Interim condensed consolidated financial information and review report

Privatization Holding Company – KPSC and Subsidiaries

Kuwait

30 June 2016 (Unaudited)

Contents

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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 June 2016 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 six 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. 1 of 2016 or the Executive Regulations of Law No. 25 of 2012, as amended, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the six-month period ended 30 June 2016 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
15 August 2016

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 30 June 2016 (Unaudited) KD	Three months ended 30 June 2015 (Unaudited) KD	Six months ended 30 June 2016 (Unaudited) KD	Six months ended 30 June 2015 (Unaudited) KD
Revenue					
Gain on sale of investments at fair value through profit or loss		**4,273**	50,892	**3,777**	50,892
Change in fair value of investments at fair value through profit or loss		**(109,122)**	(53,838)	**(244,456)**	(97,264)
(Loss)/gain on sale of available-for- sale investments		**(510,553)**	(156,758)	**(1,830,206)**	93,721
Dividend income		**1,013,491**	1,263,146	**1,151,345**	1,880,566
Interest income		**21,686**	85,109	**62,362**	186,054
Murabaha income		**-**	186,047	**-**	368,092
Share of results of associates	10	**480,200**	378,798	**624,645**	62,319
Gain/(loss) on sale of investment property		**-**	15,814	**(22)**	27,233
Revenue from services		**11,104,007**	2,656,350	**18,662,063**	6,273,601
Foreign exchange (loss)/gain		**(7,998)**	67,700	**(68,201)**	46,079
Other income		**43,429**	120,074	**66,571**	314,562
Total income		**12,039,413**	4,613,334	**18,427,878**	9,205,855
Expenses and other charges					
Cost of services rendered		**(9,500,155)**	(2,016,470)	**(15,571,493)**	(5,074,021)
General and administrative expenses		**(1,309,758)**	(834,393)	**(2,404,989)**	(1,323,166)
Portfolio management fees		**(12,982)**	(26,657)	**(27,184)**	(54,527)
Finance costs		**(493,336)**	(776,465)	**(1,012,803)**	(1,596,803)
Total expenses		**(11,316,231)**	(3,653,985)	**(19,016,469)**	(8,048,517)
Profit/(loss) for the period before taxation		**723,182**	959,349	**(588,591)**	1,157,338
Taxation		**-**	-	**-**	-
Profit/(loss) for the period		**723,182**	959,349	**(588,591)**	1,157,338
Attributable to:					
Owners of the Parent Company		**772,848**	961,734	**(707,452)**	1,000,094
Non-controlling interests		**(49,666)**	(2,385)	**118,861**	157,244
Profit/(loss) for the period		**723,182**	959,349	**(588,591)**	1,157,338
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company	6	**1.13 Fils**	1.31 Fils	**(1.04) Fils**	1.36 Fils

The notes set out on pages 8 to 24 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 30 June 2016 (Unaudited) KD	Three months ended 30 June 2015 (Unaudited) KD	Six months ended 30 June 2016 (Unaudited) KD	Six months ended 30 June 2015 (Unaudited) KD
Profit/(loss) for the period		**723,182**	959,349	**(588,591)**	1,157,338
Other comprehensive income/(loss)					
Items that may be reclassified to consolidated statement of profit or loss in subsequent periods:					
Available for sale investments :					
- Change in fair value		**(1,877,472)**	(1,199,019)	**(4,854,205)**	(1,073,022)
- Transferred to consolidated statement of profit or loss on sale		**510,553**	156,758	**1,830,206**	(93,721)
Exchange difference arising on translation of foreign operations		**(1,140)**	204	**(1,244)**	590
Share of other comprehensive (loss)/income of associates	10	**(422,668)**	111,942	**(705,409)**	246,298
Other comprehensive loss for the period		**(1,790,727)**	(930,115)	**(3,730,652)**	(919,855)
Total comprehensive (loss)/income for the period		**(1,067,545)**	29,234	**(4,319,243)**	237,483
Attributable to:					
Owners of the Parent Company		**(3,772,784)**	36,766	**(4,058,707)**	111,684
Non-controlling interests		**2,705,239**	(7,532)	**(260,536)**	125,799
		(1,067,545)	29,234	**(4,319,243)**	237,483

Interim condensed consolidated statement of financial position

	Notes	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Assets				
Cash and cash equivalents	7	**10,719,547**	11,962,493	11,484,132
Investments at fair value through profit or loss	8	**13,443,222**	13,710,220	13,966,642
Accounts receivable and other assets		**19,939,711**	17,589,760	14,819,871
Murabaha receivable		**-**	-	15,023,630
Available for sale investments	9	**37,919,732**	49,713,029	50,962,254
Investment in associates	10	**43,815,930**	46,742,183	47,076,458
Investment properties		**3,356,705**	3,384,974	3,568,810
Held-to-maturity investment		**1,505,896**	1,506,983	-
Intangible assets		**2,492,905**	2,160,176	2,160,175
Property, plant and equipment	12	**24,309,261**	11,394,201	11,735,465
Total assets		**157,502,909**	158,164,019	170,797,437
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		**1,497,548**	1,497,548	1,486,581
General reserve		**1,072,302**	1,072,302	1,061,335
Other reserves		**(100,146)**	(77,567)	(14,242)
Treasury shares	11	**(2,865,881)**	(2,865,881)	(119,753)
Treasury shares reserve		**1,815,085**	1,815,085	1,812,140
Fair value reserve		**(4,103,713)**	(820,748)	(1,537,275)
Foreign currency translation reserve		**549,278**	617,568	564,837
(Accumulated losses)/retained earnings		**(557,784)**	149,668	1,061,901
Equity attributable to owners of the parent company		**95,896,233**	99,977,519	102,905,068
Non-controlling interests		**3,133,093**	2,015,905	1,697,512
Total equity		**99,029,326**	101,993,424	104,602,580
Liabilities				
Term loans	12	**47,919,707**	47,784,344	60,005,470
Employees' end of service benefits		**1,139,585**	861,558	835,895
Accounts payable and other liabilities		**9,170,278**	6,721,079	4,843,782
Due to banks	7	**244,013**	803,614	509,710
Total liabilities		**58,473,583**	56,170,595	66,194,857
Total equity and liabilities		**157,502,909**	158,164,019	170,797,437

Reyadh S.A. Edrees
Chairman

Mohammad A. Al-Asfor
Vice Chairman

The notes set out on pages 8 to 24 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	Other reserves KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	(Accumulated losses)/ retained earnings KD	Sub-total KD	KD	KD
At 1 January 2016	73,828,000	24,761,544	1,497,548	1,072,302	(77,567)	(2,865,881)	1,815,085	(820,748)	617,568	149,668	99,977,519	2,015,905	101,993,424
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(707,452)	(707,452)	118,861	(588,591)
Other comprehensive income:													
Available for sale investments :													
- Change in fair value	-	-	-	-	-	-	-	(4,474,808)	-	-	(4,474,808)	(379,397)	(4,854,205)
- Transferred to statement of profit or loss on sale	-	-	-	-	-	-	-	1,830,206	-	-	1,830,206	-	1,830,206
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	(1,244)	-	(1,244)	-	(1,244)
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	(638,363)	(67,046)	-	(705,409)	-	(705,409)
Other comprehensive loss for the period	-	-	-	-	-	-	-	(3,282,965)	(68,290)	-	(3,351,255)	(379,397)	(3,730,652)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(3,282,965)	(68,290)	(707,452)	(4,058,707)	(260,536)	(4,319,243)
Share of other reserves of associate (Note 10)	-	-	-	-	(22,579)	-	-	-	-	-	(22,579)	-	(22,579)
Arising on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,377,724	1,377,724
At 30 June 2016 (unaudited)	73,828,000	24,761,544	1,497,548	1,072,302	(100,146)	(2,865,881)	1,815,085	(4,103,713)	549,278	(557,784)	95,896,233	3,133,093	99,029,326

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	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	Other reserves KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	KD	KD
At 1 January 2015	73,828,000	24,761,544	1,486,581	1,061,335	5,336	(282,084)	1,801,684	(384,428)	300,400	3,742,501	106,320,869	988,704	107,309,573
Profit for the period	-	-	-	-	-	-	-	-	-	1,000,094	1,000,094	157,244	1,157,338
Other comprehensive income:													
Available for sale investments:													
- Change in fair value	-	-	-	-	-	-	-	(1,041,580)	-	-	(1,041,580)	(31,442)	(1,073,022)
- Transferred to statement of profit or loss on sale	-	-	-	-	-	-	-	(93,721)	-	-	(93,721)	-	(93,721)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	590	-	590	-	590
Share of other comprehensive (loss)/income of associates	-	-	-	-	-	-	-	(17,546)	263,847	-	246,301	(3)	246,298
Other comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(1,152,847)	264,437	-	(888,410)	(31,445)	(919,855)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(1,152,847)	264,437	1,000,094	111,684	125,799	237,483
Sale of treasury shares	-	-	-	-	-	162,331	10,456	-	-	-	172,787	-	172,787
Share of other reserves of associate (Note 10)	-	-	-	-	(6,637)	-	-	-	-	-	(6,637)	19	(6,618)
Ownership changes in equity of a subsidiary without loss of control	-	-	-	-	(12,941)	-	-	-	-	-	(12,941)	(894)	(13,835)
Purchase of subsidiary	-	-	-	-	-	-	-	-	-	-	-	583,884	583,884
Dividends Paid	-	-	-	-	-	-	-	-	-	(3,680,694)	(3,680,694)	-	(3,680,694)
At 30 June 2015 (Unaudited)	**73,828,000**	**24,761,544**	**1,486,581**	**1,061,335**	**(14,242)**	**(119,753)**	**1,812,140**	**(1,537,275)**	**564,837**	**1,061,901**	**102,905,068**	**1,697,512**	**104,602,580**

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Notes	Six months ended 30 June 2016 (Unaudited) KD	Six months ended 30 June 2015 (Unaudited) KD
OPERATING ACTIVITIES			
(Loss)/profit for the period		**(588,591)**	1,157,338
Adjustments for:			
Depreciation		715,243	744,360
Provision for employees' end of service benefits		**183,893**	216,791
Loss/(gain) on sale of available-for-sale investments		**1,830,206**	(93,721)
Gain on sale financial assets at fair value through profit or loss		**(3,777)**	(50,892)
Change in fair value of investment at fair value through profit or loss		**244,456**	97,264
Dividend income		**(1,151,345)**	(1,880,566)
Interest income		**(62,362)**	(186,054)
Murabaha income		-	(368,092)
Finance costs		**1,012,803**	1,596,803
Foreign exchange loss/(gain)		**68,201**	(46,079)
Share of results of associates	10	**(624,645)**	(62,319)
(Loss)/gain on sale of investment property		**22**	(27,233)
		1,624,104	1,097,600
Working capital changes:			
Accounts receivable and other assets		**(991,002)**	688,232
Investments at fair value through profit or loss		**26,319**	367,778
Accounts payable and other liabilities		**(958,420)**	67,906
Cash flows (used in)/from operating activities		**(298,999)**	2,221,516
Taxes paid		**(56,653)**	(74,765)
Employees' end of service benefits paid		**(8,505)**	(23,834)
Net cash flows (used in)/from operating activities		**(364,157)**	2,122,917
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(10,660,104)**	(393,492)
Proceeds from sale of property, plant and equipment		**33,409**	-
Proceeds from sale of investment property		**28,247**	122,019
Dividend received from associates	10	**1,214,387**	1,646,236
Purchase of available-for-sale investments		**(593,225)**	(872,114)
Proceeds from sale of available-for-sale investments		**7,532,314**	6,425,057
Purchase of investment in associate company		**(10,809)**	(44,740)
Murabaha receivable		-	384,522
Interest income received		**30,858**	186,054
Dividend income received		**1,151,345**	1,880,566
Proceeds from redemption of investment held to maturity		**32,590**	2,700,000
Net cash from/(used in) in purchase of investment in subsidiary		**1,557,918**	(300,000)
Net cash flows from investing activities		**316,930**	11,734,108
FINANCING ACTIVITIES			
Sale of treasury shares		-	172,787
Finance costs paid		**(830,685)**	(1,223,017)
Dividends paid		-	(3,680,694)
Term loan obtained		**26,255,076**	580,586
Repayment of term loan		**(26,059,265)**	(9,002,255)
Movement in non-controlling interest		-	(13,835)
Net cash flows used in financing activities		**(634,874)**	(13,166,428)
Net (decrease)/increase in cash and cash equivalents		**(682,101)**	690,597
Foreign currency translation reserve		**(1,244)**	590
Cash and cash equivalents at beginning of the period		**11,158,879**	10,283,235
Cash and cash equivalents at end of the period	7	**10,475,534**	10,974,422
Non-cash transactions			
Investment in associates	5	**1,619,332**	-
Investment in subsidiary	5	**(1,619,332)**	-

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Corporate information

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 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.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 which cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012 and the executive regulations of Law No. 25 of 2012 will remain effective pending the issuance of the new executive regulations.

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 interim condensed consolidated financial information of Privatization Holding Company - KPSC (the "Parent Company") and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2016 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 15 August 2016.

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 consolidated financial information are consistent with those used in the preparation of the most recent annual consolidated financial statements of the group for the year ended 31 December 2015, 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 (KD) 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 six months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2015.

Notes to the interim condensed consolidated financial information (continued)

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 2016. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

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 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements.* The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

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)

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception – Amendments (continued)

- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Annual Improvements to IFRSs 2012–2014 Cycle

(i) *Amendments to* IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

(ii) *Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

(iii) *Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

(iv) *Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's interim condensed consolidated information statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's interim condensed consolidated financial information.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 12 Income Taxes - Amendments	1 January 2017
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments

The Amendments to IAS 12 make the following changes:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

IFRS 9 Financial Instruments

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment will need to be recognised on the group's trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the group makes an irrevocable designation to present them in other comprehensive income.
- if the group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the group's own credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including –
  - o non-cash consideration and asset exchanges
  - o contract costs
  - o rights of return and other customer options
  - o supplier repurchase options
  - o warranties
  - o principal versus agent
  - o licencing
  - o breakage
  - o non-refundable upfront fees, and
  - o consignment and bill-and-hold arrangements.

IFRS 16 Leases

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high value equipment. For many other businesses, however, exemptions for short-term leases and leases of low value assets will reduce the impact.

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 2015.

5 Subsidiaries

5.1 During the period, the group reclassified its 48.29% investment in "Eastern United Petroleum Services Company -KSC (Closed) ("EUPS")" from associate to investment in subsidiary since the management believes the group has the power to control the investee through key management which is also a significant owner of EUPS. The carrying value at 1 January 2016 of the associate was accounted for as fair value consideration for investment in subsidiary amounting to KD1,619,332. The reclassification resulted in a provisional goodwill of KD332,729.

Notes to the interim condensed consolidated financial information (continued)

5 Subsidiaries (continued)

	KD
Total assets	6,049,401
Total liabilities	(3,385,074)
Net assets	2,664,327
Purchase consideration	1,619,332
Share of net assets acquired – 48.29%	(1,286,603)
Goodwill	332,729

The fair value of identifiable assets and liabilities acquired has been provisionally determined by the management of the parent company. The estimates referred to above, and resultant goodwill is subject to revision within twelve months of the acquisition date.

Cash and bank balances acquired from subsidiary was KD1,557,918.

6 Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) 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		Six months ended	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)	**30 June 2016 (Unaudited)**	30 June 2015 (Unaudited)
Profit/(loss) for the period attributable to owners of the parent company (KD)	**772,848**	961,734	**(707,452)**	1,000,094
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	**683,225,199**	735,759,343	**683,225,199**	734,882,719
Basic and diluted earnings/(loss) per share	**1.13 Fils**	1.31 Fils	**(1.04) Fils**	1.36 Fils

7 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 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Bank balances and cash	**10,256,483**	10,570,390	11,086,940
Cash with a portfolio manager	**463,064**	1,392,103	397,192
	10,719,547	11,962,493	11,484,132
Due to banks	**(244,013)**	(803,614)	(509,710)
Cash and cash equivalents	**10,475,534**	11,158,879	10,974,422

Notes to the interim condensed consolidated financial information (continued)

8 Investments at fair value through profit or loss

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Held for trading			
Quoted equity securities	**2,651,996**	2,904,006	2,978,980
Designated upon initial recognition			
Unquoted equity security	**10,672,634**	10,672,634	10,672,634
Mutual funds	**118,592**	133,580	315,028
	13,443,222	13,710,220	13,966,642

At 30 June 2016, the Group also held certain shares of related parties (Note 14).

Investments at fair value through profit or loss amounting to KD13,340,646 (31 December 2015: KD11,138,787 June 2015 KD13,731,363) are secured against certain term loans (Note 12). Management considers that the fair value of these financial assets has not materially changed compared to previous year.

9 Available for sale investments

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Quoted equity securities	**16,782,097**	28,721,641	32,833,042
Unquoted equity securities	**13,463,879**	13,351,547	8,841,102
Mutual funds	**7,673,756**	7,639,841	9,288,110
	37,919,732	49,713,029	50,962,254

(a) Mutual funds are carried at net asset values provided by the fund managers.

(b) Unquoted equity securities of KD 7,918,919 (31 December 2015: KD7,806,587 and 30 June 2015: KD 8,841,102.) 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.

(c) Some equity securities classified as available for sale investments are registered in the name of a major shareholder (Note 14).

(d) At 30 June 2016, the Group held equity securities of related parties with a carrying value of KD 7,457,395 (31 December 2015: KD9,480,503 and 30 June 2015: KD8,348,377) (Note 14).

(e) Available for sale investments amounting to KD17,909,773 (31 December 2015: KD29,141,629 and 30 June 2015: KD33,007,822) are secured against certain term loan (Note 12).

Notes to the interim condensed consolidated financial information (continued)

10 Investment in associates

The movement in investment in associates is as follows:

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Opening balance	**46,742,183**	48,375,955	48,375,955
Additions	**10,809**	566,563	44,740
Reclassified to Investment in subsidiary (note 5)	**(1,619,332)**	-	-
Impairment	**-**	(92,055)	-
Dividends received	**(1,214,387)**	(2,414,416)	(1,646,236)
Share of results	**624,645**	561,681	62,319
Cumulative changes in fair values	**(638,363)**	(502,188)	(17,546)
Foreign currency translation adjustment	**(67,046)**	316,605	263,844
Other reserves	**(22,579)**	(69,962)	(6,618)
	43,815,930	46,742,183	47,076,458

11 Treasury shares

	30 June 2016 (Unaudited)	31 Dec. 2015 (Audited)	30 June 2015 (Unaudited)
Number of shares	55,054,801	55,054,801	2,142,112
Percentage of issued shares	7.457%	7.457%	0.29%
Cost of treasury shares (KD)	2,865,881	2,865,881	119,753
Market value (KD)	2,615,103	2,752,740	100,632

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

12 Term loans

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Term loan 1 (12.1)	**-**	19,450,153	21,607,474
Term loan 2	**11,190,037**	11,250,485	7,235,921
Term loan 3	**9,000,000**	10,000,000	15,000,000
Term loan 4	**3,163,542**	3,878,037	2,573,488
Term loan 5	**-**	-	9,947,550
Term loan 6	**13,500,000**	-	-
Term loan 7 (12.2)	**8,687,373**	-	-
Islamic finance facilities	**2,378,755**	3,205,669	3,641,037
	47,919,707	47,784,344	60,005,470
Instalments due within next twelve months	**20,360,539**	37,103,832	46,299,044
Instalments due after next twelve months	**27,559,168**	10,680,512	13,706,426
	47,919,707	47,784,344	60,005,470

Notes to the interim condensed consolidated financial information (continued)

12 Term loans (continued)

12.1 During the period the group settled the full amount of this loan by way of a new long term loan from another local bank. The new term loan is secured against certain portfolios maintained by the parent company with a third party.

12.2 During the period, group obtained a long term credit facility of JOD 20.4 million (equivalent to KD 8.7 million) from a foreign bank to acquire certain property, plant and equipment. These newly acquired property, plant and equipment amounting to JOD22.9 million (equivalent to KD9.8 million) are secured against such loan. The legal formalities of this transaction are still in progress.

13 Annual general assembly

The Annual General Assembly of the parent company for the year ended 31 December 2015 held on 26 Jul 2016 approved the consolidated financial statements for the year ended 31 December 2015 without any dividends.

14 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:

	Three months ended		Six months ended	
	30 June 2016 (Unaudited) KD	30 June 2015 (Unaudited) KD	**30 June 2016 (Unaudited) KD**	30 June 2015 (Unaudited) KD
Transactions included under the interim condensed consolidated statement of profit or loss				
Interest income	**-**	6,115	**-**	23,868
Murabaha income	**-**	186,047	**-**	368,092
Dividend Income	**33,705**	433,314	**33,705**	433,314
Portfolio management fees	**(52)**	(807)	**(52)**	(1,930)
Other income	**-**	-	**-**	3,000

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Interim condensed consolidated statement of financial position			
Cash with portfolio manager	**1,738**	1,734	52,330
Murabaha receivable	**-**	-	15,023,630
Available for sale investments (Note 9)	**7,457,395**	9,480,503	8,348,377
Investments at fair value through profit or loss	**64,992**	126,306	185,649
Due from related parties (included in account receivable and other assets)	**637,954**	3,172,959	3,023,930
Due to related parties (included in account payable and other liabilities)	**(1,631,316)**	(2,076,813)	(716,947)

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

Notes to the interim condensed consolidated financial information (continued)

14 Related party transactions (continued)

Compensation of key management personnel

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

	Three months ended		Six months ended	
	30 June 2016 (Unaudited) KD	30 June 2015 (Unaudited) KD	**30 June 2016 (Unaudited) KD**	30 June 2015 (Unaudited) KD
Short-term employee benefits	**198,510**	149,185	**517,010**	287,024
End of service benefits	**2,757**	117,865	**86,169**	174,362

Other information

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

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Available for sale investments			
Quoted equity securities	**101,639**	62,564	83,028
Mutual funds	**86,895**	87,398	199,370
Investments at fair value through profit or loss			
Quoted equity securities	**37,584**	43,396	17,043

b) The equity securities classified as available for sale investments with a carrying value of KD3,272,540 (quoted KD598,210 and unquoted KD2,674,330, (31 December 2015: KD3,275,408 (quoted KD601,079 and unquoted KD2,674,330), (30 June 2015: KD3,271,248 quoted KD596,918 and unquoted KD2,674,330) 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.

15 Commitments and contingencies

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Commitments			
Purchase of available for sale investments	**2,944,112**	3,023,447	3,638,154
Purchase of investment in associates	**2,146,869**	2,042,895	-
Other commitments	**1,625,169**	-	-

Contingencies

At the reporting date, the group has provided performance bank guarantees to a customer and suppliers amounting to KD6,345,519. (31 December 2015: KD5,556,857 and 30 June 2015: KD4,441,632) from which it is anticipated that no material liabilities will arise.

Notes to the interim condensed consolidated financial information (continued)

15 Commitments and contingencies (continued)

Contingencies (continued)

The Parent Company and Al Khair National for Stocks and Real Estate Company (related party) 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.

16 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 June 2016 (Unaudited)			
Segment income	**948,453**	**11,098,958**	**12,047,411**
Segment profit before finance cost, net of foreign exchange gain	**560,318**	**664,198**	**1,224,516**
Finance costs, net of foreign exchange loss	**(412,429)**	**(88,905)**	**(501,334)**
Profit before taxation	**147,889**	**575,293**	**723,182**
Three months ended 30 June 2015 (Unaudited)			
Segment income	1,603,784	2,941,850	4,545,634
Segment profit	1,170,314	497,800	1,668,114
Finance costs, net of foreign exchange gain	(686,810)	(21,955)	(708,765)
Profit before taxation	483,504	475,845	959,349
Six months ended 30 June 2016 (Unaudited)			
Segment (loss)/income	**(194,131)**	**18,690,210**	**18,496,079**
Segment (loss)/profit before finance costs, foreign exchange gain or loss	**(961,748)**	**1,454,161**	**492,413**
Finance costs, net of foreign exchange loss	**(904,048)**	**(176,956)**	**(1,081,004)**
(Loss)/profit before taxation	**(1,865,796)**	**1,277,205**	**(588,591)**
Segment assets	**109,114,784**	**48,388,125**	**157,502,909**
Segment liabilities	**2,670,411**	**7,883,465**	**10,553,876**
Segment net assets before term loans	**106,444,373**	**40,504,660**	**146,949,033**
Term loans	**33,690,037**	**14,229,670**	**47,919,707**
Net assets	**72,754,336**	**26,274,990**	**99,029,326**

Notes to the interim condensed consolidated financial information (continued)

16 Segment information (continued)

	Investment KD	Other KD	Total KD
Six months ended 30 June 2015 (Unaudited)			
Segment income	2,357,837	6,801,939	9,159,776
Segment profit before finance costs, foreign exchange gain or loss	1,611,722	1,096,340	2,708,062
Finance costs, net of foreign exchange gain	(1,418,013)	(132,711)	(1,550,724)
Profit before taxation	193,709	963,629	1,157,338
Segment assets	141,749,577	29,047,860	170,797,437
Segment liabilities	2,440,483	3,748,904	6,189,387
Segment net assets	139,309,094	25,298,956	164,608,050
Term loans	53,790,945	6,214,525	60,005,470
Net assets	85,518,149	19,084,431	104,602,580

17 Fair value measurement

17.1 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).

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.2 Fair value measurement of financial instruments

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:

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
Cash and cash equivalents	**10,719,547**	11,962,493	11,484,132
Accounts receivable and other assets	**19,939,711**	17,589,760	14,819,871
Murabaha receivable	**-**	-	15,023,630
Investments at fair value through profit or loss at fair value:			
Investments at fair value through profit or loss	**13,443,222**	13,710,220	13,966,642
Available for sale investments:			
Available for sale investments at cost	**7,918,919**	7,806,587	8,841,102
Available for sale investments at fair value	**30,000,813**	41,906,442	42,121,152
Held-to-maturity investment at amortised cost:			
Held-to-maturity investment	**1,505,896**	1,506,983	-
	83,528,108	94,482,485	106,256,529
Financial liabilities:			
Financial liabilities at amortised cost:			
Accounts payable and other liabilities	**9,170,278**	6,721,079	4,843,782
Term loans	**47,919,707**	47,784,344	60,005,470
Due to banks	**244,013**	803,614	509,710
	57,333,998	55,309,037	65,358,962

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.2 Fair value measurement of financial instruments (continued)

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

30 June 2016

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Quoted securities	(a)	2,651,996	-	-	2,651,996
Managed funds	(b)	-	118,592	-	118,592
Unquoted securities	(c)	-	-	10,672,634	10,672,634
Available for sale investments					
Quoted securities	(a)	16,782,097	-	-	16,782,097
Managed funds	(b)	-	7,673,756	-	7,673,756
Unquoted securities	(c)	-	-	5,544,960	5,544,960
		19,434,093	7,792,348	16,217,594	43,444,035

31 December 2015

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Quoted securities	(a)	2,904,006	-	-	2,904,006
Managed funds	(b)	-	133,580	-	133,580
Unquoted securities	(c)	-	-	10,672,634	10,672,634
Available for sale investments					
Quoted securities	(a)	28,721,641	-	-	28,721,641
Managed funds	(b)	-	7,639,841	-	7,639,841
Unquoted securities	(c)	-		5,544,960	5,544,960
		31,625,647	7,773,421	16,217,594	55,616,662

30 June 2015

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Quoted securities	(a)	2,978,980	-	-	2,978,980
Managed funds	(b)	-	315,028	-	315,028
Unquoted securities	(c)	-	-	10,672,634	10,672,634
Available for sale investments					
Quoted securities	(a)	32,833,042	-	-	32,833,042
Managed funds	(b)	-	9,288,110	-	9,288,110
		35,812,022	9,603,138	10,672,634	56,087,794

There have been no significant transfers between levels 1 and 2 during the reporting period.

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.2 Fair value measurement of financial instruments (continued)

Measurement at fair value
The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) **Quoted securities**
All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) **Managed funds**
The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

c) **Unquoted securities**
Unlisted securities are measured at fair value estimated -using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

d) **Financial liabilities**
The group does not have any financial liabilities at fair value.

Level 3 fair value measurements
The group's financial assets and liabilities classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Opening balances	**16,217,594**	10,672,634	10,672,634
Transfers	**-**	2,159,329	-
Gains or losses recognised in:			
- Other comprehensive income	**-**	3,385,631	-
Closing balance	**16,217,594**	16,217,594	10,672,634

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

The impact on interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Notes to the interim condensed consolidated financial information (continued)

18 Subsequent event

Subsequent to reporting period, at the Extraordinary General Assembly of the shareholder on 10 August 2016 the shareholders approved to reduce the paid up share capital of the company from KD 73,828,000 to KD61,000,000. This has not yet been authenticated in the commercial registry and legal formalities are still in progress.