paid | | (2,187,985) | (2,163,062) |
| Dividends paid | | (3,680,694) | (91,074) |
| Term loan obtained | | 5,036,859 | 1,059,729 |
| Repayment of term loan | | (26,584,206) | (1,263,654) |
| Movement in non-controlling interest | | (8,684) | 8,167 |
| Net cash flows used in financing activities | | (28,270,623) | (2,601,478) |
| Net (decrease)/increase in cash and cash equivalents | | (1,363,807) | 2,122,306 |
| Foreign currency translation reserve | | 530 | - |
| Cash and cash equivalents at beginning of the period | | 10,283,235 | 9,621,310 |
| Cash and cash equivalents at end of the period | 6 | 8,919,958 | 11,743,616 |

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Corporate Information

The interim condensed consolidated financial information of Privatization Holding Company - KPSC (the "Parent Company") and its subsidiaries (collectively, the "Group") for the nine months ended 30 September 2015 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 15 November 2015.

The Parent Company is a Kuwaiti shareholding company registered in Kuwait on 10 October 1994 and is listed on the Kuwait Stock Exchange.

The Parent Company's registered office is located in Sharq, Ahmad Al-Jaber Street, Dar Al-Awadi Tower, 23rd Floor, P.O. Box 4323, Safat 13104, Kuwait.

The Parent Company 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,
- Lend to such entities and act as their guarantor,
- Utilization of excess funds in investment in financial portfolios or real estate portfolios through specialised parties inside or outside Kuwait,
- Invest in real estate, hold patents and copy rights, and advance loans to associates,
- Represent foreign consulting firms in local market.

2 Basis of preparation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the most recent annual financial statements of the group for the year ended 31 December 2014 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the group.

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

Operating results for the nine month period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2014.

3 Changes in accounting policies

3.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2015. Information on these new standards is presented below:

| <i>Standard or Interpretation</i> | <i>Effective for annual periods beginning</i> |
|------------------------------------------------------------------|-----------------------------------------------|
| IAS 19 Defined Benefit Plans: Employee Contributions -Amendments | 1 July 2014 |
| Annual Improvements to IFRSs 2010–2012 Cycle | 1 July 2014 |
| Annual Improvements to IFRSs 2011-2013 Cycle | 1 July 2014 |

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the group (continued)

IAS 19 Defined Benefit Plans: Employee Contributions - Amendments

The Amendments to IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The amendment did not have any material impact to the group's interim condensed consolidated financial information.

Annual Improvements to IFRSs 2010–2012 Cycle:

(i) *Amendments to IFRS 3*-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in interim consolidated statement of profit or loss.

(ii) *Amendments to IFRS 13*- The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

(iii) *Amendments to IFRS 8*- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(iv) *Amendments to IAS 16 and IAS 38*- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(v) *Amendments to IAS 24*- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

The amendments did not have any material impact to the group's interim condensed consolidated financial information.

Annual Improvements 2011-2013 Cycle

(i) *Amendments to IFRS 1*-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption

The same version of each IFRS must be applied to all periods presented.

(ii) *Amendments to IFRS 3*- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(iii) *Amendments to IFRS 13*- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

(iv) *Amendments to IAS 40* - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property

The amendments did not have any material impact to the group's interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2014.

5 Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to owners of the parent company by the weighted average number of shares outstanding during the period, less treasury shares as follows:

| | Three months ended | | Nine months ended | |
|------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | 30 Sept. 2015 (Unaudited) | 30 Sept. 2014 (Unaudited) | 30 Sept. 2015 (Unaudited) | 30 Sept. 2014 (Unaudited) |
| Profit for the period attributable to owners of the parent company (KD) | 710,098 | 1,555,823 | 1,710,192 | 4,245,836 |
| Weighted average number of shares outstanding during the period (excluding treasury shares) – shares | 731,428,597 | 735,838,000 | 733,741,770 | 737,176,403 |
| Basic and diluted earnings per share | 0.9 Fils | 2.2 Fils | 2.3 Fils | 5.8 Fils |

6 Cash and cash equivalents

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

| | 30 Sept. 2015 (Unaudited) KD | 31 Dec. 2014 (Audited) KD | 30 Sept. 2014 (Unaudited) KD |
|----------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Bank balances and cash | 8,996,063 | 10,867,521 | 10,770,245 |
| Cash with a portfolio manager | 415,153 | 202,771 | 1,187,435 |
| Bank overdraft | 9,411,216 (491,258) | 11,070,292 (787,057) | 11,957,680 (214,064) |
| Cash and cash equivalents | 8,919,958 | 10,283,235 | 11,743,616 |

7 Investments at fair value through profit or loss

| | 30 Sept. 2015 (Unaudited) KD | 31 Dec. 2014 (Audited) KD | 30 Sept. 2014 (Unaudited) KD |
|--------------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Held for trading | | | |
| Quoted equity securities | 2,811,315 | 3,085,825 | 3,659,049 |
| Designated upon initial recognition | | | |
| Unquoted equity security | 10,672,634 | 10,672,634 | 10,672,634 |
| Mutual funds | 315,130 | 622,333 | 659,261 |
| | 13,799,079 | 14,380,792 | 14,990,944 |

Notes to the interim condensed consolidated financial information (continued)

8 Murabaha receivable

During the period murabaha receivable matured and the group received the full proceeds on maturity.

9 Available for sale Investments

| | 30 Sept. 2015 (Unaudited) KD | 31 Dec. 2014 (Audited) KD | 30 Sept. 2014 (Unaudited) KD |
|----------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Quoted equity securities | 26,866,455 | 39,144,267 | 44,300,566 |
| Unquoted equity securities | 8,794,009 | 9,238,203 | 9,134,135 |
| Mutual funds | 8,780,199 | 9,205,745 | 9,614,361 |
| | 44,440,663 | 57,588,215 | 63,049,062 |

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 available for sale investments 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 (31 December 2014: Nil, 30 September 2014: Nil) interim condensed consolidated statement of profit or loss.

10 Investment in associates

The movement in investment in associates is as follows:

| | 30 Sept. 2015 (Unaudited) KD | 31 Dec. 2014 (Audited) KD | 30 Sept. 2014 (Unaudited) KD |
|-----------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Opening balance | 48,375,955 | 43,811,809 | 43,811,809 |
| Additions | 44,749 | 4,730 | - |
| Dividends received | (1,901,226) | (505,297) | (505,297) |
| Share of results | 941,779 | 4,137,881 | 2,241,034 |
| Changes in fair values | (506,177) | 565,439 | 129,368 |
| Foreign currency translation adjustment | 271,631 | 335,267 | 182,276 |
| Other reserve | (6,807) | 26,126 | 26,126 |
| | 47,219,904 | 48,375,955 | 45,885,316 |

11 Held-to-maturity investment

On 13 August 2015, the group invested in SUKUK with a local Islamic financial institution amounting KD1,500,000 carrying profit rate of 2% over Central Bank Kuwait Discount Rate, which matures on 12 August 2018.

Also during the period, the group redeemed the unquoted bond amounting to KD2,700,000 issued at par value, which carried fixed interest at 5% per annum. There was no gain or loss on redemption.

Notes to the interim condensed consolidated financial information (continued)

12 Treasury shares

| | 30 Sept. 2015 (Unaudited) | 31 Dec. 2014 (Audited) | 30 Sept. 2014 (Unaudited) |
|------------------------------|---------------------------------|------------------------------|---------------------------------|
| Number of shares | 23,631,180 | 5,042,000 | 2,442,000 |
| Percentage of issued shares | 3.20% | 0.68% | 0.33% |
| Cost of treasury shares (KD) | 1,138,453 | 282,084 | 151,584 |
| Market value (KD) | 1,181,559 | 249,579 | 161,172 |

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

13 Term loans

During the period, the parent company settled an instalment of KD6.5 million which was due on 31 January 2015 out of total loan of KD26 million. In addition, an instalment of KD6.5 million of the same loans was due on 31 July 2015 and was extended until 29 October 2015. However, management has requested another extension of this payment, which is still under negotiation up to the date of issuance of this financial information. The term loan is secured against certain portfolios maintained by the parent company with a third party.

Also, the group has settled Murabaha payable of KD10 million to a local Islamic bank which was due on 13 August 2015.

During the period group obtained a new USD loan amounting to USD14.5 million and renewed the existing loan of USD21.4 million with a local bank. The new USD14.5 million is payable in three equal annual instalments of USD4.8 million, starting from May 2017 and ending on May 2019. The term loan of USD21.4 million is payable in five equal annual instalments of USD1.4 million starting from October 2015 and ending in October 2019 and a final payment of USD14.4 million is payable on 30 November 2019. The term loan is secured against certain investments at fair value through profit or loss and available for sale investments.

Further a, term loan amounting to KD15 million from a local financial institution matured in August 2015. However, during this period, the group settled an amount of KD5 million plus the related accrued interest up to that date. The remaining balance of KD10 million of the total facility was restructured but its maturity period is still under negotiation up to the date of issuance of this financial information.

Also, on May 2015, one of the group's subsidiaries settled its term loan of KD4 million to the same local financial institution.

14 Dividends

The Annual General Assembly of shareholders held on 12 May 2015, approved the consolidated financial statements for the year ended 31 December 2014 and cash dividend of 5% (2013: Nil) per share amounting to KD3,680,694 (2013: KD Nil) for the year ended 31 December 2014 which was paid following that approval.

15 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.

Notes to the interim condensed consolidated financial information (continued)

15 Related party transactions (continued)

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

| | Three months ended | | Nine months ended | |
|---------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 30 Sept. 2015 (Unaudited) KD | 30 Sept. 2014 (Unaudited) KD | 30 Sept. 2015 (Unaudited) KD | 30 Sept. 2014 (Unaudited) KD |
| Transactions included under the interim condensed consolidated statement of profit or loss | | | | |
| Interest income | (12,033) | 16,407 | 11,836 | 17,162 |
| Murabaha income | 85,849 | 188,361 | 453,941 | 559,206 |
| Dividend Income | - | - | 434,814 | 385,932 |
| Portfolio management fees | (17) | (576) | (1,947) | (1,774) |

| | 30 Sept. 2015 (Unaudited) KD | 31 Dec. 2014 (Audited) KD | 30 Sept. 2014 (Unaudited) KD |
|-----------------------------------------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Interim condensed consolidated statement of financial position | | | |
| Cash with portfolio manager | 1,736 | 7,900 | 4,707 |
| Murabaha receivable | - | 15,040,060 | 15,047,252 |
| Available for sale investments | 5,550,843 | 8,661,086 | 10,390,815 |
| Investments at fair value through profit or loss | 129,423 | 187,736 | 241,132 |
| Due from related parties | 3,695,789 | 3,833,003 | 3,197,094 |
| Due to related parties | (477,447) | (559,626) | (19,275) |

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

Compensation of key management personnel

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

| | Three months ended | | Nine months ended | |
|------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | 30 Sept. 2015 (Unaudited) KD | 30 Sept. 2014 (Unaudited) KD | 30 Sept. 2015 (Unaudited) KD | 30 Sept. 2014 (Unaudited) KD |
| Short-term employee benefits | 206,464 | 140,323 | 551,502 | 416,942 |
| End of service benefits | 15,620 | 715 | 167,051 | 101,529 |

Other information

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

| | 30 Sept. 2015 (Unaudited) KD | 31 Dec. 2014 (Audited) KD | 30 Sept. 2014 (Unaudited) KD |
|---------------------------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Available for sale investments | | | |
| Quoted equity securities | 75,294 | 1,322,013 | 1,498,056 |
| Mutual funds | 199,436 | 199,307 | 190,176 |
| Investments at fair value through profit or loss | | | |
| Quoted equity securities | 15,841 | 22,872 | 26,320 |

Notes to the interim condensed consolidated financial information (continued)

15 Related party transactions (continued)

Other information (continued)

- b) The equity securities classified as available for sale investments with a carrying value of KD3,271,430 (quoted KD597,100, unquoted KD2,674,330, mutual funds KD Nil), [31 December 2014: KD8,275,251 (quoted KD578,753, unquoted KD2,674,330, mutual funds KD5,022,168)], [30 September 2014: KD8,677,471 (quoted KD569,380, unquoted KD2,674,329, mutual funds KD5,433,732)] are registered in the name of major shareholder of the parent company who has confirmed in writing that they hold 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.

16 Commitments and contingencies

| | 30 Sept. 2015 (Unaudited) KD | 31 Dec. 2014 (Audited) KD | 30 Sept. 2014 (Unaudited) KD |
|--------------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| Commitments | | | |
| Purchase of available for sale investments | <u>3,453,337</u> | <u>3,691,224</u> | <u>3,972,371</u> |

Contingencies

At the reporting date, the group has provided performance bank guarantees to a customer and suppliers amounting to KD5,227,655 (31 December 2014: KD4,611,835 and 30 September 2014: KD3,878,250) 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 KD72,672,640 assigned to a third party during 2012. This loan was rescheduled during 2013 and the principal (excluding interest) is repayable in eleven annual installments commencing 15 June 2016.

17 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:

| | Investment KD | Other KD | Total KD |
|--------------------------------------------------------------------|------------------|-------------|-------------|
| Three months ended 30 September 2015 (Unaudited) | | | |
| Segment income | 1,158,906 | 4,061,894 | 5,220,800 |
| Segment profit before finance costs, foreign exchange gain or loss | 879,112 | 641,652 | 1,520,764 |
| Finance costs, net of foreign exchange loss | 615,063 | 106,217 | 721,280 |
| Profit before taxation | 264,049 | 535,435 | 799,484 |

Notes to the interim condensed consolidated financial information (continued)

17 Segment information (continued)

| | Investment KD | Other KD | Total KD |
|--------------------------------------------------------------------|------------------|-------------|-------------|
| Three months ended 30 September 2014 (Unaudited) | | | |
| Segment income | 2,517,638 | 1,703,140 | 4,220,778 |
| Segment profit before finance costs, foreign exchange gain or loss | 2,121,565 | 275,163 | 2,396,728 |
| Finance costs, net of foreign exchange loss | 737,193 | 65,947 | 803,140 |
| Profit before taxation | 1,384,372 | 209,216 | 1,593,588 |
| Nine months ended 30 September 2015 (Unaudited) | | | |
| Segment income | 3,516,743 | 10,863,833 | 14,380,576 |
| Segment profit before finance costs, foreign exchange gain or loss | 2,490,834 | 1,737,992 | 4,228,826 |
| Finance costs, net of foreign exchange loss | 2,033,077 | 238,927 | 2,272,004 |
| Profit before taxation | 457,757 | 1,499,065 | 1,956,822 |
| Segment assets | 121,366,184 | 30,643,321 | 152,009,505 |
| Segment liabilities | 1,749,680 | 3,907,031 | 5,656,711 |
| Segment net assets | 119,616,504 | 26,736,290 | 146,352,794 |
| Term loans | 41,075,919 | 5,801,966 | 46,877,885 |
| Net assets | 78,540,585 | 20,934,324 | 99,474,909 |
| Nine months ended 30 September 2014 (Unaudited) | | | |
| Segment income | 6,900,776 | 6,604,490 | 13,505,266 |
| Segment profit before finance costs, foreign exchange gain or loss | 5,652,977 | 1,122,816 | 6,775,793 |
| Finance costs, net of foreign exchange gain | 2,023,693 | 315,291 | 2,338,984 |
| Profit before taxation | 3,629,284 | 807,525 | 4,436,809 |
| Segment assets | 158,649,297 | 24,974,552 | 183,623,849 |
| Segment liabilities | 1,097,751 | 1,690,864 | 2,788,615 |
| Segment net assets | 157,551,546 | 23,283,688 | 180,835,234 |
| Term loans | 61,796,820 | 5,558,521 | 67,355,341 |
| Net assets | 95,754,726 | 17,725,167 | 113,479,893 |

Notes to the interim condensed consolidated financial information (continued)

18 Fair value measurement

18.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

18.2 Fair value measurement of financial instruments

The estimated fair values of financial instruments, except for unquoted equity securities classified as available for sale investments (Note 9) approximated their carrying values at the reporting date.

The carrying amounts of the group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position are as follows:

| | Level 1 KD | Level 2 KD | Level 3 KD | Total KD |
|--------------------------------------------------|---------------|---------------|---------------|-------------|
| 30 September 2015 (Unaudited) | | | | |
| Available for sale investments | 26,866,455 | 8,780,199 | - | 35,646,654 |
| Investments at fair value through profit or loss | 2,811,315 | 315,130 | 10,672,634 | 13,799,079 |
| Investment properties | - | - | 3,540,151 | 3,540,151 |
| 31 December 2014 (Audited) | | | | |
| Available for sale investments | 39,144,267 | 9,205,745 | - | 48,350,012 |
| Investments at fair value through profit or loss | 3,085,825 | 622,333 | 10,672,634 | 14,380,792 |
| Investment properties | - | - | 3,663,596 | 3,663,596 |
| 30 September 2014 (Unaudited) | | | | |
| Available for sale investments | 44,300,566 | 9,614,361 | - | 53,914,927 |
| Investments at fair value through profit or loss | 3,659,049 | 659,261 | 10,672,634 | 14,990,944 |
| Investment properties | - | - | 3,576,594 | 3,576,594 |

During the nine months period ended 30 September 2015, 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.