

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

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

31 MARCH 2014



Building a better
working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Privatization Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group") as at 31 March 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 25 of 2012, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association that might have had a material effect on the business of the Parent Company or on its financial position during the three months period ended 31 March 2014.

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

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

15 May 2014
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

Period ended 31 March 2014

	Notes	Three months ended 31 March	
		2014 KD	2013 KD
INCOME			
Realised gain (loss) on financial assets at fair value through income statement		28,670	(9,273)
Unrealised gain (loss) on financial assets at fair value through income statement		370,954	(135,748)
Gain on sale of financial assets available-for-sale		426,048	479,595
Dividend income		451,300	144,957
Interest income		118,818	150,626
Murabaha income	9	184,443	184,885
Share of results of associates	4	411,223	323,864
Gain on sale of investment property		31,667	-
Revenue from services		3,130,065	830,969
Other income		93,101	16,188
Total income		5,246,289	1,986,063
EXPENSES			
Cost of services rendered		(2,192,964)	(551,997)
Administrative expenses		(626,600)	(698,417)
Portfolio management fees		(21,678)	(40,667)
Finance costs		(750,640)	(639,989)
Amortisation of intangibles		-	(69,916)
Foreign exchange loss		(18,560)	(265,515)
Total expenses		(3,610,442)	(2,266,501)
PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION		1,635,847	(280,438)
Taxation		(62,506)	-
PROFIT (LOSS) FOR THE PERIOD		1,573,341	(280,438)
Attributable to:			
Equity holders of the Parent Company		1,424,655	(292,413)
Non-controlling interests		148,686	11,975
		1,573,341	(280,438)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	3	1.9 fils	(0.4) fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

Period ended 31 March 2014

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Profit (loss) for the period	1,573,341	(280,438)
Other comprehensive income		
<i>Other comprehensive income (loss) to be reclassified to interim condensed consolidated income statement in subsequent periods:</i>		
Change in fair value of financial assets available-for-sale	7,757,110	(1,513,302)
Share of cumulative changes in fair value of associates (Note 4)	381,004	227,050
Share of foreign currency translation reserve of associates (Note 4)	(11,163)	45,209
Share of other reserve of associates (Note 4)	26,126	-
Net other comprehensive income (loss) to be reclassified to income statement in subsequent periods	8,153,077	(1,241,043)
<i>Other comprehensive income (loss) not to be reclassified to interim condensed consolidated income statement in subsequent periods:</i>		
Realised gain on sale of financial assets available-for-sale	(426,048)	(479,595)
Net other comprehensive loss not to be reclassified to consolidated income statement in subsequent periods	(426,048)	(479,595)
Other comprehensive income (loss) for the period	7,727,029	(1,720,638)
Total comprehensive income (loss) for the period	9,300,370	(2,001,076)
Attributable to:		
Equity holders of the Parent Company	9,145,109	(2,015,638)
Non-controlling interests	155,261	14,562
	9,300,370	(2,001,076)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

At 31 March 2014

		31 March 2014 KD	(Audited) 31 December 2013 KD	31 March 2013 KD
ASSETS				
Non-current assets				
Property, plant and equipment		11,265,716	11,122,663	10,153,717
Intangible assets		2,150,171	2,150,171	2,220,087
Investment in associates	4	44,475,353	43,811,809	13,299,869
Held-to-maturity investment		2,700,000	2,700,000	2,700,000
Murabaha receivable	9	15,057,540	15,068,831	15,086,303
Financial assets available-for-sale	5	63,524,296	59,001,954	68,619,148
Investment property		3,755,302	3,842,658	3,917,242
		<u>142,928,378</u>	<u>137,698,086</u>	<u>115,996,366</u>
Current assets				
Due from sale of investment in subsidiaries		-	-	100,000
Accounts receivable and prepayments		13,140,404	11,304,472	31,492,687
Financial assets at fair value through income statement	6	14,707,289	14,839,294	15,212,468
Bank balances and cash	7	13,136,716	14,930,092	18,591,991
		<u>40,984,409</u>	<u>41,073,858</u>	<u>65,397,146</u>
TOTAL ASSETS		<u><u>183,912,787</u></u>	<u><u>178,771,944</u></u>	<u><u>181,393,512</u></u>
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		1,061,335	1,061,335	1,061,335
General reserve		1,061,335	1,061,335	1,061,335
Treasury shares		-	-	(355,175)
Treasury shares reserve		1,801,684	1,801,684	1,716,251
Cumulative changes in fair value		8,715,837	1,010,346	(249,357)
Foreign currency translation reserve		(46,125)	(34,962)	48,566
Other reserves		5,336	(20,790)	-
Retained earnings (accumulated losses)		554,702	(869,953)	4,559,950
Equity attributable to equity holders of the Parent Company		<u>111,743,648</u>	<u>102,598,539</u>	<u>106,432,449</u>
Non-controlling interests		960,445	805,184	712,374
Total equity		<u>112,704,093</u>	<u>103,403,723</u>	<u>107,144,823</u>
Non-current liabilities				
Term loan	8	15,862,688	15,532,125	15,000,000
Employees' end of service benefits		576,364	523,001	469,585
		<u>16,439,052</u>	<u>16,055,126</u>	<u>15,469,585</u>
Current liabilities				
Accounts payable and accruals		2,613,390	2,078,725	2,865,495
Bank overdraft	7	871,334	5,308,782	5,351,045
Term loans	8	51,284,918	51,925,588	50,562,564
		<u>54,769,642</u>	<u>59,313,095</u>	<u>58,779,104</u>
Total liabilities		<u>71,208,694</u>	<u>75,368,221</u>	<u>74,248,689</u>
TOTAL EQUITY AND LIABILITIES		<u><u>183,912,787</u></u>	<u><u>178,771,944</u></u>	<u><u>181,393,512</u></u>

Riyadh S.A. Edrees
Chairman

Mohammad A. Al-Asfor
Vice Chairman

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 31 March 2014

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Treasury shares KD	Treasury shares reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Other reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
At 1 January 2014	73,828,000	24,761,544	1,061,335	1,061,335	-	1,801,684	1,010,346	(34,962)	(20,790)	(869,953)	102,598,539	805,184	103,403,723
Profit for the period	-	-	-	-	-	-	-	-	-	1,424,655	1,424,655	148,686	1,573,341
Other comprehensive loss for the period	-	-	-	-	-	-	7,705,491	(11,163)	26,126	-	7,720,454	6,575	7,727,029
Total comprehensive income (loss) for the period	-	-	-	-	-	-	7,705,491	(11,163)	26,126	1,424,655	9,145,109	155,261	9,300,370
At 31 March 2014	73,828,000	24,761,544	1,061,335	1,061,335	-	1,801,684	8,715,837	(46,125)	5,336	554,702	111,743,648	960,445	112,704,093
At 1 January 2013	73,828,000	24,761,544	1,061,335	1,061,335	(730,871)	1,591,786	1,519,077	3,357	-	4,852,363	107,947,926	697,812	108,645,738
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	(292,413)	(292,413)	11,975	(280,438)
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(1,768,434)	45,209	-	-	(1,723,225)	2,587	(1,720,638)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(1,768,434)	45,209	-	(292,413)	(2,015,638)	14,562	(2,001,076)
Sale of treasury shares	-	-	-	-	375,696	124,465	-	-	-	-	500,161	-	500,161
At 31 March 2013	73,828,000	24,761,544	1,061,335	1,061,335	(355,175)	1,716,251	(249,357)	48,566	-	4,559,950	106,432,449	712,374	107,144,823

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 31 March 2014

	Notes	Three months ended 31 March	
		2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit (loss) for the period		1,573,341	(280,438)
Adjustments for:			
Depreciation		187,376	144,794
Amortisation of intangibles		-	69,916
Provision for employees' end of service benefits		61,761	37,929
Gain on sale of financial assets available-for-sale		(426,048)	(479,595)
Realised (gain) loss on financial assets at fair value through income statement		(28,670)	9,273
Unrealised (gain) loss on financial assets at fair value through income statement		(327,382)	135,748
Dividend income		(451,300)	(144,957)
Interest income		(118,818)	(150,626)
Murabaha income		(184,443)	(184,885)
Finance costs		750,640	639,989
Foreign exchange loss		18,560	265,515
Share of results of associates	4	(411,223)	(323,864)
Gain on sale of investment property		(31,667)	-
		<u>612,127</u>	<u>(261,201)</u>
Working capital changes:			
Accounts receivable and prepayments		(1,878,974)	(7,751,612)
Financial assets at fair value through income statement		488,057	(385,873)
Accounts payable and accruals		342,439	464,643
Due from sale of investment in subsidiary		-	100,000
Cash flows used in operating activities		<u>(436,351)</u>	<u>(7,834,043)</u>
Employees' end of service benefits paid		(8,398)	(11,576)
Net cash flows used in operating activities		<u>(444,749)</u>	<u>(7,845,619)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(330,429)	(192,961)
Proceeds from sale of investment property		119,023	-
Dividend received from associates	4	143,645	68,400
Purchase of financial assets available-for-sale		(945,033)	(451,722)
Proceeds from sale of financial assets available-for-sale		4,179,800	4,686,418
Murabaha receivable		195,734	196,184
Interest income received		118,818	183,954
Dividend income received		451,300	144,957
Net cash flows from investing activities		<u>3,932,858</u>	<u>4,635,230</u>
FINANCING ACTIVITIES			
Proceeds from sale of treasury shares		-	500,161
Finance costs paid		(536,395)	(379,852)
Dividends paid		(33,205)	-
Term loan obtained		330,563	10,000,000
Repayment of short term loan		(605,000)	(24,199)
Net cash flows (used in) from financing activities		<u>(844,037)</u>	<u>10,096,110</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>2,644,072</u>	<u>6,885,721</u>
Cash and cash equivalents at 1 January		9,621,310	6,355,225
CASH AND CASH EQUIVALENTS AT 31 MARCH	7	<u>12,265,382</u>	<u>13,240,946</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Privatization Holding Company K.S.C.P. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") for the three months period ended 31 March 2014 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 15 May 2014.

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

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

The Annual General Assembly for the year ended 31 December 2013 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2013 have not yet been approved. The interim condensed consolidated financial information for the three month period ended 31 March 2014 do not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2013.

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES

Basis of preparation

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

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013.

New standards, interpretations and amendments adopted by the Group

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

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

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

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

2 BASIS OF PREPARATION AND CHANGE IN ACCOUNTING POLICIES (continued)

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

3 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2014</i>	<i>2013</i>
Profit (loss) for the period attributable to equity holders of the Parent Company (KD)	<u>1,424,655</u>	<u>(292,413)</u>
Weighted average number of shares outstanding during the period	<u>738,280,000</u>	<u>729,443,553</u>
Basic and diluted earnings (loss) per share from continuing operations	<u>1.9 fils</u>	<u>(0.4) fils</u>

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2014</i>	<i>2013</i>
Weighted average number of paid up shares	<u>738,280,000</u>	738,280,000
Less: Weighted average number of treasury shares	-	(8,836,447)
Weighted average number of shares outstanding during the period	<u>738,280,000</u>	<u>729,443,553</u>

4 INVESTMENT IN ASSOCIATES

The movement in investment in associates is as follows:

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2014</i>	<i>2013</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Opening balance	43,811,809	12,772,146	12,772,146
Additions	-	13,432,826	-
Transfer from financial assets available for sale	-	16,644,512	-
Dividends received	(143,645)	(1,538,889)	(68,400)
Share of results	411,223	2,427,896	323,864
Cumulative changes in fair values	381,004	111,638	227,050
Foreign currency translation adjustment	(11,164)	(38,320)	45,209
Other reserve	26,126	-	-
Closing balance	<u>44,475,353</u>	<u>43,811,809</u>	<u>13,299,869</u>

One of the investment in associates is secured against a term loan (Note 9).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

5 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	<i>31 March</i> <i>2014</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>KD</i>	<i>31 March</i> <i>2013</i> <i>KD</i>
Quoted equity securities	44,639,871	39,276,022	52,598,037
Unquoted equity securities	9,240,564	10,105,980	14,854,775
Mutual funds	9,643,861	9,619,952	1,166,336
	<u>63,524,296</u>	<u>59,001,954</u>	<u>68,619,148</u>

- (a) Mutual funds are carried at net asset values provided by the fund managers and portfolio managers.
- (b) 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.
- (c) Management has performed a review of financial assets available-for-sale to assess whether impairment has occurred and are of the view that there are no indications of impairment. No impairment loss was recorded in the current period (31 March 2013: KD Nil) interim condensed consolidated income statement.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>31 March</i> <i>2014</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>KD</i>	<i>31 March</i> <i>2013</i> <i>KD</i>
Held for trading			
Quoted equity securities	3,396,079	3,452,264	3,842,566
Designated upon initial recognition			
Unquoted equity security	10,672,634	10,672,634	10,672,634
Mutual funds	638,576	714,396	697,268
	<u>14,707,289</u>	<u>14,839,294</u>	<u>15,212,468</u>

Mutual funds are carried at net asset values provided by the fund managers and portfolio managers.

7 CASH AND CASH EQUIVALENTS

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

	<i>31 March</i> <i>2014</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>KD</i>	<i>31 March</i> <i>2013</i> <i>KD</i>
Bank balances and cash	10,255,639	13,868,068	17,073,425
Cash with a portfolio manager	2,881,077	1,062,024	1,518,566
	<u>13,136,716</u>	<u>14,930,092</u>	<u>18,591,991</u>
Bank overdraft	(871,334)	(5,308,782)	(5,351,045)
	<u>12,265,382</u>	<u>9,621,310</u>	<u>13,240,946</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

8 TERM LOANS

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

Term loans amounting to KD 25,938,655 (31 December 2013: KD 26,565,748, 31 March 2013: KD 26,755,405) represents short-term credit facilities from a local bank are subject to interest rates ranging between 1.5% to 2.5% (2013: 1.5% to 2.5%) per annum over the CBK discount rate or 3 months LIBOR. Subsequent to the year end the Parent Company restructured these term loans which will be payable in 2014, 2015 and 2016.

Term loans amounting to KD 6,799,597 (31 December 2013: KD 6,808,173, 31 March 2013: KD 6,868,208) represents short-term credit facilities from a local bank are subject to interest rates ranging between 1.5% to 2.5% (2013: 1.5% to 2.5%) per annum over the CBK discount rate or 3 months LIBOR. These term loans are secured against unquoted equity securities classified as financial assets at fair value through income statement amounting to KD 10,672,634 as of 31 March 2014.

Term loan amounting to KD 9,980,000 from a local financial institution is repayable on 13 May 2014. It carries interest at the rate of 4.5% per annum. The term loan is secured against murabaha receivable.

Term loan of KD 4,000,000 from a local financial institution is repayable on 12 May 2014. It carries interest at the rate of 4.75% per annum. The term loan is secured against an investment portfolio comprising of shares of a listed entity amounting to KD 2,717,846 as of 31 March 2014.

Term loans also includes Tawarruq finance amounting to KD 4,566,667 (31 December 2013: KD 4,566,667, 31 March 2013: KD 6,850,000) which was obtained in 2011 from a local bank. Tawarruq carries profit at rate of 5% (2013: 5%) per annum. The amount is repayable on 30 June 2014.

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

9 RELATED PARTY TRANSACTIONS

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

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Interim condensed consolidated income statement		
Interest income	647	359
Murabaha income	184,443	184,885
Portfolio management fees	(497)	(1,179)
Other income	60,000	-

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

9 RELATED PARTY TRANSACTIONS (continued)

	<i>(Audited)</i>		
	<i>31 March 2014 KD</i>	<i>31 December 2013 KD</i>	<i>31 March 2013 KD</i>
Interim condensed consolidated statement of financial position			
Murabaha receivable	15,057,540	15,068,831	15,086,303
Financial assets available-for-sale	9,600,727	8,966,583	24,905,808
Financial assets at fair value through income statement	216,411	19,200	33,000
Due from related parties	3,053,001	2,958,226	16,700,279
Due to related parties	67,951	17,770	(18,381)
Cash with portfolio manager	41,407	91,745	204,369

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:

	<i>Three months ended 31 March</i>	
	<i>2014 KD</i>	<i>2013 KD</i>
Short-term employee benefits	126,422	82,147
End of service benefits	51,083	29,929
	<u>177,505</u>	<u>112,076</u>

Other information

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

	<i>(Audited)</i>		
	<i>31 March 2014 KD</i>	<i>31 December 2013 KD</i>	<i>31 March 2013 KD</i>
Financial assets available-for-sale			
Quoted equity securities	1,306,378	5,438,751	5,072,169
Mutual funds	185,960	186,223	188,069
Financial assets at fair value through income statement			
Quoted equity securities	55,072	54,855	47,291

Other information (continued)

- b) The equity securities classified as financial assets available-for-sale with a carrying value of KD 12,509,897 (quoted KD 556,752, unquoted KD 2,674,330, mutual funds KD 9,278,815), (31 December 2013: KD 12,659,846 (quoted KD 557,536, unquoted KD 2,674,330, mutual funds KD 9,427,980), (31 March 2013: KD 5,911,725 (quoted KD 563,066, unquoted KD 5,348,659, mutual funds KD Nil)) are registered in the name of a major shareholder of the Parent Company who has confirmed in writing that it holds these unquoted 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

10 COMMITMENTS AND CONTINGENCIES

	<i>31 March</i> <i>2014</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2013</i> <i>KD</i>	<i>31 March</i> <i>2013</i> <i>KD</i>
Commitments			
Purchase of financial assets available-for-sale	<u>5,308,515</u>	<u>4,506,062</u>	<u>2,356,101</u>
Purchase of property, plant and equipment	<u>520,000</u>	<u>-</u>	<u>-</u>

Contingencies

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 3,788,581 (31 December 2013: KD 3,007,751 and 31 March 2013: KD 2,072,000) from which it is anticipated that no material liabilities will arise.

The Parent Company and Al Khair National for Stocks and Real Estate Company have provided a guarantee to NBK against loan of KD 72,672,640 assigned to a third party during 2012 (Note 9). This loan was rescheduled during 2013 and the principal (excluding interest) is repayable in eleven annual installments commencing 15 June 2016.

11 SEGMENT INFORMATION

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

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

	<i>Investment</i> <i>KD</i>	<i>Other</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>Three months ended 31 March 2014</i>			
Income	<u>2,013,188</u>	<u>3,233,101</u>	<u>5,246,289</u>
Results			
Segment profit	<u>946,856</u>	<u>626,485</u>	<u>1,573,341</u>
<i>Three months ended 31 March 2013</i>			
Income	<u>1,046,063</u>	<u>940,000</u>	<u>1,986,063</u>
Results			
Segment profit	<u>(304,133)</u>	<u>23,695</u>	<u>(280,438)</u>

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

At 31 March 2014

11 SEGMENT INFORMATION (continued)

	<i>Investment KD</i>	<i>Other KD</i>	<i>Total KD</i>
Assets			
<i>At 31 March 2014</i>	<u><u>159,185,858</u></u>	<u><u>24,726,929</u></u>	<u><u>183,912,787</u></u>
<i>At 31 December 2013</i>	<u><u>156,201,263</u></u>	<u><u>22,570,681</u></u>	<u><u>178,771,944</u></u>
<i>At 31 March 2013</i>	<u><u>156,148,225</u></u>	<u><u>25,245,287</u></u>	<u><u>181,393,512</u></u>
Liabilities			
<i>At 31 March 2014</i>	<u><u>62,887,351</u></u>	<u><u>8,321,343</u></u>	<u><u>71,208,694</u></u>
<i>At 31 December 2013</i>	<u><u>68,377,216</u></u>	<u><u>6,991,005</u></u>	<u><u>75,368,221</u></u>
<i>At 31 March 2013</i>	<u><u>64,442,021</u></u>	<u><u>9,806,668</u></u>	<u><u>74,248,689</u></u>

12 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

Fair value hierarchy

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

At 31 March 2014

12 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<i>Level 1</i> <i>KD</i>	<i>Level 2</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
<i>31 March 2014</i>				
Financial assets available-for-sale	44,639,871	9,643,861	-	54,283,732
Financial assets at fair value through income statement	3,396,079	638,576	10,672,634	14,707,289
<i>31 December 2013</i>				
Financial assets available-for-sale	39,276,022	9,619,957	-	48,895,979
Financial assets at fair value through income statement	3,452,264	714,396	10,672,634	14,839,294
<i>31 March 2013</i>				
Financial assets available-for-sale	52,598,043	1,166,336	-	53,764,379
Financial assets at fair value through income statement	3,842,566	697,268	10,672,634	15,212,468

During the three months period ended 31 March 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.