

Interim condensed consolidated financial information and review report

Arzan Financial Group for Financing and Investment – KPSC

And its Subsidiaries

Kuwait

30 June 2015 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Arzan Financial Group for Financing and Investment - KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Arzan Financial Group for Financing and Investment - KPSC (a Kuwaiti Public Shareholding Company) (the "parent company") and its subsidiaries (together the "group") as at 30 June 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 six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. 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

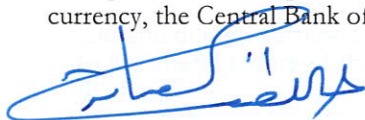
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

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 Articles of Association and Memorandum of Incorporation of the parent company, as amended, have occurred during the six-month period ended 30 June 2015 that might have had a material effect on the business or financial position of the parent company, except for the matter discussed in note (1) to the interim condensed consolidated financial information with respect to the separation of the powers of the chief executive officer and the chairman.

We also report that during our review and to the best of our knowledge and belief, nothing has come to our attention that indicates any material violations to Law No. (7) of 2010 relating to the Capital Markets Authority and the instructions thereto, during the six-month period ended 30 June 2015.

We further report that, during the course of our review, we have not become aware of any material violations during the six-month period ended 30 June 2015 of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations.



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Interim condensed consolidated statement of profit or loss

	Notes	Three months ended		Six months ended	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
		(Unaudited) KD	(Unaudited) KD	(Unaudited) KD	(Unaudited) KD
Revenue					
Income from instalment credit debtors		759,585	345,865	1,761,469	466,850
Rental income		38,734	40,678	83,721	81,355
Interest income		64,300	51,126	132,012	292,844
Profit on sale of investments at fair value through profit or loss		2,100	197,060	16,367	294,058
Change in fair value of investments at fair value through profit or loss		121,855	(567,967)	97,533	288,176
(Loss)/profit on sale of available for sale investments		(107,186)	(61,543)	(96,187)	569,513
Share of results of associates	14	232,528	711,908	612,330	798,804
Reversal of provision for instalment credit debtors-net		-	896,145	-	870,757
Dividend income		703,261	433,341	1,903,437	1,393,289
Brokerage income		152,078	82,324	305,269	167,602
Advisory fees		634,137	38,876	1,127,523	361,642
Gain/(loss) on foreign currency exchange		13,477	72,928	(19,250)	41,814
Other income		109,272	92,581	203,272	126,119
		2,724,141	2,333,322	6,127,496	5,752,823
Expenses and other charges					
Staff costs		(734,798)	(502,853)	(1,412,419)	(1,142,175)
General and administrative expenses		(391,059)	(347,538)	(1,133,095)	(778,158)
Finance costs		(285,472)	(439,453)	(514,770)	(919,737)
Provision for instalment credit debtors		(98,873)	-	(142,018)	-
Depreciation		(72,543)	(49,087)	(139,326)	(96,221)
		(1,582,745)	(1,338,931)	(3,341,628)	(2,936,291)
Profit for the period before provisions for contribution to KFAS, National Labour Support Tax and Zakat					
		1,141,396	994,391	2,785,868	2,816,532
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(11,921)	(28,165)	(25,735)	(28,165)
Provision for National Labour Support Tax (NLST)		(15,718)	(14,390)	(50,912)	(58,735)
Provision for Zakat		(10,857)	(4,166)	(17,133)	(12,236)
Profit for the period		1,102,900	947,670	2,692,088	2,717,396
Attributable to:					
Shareholders of the parent company		584,988	846,625	2,136,444	2,653,201
Non-controlling interests		517,912	101,045	555,644	64,195
		1,102,900	947,670	2,692,088	2,717,396
Basic and diluted earnings per share attributable to the shareholders of the parent company (Fils)					
	6	0.734	1.062	2.681	3.327

The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.

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

	Three months ended		Six months ended	
	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD
Profit for the period	1,102,900	947,670	2,692,088	2,717,396
Other comprehensive income/(loss): <i>Items that will be reclassified subsequently to consolidated statement of profit or loss:</i>				
Exchange differences arising on translation of foreign operations	1,635,754	(18,138)	1,117,037	(38,586)
Available for sale investments:				
- Net change in fair value arising during the period	323,665	(6,012,856)	764,667	(8,702,102)
- Transferred to consolidated statement of profit or loss on sale	8,155	37,679	8,155	(428,925)
Total other comprehensive income/(loss) for the period	1,967,574	(5,993,315)	1,889,859	(9,169,613)
Total comprehensive income/(loss) for the period	3,070,474	(5,045,645)	4,581,947	(6,452,217)
Attributable to:				
Shareholders of the parent company	1,203,929	(5,232,617)	3,172,326	(6,669,319)
Non-controlling interests	1,866,545	186,972	1,409,621	217,102
	3,070,474	(5,045,645)	4,581,947	(6,452,217)

The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Assets				
Cash and cash equivalents	7	6,270,229	9,566,645	9,941,842
Instalment credit debtors	8	15,740,235	14,549,898	11,044,093
Investments at fair value through profit or loss	9	7,685,205	5,640,753	6,875,652
Accounts receivable and other assets		4,998,714	6,200,635	5,278,941
Due from related parties	20	731,098	1,002,023	783,537
Properties held for trading		1,503,625	1,510,290	1,844,450
Available for sale investments	10	91,370,800	87,044,475	66,658,124
Investment in associates	11	51,053,947	53,143,043	54,574,058
Investment in real estate under development	12	4,765,920	-	-
Investment properties		1,861,591	1,891,123	1,920,654
Property and equipment		3,362,146	3,155,709	2,871,417
Total assets		189,343,510	183,704,594	161,792,768
Liabilities and equity				
Liabilities				
Due to banks	13	4,452,881	2,683,248	3,291,255
Accounts payable and other liabilities		7,249,196	7,119,902	6,780,478
Due to related parties	20	334,297	424,547	400,568
Term loans	14	10,101,349	11,660,000	9,180,000
Murabaha payable	15	5,200,000	5,200,000	6,000,000
Provision for employees' end of service benefits		810,494	721,432	610,855
Total liabilities		28,148,217	27,809,129	26,263,156
Equity				
Share capital		80,288,257	80,288,257	80,288,257
Share premium		27,142,826	27,142,826	27,167,395
Treasury shares	16	(557,080)	(557,080)	(529,299)
Legal reserve		375,497	375,497	-
Voluntary reserve		375,497	375,497	-
Foreign currency translation reserve		275,777	12,717	(187,775)
Fair value reserve		2,957,010	2,184,188	5,434,834
Retained earnings		5,060,143	2,923,699	2,653,201
Total equity attributable to the shareholders of the parent company		115,917,927	112,745,601	114,826,613
Non-controlling interests		45,277,366	43,149,864	20,702,999
Total equity		161,195,293	155,895,465	135,529,612
Total liabilities and equity		189,343,510	183,704,594	161,792,768

Jassem Hasan Zainal
Chairman and Chief Executive Officer

The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

Equity attributable to the shareholders of the parent company

	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2015 (audited)	80,288,257	27,142,826	(557,080)	375,497	375,497	12,717	2,184,188	2,923,699	112,745,601	43,149,864	155,895,465
Disposal of partial interests in subsidiaries (note 23)	-	-	-	-	-	-	-	-	-	717,881	717,881
Transactions with shareholders	-	-	-	-	-	-	-	-	-	717,881	717,881
Profit for the period	-	-	-	-	-	-	-	2,136,444	2,136,444	555,644	2,692,088
Other comprehensive income:											
Exchange differences arising on translation of foreign operations	-	-	**	-	-	263,060	-	-	263,060	853,977	1,117,037
Available for sale investments:											
- Net change in fair value arising during the period	-	-	-	-	-	-	764,667	-	764,667	-	764,667
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	-	-	8,155	-	8,155	-	8,155
Total other comprehensive income for the period	-	-	-	-	-	263,060	772,822	-	1,035,882	853,977	1,889,859
Total comprehensive income for the period	-	-	-	-	-	263,060	772,822	2,136,444	3,172,326	1,409,621	4,581,947
Balance at 30 June 2015 (unaudited)	80,288,257	27,142,826	(557,080)	375,497	375,497	275,777	2,957,010	5,060,143	115,917,927	45,277,366	161,195,293

The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the shareholders of the parent company								Total KD	
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	(Accumulated losses)/retained earnings KD	Sub-Total KD		Non- controlling interests KD
Balance at 1 January 2014 (audited)	80,288,257	32,950,027	(597,141)	6,977,142	3,718	14,565,861	(12,709,887)	121,477,977	16,619,629	138,097,606
Purchase of treasury shares	-	-	(112,459)	-	-	-	-	(112,459)	-	(112,459)
Sale of treasury shares	-	(49,887)	180,301	-	-	-	-	130,414	-	130,414
Write off of accumulated losses	-	(5,732,745)	-	(6,977,142)	-	-	12,709,887	-	-	-
Disposal of partial interests in subsidiaries	-	-	-	-	-	-	-	-	3,866,268	3,866,268
Transactions with shareholders	-	(5,782,632)	67,842	(6,977,142)	-	-	12,709,887	17,955	3,866,268	3,884,223
Profit for the period	-	-	-	-	-	-	2,653,201	2,653,201	64,195	2,717,396
Other comprehensive (loss)/income:										
Exchange differences arising on translation of foreign operations	-	-	-	-	(191,493)	-	-	(191,493)	152,907	(38,586)
Available for sale investments:										
- Net change in fair value arising during the period	-	-	-	-	-	(8,702,120)	-	(8,702,120)	-	(8,702,120)
- Transferred to consolidated statement of profit or loss on sale	-	-	-	-	-	(428,907)	-	(428,907)	-	(428,907)
Total other comprehensive (loss)/income for the period	-	-	-	-	(191,493)	(9,131,027)	-	(9,322,520)	152,907	(9,169,613)
Total comprehensive (loss)/income for the period	-	-	-	-	(191,493)	(9,131,027)	2,653,201	(6,669,319)	217,102	(6,452,217)
Balance at 30 June 2014 (unaudited)	80,288,257	27,167,395	(529,299)	-	(187,775)	5,434,834	2,653,201	114,826,613	20,702,999	135,529,612

The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Notes	Six months ended 30 June 2015 (Unaudited)	Six months ended 30 June 2014 (Unaudited)
		KD	KD
OPERATING ACTIVITIES			
Profit for the period		2,692,088	2,717,396
Adjustments:			
Interest income		(132,012)	(292,844)
Dividend income		(1,903,437)	(1,393,289)
Loss/(profit) on sale of available for sale investments		96,187	(569,513)
Share of results of associates	11	(612,330)	(798,804)
Provision/(reversal of provision) for instalment credit debtors – net		142,018	(870,757)
Depreciation		139,326	96,221
Finance costs		514,770	919,737
Provision for employees' end of service benefits		209,612	81,389
		1,146,222	(110,464)
Changes in operating assets and liabilities:			
Instalment credit debtors		(1,332,355)	(719,070)
Investments at fair value through profit or loss		(2,044,452)	1,244,541
Held to maturity investments		-	283,050
Accounts receivable and other assets		(963,999)	(545,109)
Due from / to related parties		180,675	(262,563)
Accounts payable and other liabilities		129,294	(711,652)
Employees' end of service benefits paid		(64,255)	(50,389)
Net cash used in operating activities		(2,948,870)	(871,656)
INVESTING ACTIVITIES			
Net purchase of property and equipment		(316,231)	(214,977)
Purchase of available for sale investments		(17,700,315)	(1,533,630)
Proceeds from sale of available for sale investments		14,042,470	2,287,807
Dividend income received		1,903,437	1,393,289
Dividend received from associates	11	824,923	276,599
Interest income received		132,012	292,844
Net cash (used in)/from investing activities		(1,113,704)	2,501,932
FINANCING ACTIVITIES			
Net change in due to banks		1,769,633	916,600
Repayment of term loans		(1,558,651)	(6,820,000)
Repayment of murabaha payable		-	(800,000)
Purchase of treasury shares		-	(112,459)
Sale of treasury shares		-	130,413
Proceeds from disposal of partial interests in subsidiaries		717,881	3,866,268
Finance costs paid		(514,770)	(919,737)
Net cash from/(used in) financing activities		414,093	(3,738,915)
Net decrease in cash and cash equivalents		(3,648,481)	(2,108,639)
Foreign currency adjustment		352,065	(11,665)
Cash and cash equivalents at beginning of the period	7	9,566,645	12,062,146
Cash and cash equivalents at end of the period	7	6,270,229	9,941,842
Non-cash transaction (note 12)			
Investment in real estate under development		4,765,920	-
Accounts receivable and other assets		(2,165,920)	-
Investment in associates		(2,600,000)	-

The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

Arzan Financial Group for Financing and Investment – KPSC (the “parent company”) was incorporated in Kuwait on 15 April 1980 in accordance with the Companies Law under the name of International Transport Equipment Company – KSC (Closed). On 14 December 1996 an extraordinary general assembly resolved to change the name of the parent company to International Murabaha Company – KSC (Closed). Later, on 24 April 2002 an extraordinary general assembly resolved to change the name of the parent company to International Finance Company – KPSC and to expand its permitted activities.

The extraordinary general assembly held on 24 July 2013 approved to change the name of the parent company from International Finance Company – KSCC to Arzan Financial Group for Financing and Investment – KPSC which has been registered in the commercial register under No. 29629 on 11 November 2013.

The parent company is listed on the Kuwait Stock Exchange and is governed under the directives of Central Bank of Kuwait and Capital Markets Authority.

The group comprises the parent company and its subsidiaries (together referred as “the group”).

The extraordinary general assembly held on 26 June 2014 approved the amendment of the parent company’s objectives to become as follows:

- Invest in various economic sectors through the incorporation or participation in the incorporation of various companies or institutions practicing similar or complementary activities to the company’s objectives for its account and for the account of third parties inside or outside the State of Kuwait.
- Manage local or foreign various companies and institutions and market the investment services and products owned by them or by third parties inside or outside the State of Kuwait.
- Own and acquire the right of disposal of whatever it deems necessary thereto of movable and immovable property or any parts thereof or any franchising rights the company deems they are necessary or appropriate to the nature of its activity or to the development of its funds, excluding trading in goods for its account.
- Conduct all business related to securities trading for its account and for the account of third parties inside or outside the State of Kuwait, including sale, purchase and marketing of securities of shares and sukuk and other securities issued by local and foreign government and private companies, institutions and bodies and practice the related financial mediation and brokerage activities.
- Manage the funds of individuals and local or foreign public and private companies, institutions and bodies and invest these funds in various economic sectors through investment and real estate portfolios inside or outside the State of Kuwait.
- Provide economic advice related to investment and hold courses, issue brochures of various investment activities for individuals, local and foreign companies and institutions.
- Prepare and provide technical, economic and assessment studies and consultations and prepare feasibility studies for various investment activities and other studies, examining the technical, financial and administrative aspects related to these activities for its account or for the account of third parties inside or outside the State of Kuwait.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities (continued)

- Establish and manage the collective investment systems and local and foreign investment funds of all kinds and contribute to their establishment for the account of the company and for the account of third parties in accordance with the regulating laws, rules and conditions specified by the competent regulatory authorities; put its stakes or units to subscription so that the company's contributions to the share capital of the collective investment system or the investment fund shall not be less than the minimum limit specified by the regulatory authorities; sell or purchase stakes or units in the local or foreign collective investment systems or investment funds for its account and for the account of third parties or market same, provided the necessary approvals are obtained from the competent regulatory authorities; act as investment custodian, investment monitor and investment advisor in general for the investment funds inside or outside the State of Kuwait in accordance with the regulating laws.
- Invest funds for its account and for the account of third parties in the various aspects of investment inside or outside the State of Kuwait and acquire movable and immovable assets.
- Act as the issuance manager for the securities issued by the local and foreign government and private companies, institutions and bodies and act as the subscription agent, listing advisor, investment custodian and monitor, including publications management and commitments of subscription operations management, receiving applications and covering subscription thereto.
- Perform all advisory services that help develop and strengthen the ability of financial and monetary market in the State of Kuwait and meet its requirements within the limits of the law and the decisions or instructions issued by the competent regulatory authorities (after obtaining the necessary approvals from those authorities), provided this does not result in granting funding by the company in any way.
- Mediate in financing operations, structure and manage the financing arrangements of the local and international companies, institutions, bodies and projects in the various economic sectors in accordance with the rules and conditions specified by the competent regulatory authorities.
- Carry out all the works related to the activities for the arrangement and management of consolidation, acquisition and separation operations for the local and foreign government and private companies, institutions and bodies.
- Trade in transportation means and related heavy equipment.
- Finance the purchases of capital goods, durable and non-durable goods.
- Lease capital and durable goods.
- Grant short and medium term loans to natural and judicial persons.
- Perform real estate investment operations aiming at the management and development of residential lands and building of residential and commercial units and complexes for the purpose of selling them in cash or on installments or leasing same.
- Manage all kinds of financial portfolios, invest and develop funds by employing them locally and internationally for the account of the company or for the account of its clients, in addition to lending and borrowing operations.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities (continued)

- Mediate in the operations of lending, borrowing, brokerage and warranties against commission or pay.
- Finance and mediate in international and local trade operations.
- Manage and create mutual investment funds according to the law and after approval by the competent authorities.
- Mediate in investment in the international instruments and securities.
- Invest in real estate, industrial and agricultural sectors and other economic sectors, whether directly or through contribution to the incorporation of specialized companies or purchase of the shares of these companies.
- Sell and purchase foreign currencies and trade in precious metals only for the account of the company.
- Conduct researches and studies for private and public real estate projects and for the employment of funds for its account or for the account of third parties.
- Trade in securities such as shares and investment certificates and the like.

The company may have an interest or participate in any aspect with the companies, institutions and bodies performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The company may also open branches inside and outside the State of Kuwait in such a way that does not contradict with the company's law and the instructions of the competent regulatory authorities.

The Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Law No. 97 of 2013. On 29 September 2013, Ministry of Commerce and Industry issued its regulation No. 425/2013 regarding the Executive by-laws of the Companies Law. All existing companies are required to comply with articles of these by-laws within one year from the date of its issuance.

At 30 June 2015, the parent company has not complied with the requirement of the new law relating to the separation of the powers between the chief executive officer and the chairman. The parent company will hold a board of directors meeting to comply with this requirement.

The address of the parent company's registered office is PO Box 26442, Safat 13125, State of Kuwait.

The parent company's board of directors approved this interim condensed consolidated financial information for issue on 14 July 2015.

2 Basis of presentation

The interim condensed consolidated financial information of the group for the six-month period ended 30 June 2015 has been prepared in accordance with IAS 34, "Interim Financial Reporting", except for regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK) as noted below.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of presentation (continued)

These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision. The impairment provision for loans and advances complies in all material respects with the specific provision requirements of the CBK and IFRS. According to the CBK requirements the basis of making general provisions on facilities at the rate of 1% for cash facilities and 0.5% for non cash facilities.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in preparation of audited consolidated financial statements for the year ended 31 December 2014, except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD) which is the functional currency of the parent company.

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 interim period are not indicative of the results that may be expected for the year ending 31 December 2015. For further details, refer to the consolidated financial statements and their related 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

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 contributions, 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.

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)

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 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)

3 Changes in accounting policies (continued)

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.

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 audited consolidated financial statements as at and for the year ended 31 December 2014.

5 Establishment of subsidiary

During the period, the group established a new subsidiary under the name of Arzan VC I Limited in the United Arab Emirates with an amount of KD255,012 representing its 100% ownership interest in the subsidiary.

Upto the reporting date, the subsidiary did not commence its operations.

6 Basic and diluted earnings per share attributable to the shareholders of the parent company

Basic and diluted earnings per share is computed by dividing the profit for the period attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the period less treasury shares.

The parent company had no outstanding dilutive shares.

	Three months ended		Six months ended	
	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)	30 June 2015 (Unaudited)	30 June 2014 (Unaudited)
Profit for the period attributable to the shareholders of the parent company – KD	584,988	846,625	2,136,444	2,653,201
Weighted average number of shares outstanding during the period (excluding treasury shares)	796,849,164	797,548,440	796,849,164	797,465,521
Basic and diluted earnings per share attributable to the shareholders of the parent company (Fils)	0.734	1.062	2.681	3.327

Notes to the interim condensed consolidated financial information (continued)

7 Cash and cash equivalents

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Cash and bank balances	2,969,007	6,460,709	7,132,190
Term deposits – 1 to 3 months	3,301,222	3,105,936	2,809,652
	6,270,229	9,566,645	9,941,842

The term deposits carry effective interest rate of 1.75% (31 December 2014: 1.75% and 30 June 2014: 1.75%) per annum.

8 Instalment credit debtors

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Gross instalment credit debtors	18,772,781	17,168,587	24,308,083
Deferred income	(1,874,435)	(1,603,343)	(1,177,904)
	16,898,346	15,565,244	23,130,179
Specific provision for doubtful debts	(921,943)	(708,325)	(10,030,152)
General provision for doubtful debts	(236,168)	(307,021)	(2,055,934)
	15,740,235	14,549,898	11,044,093

Gross instalment credit debtors are repayable as follows:

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Within one year	10,140,975	8,434,343	19,155,081
More than a year	8,631,806	8,734,244	5,153,002
	18,772,781	17,168,587	24,308,083

The effective annual interest rate earned on instalment credit debtors ranged from 2.5% to 8% per annum (31 December 2014: 2.5% to 8% and 30 June 2014: 3% to 9%).

The provision for doubtful debts is in agreement, in all material respect, with the specific provision requirements of the Central Bank of Kuwait and IFRS. Furthermore, a general provision of 1% on instalment credit balances, where no specific provision is made, is taken in accordance with the instructions of the Central Bank of Kuwait.

Included within the gross instalment credit debtors is an amount of KD320,499 (31 December 2014: KD1,144,873 and 30 June 2014: KD3,113,425) in respect of related parties (note 20). This amount is secured by way of pledge of certain local and foreign shares.

Notes to the interim condensed consolidated financial information (continued)

9 Investments at fair value through profit or loss

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Local quoted shares	2,264,968	2,020,898	2,189,863
Foreign quoted shares	70,487	103,001	195,789
Investment in managed portfolios	5,349,750	3,516,854	4,490,000
	7,685,205	5,640,753	6,875,652

An investment portfolio with a carrying value of KD5,349,750 (31 December 2014: KD3,516,854 and 30 June 2014: KD4,490,000) is pledged against term loans (note 14).

10 Available for sale investments

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Local quoted shares	28,048,059	27,309,384	30,107,600
Local unquoted shares	10,193,427	10,497,873	11,685,256
Foreign unquoted shares	38,746,415	34,938,968	8,909,395
Investment in managed portfolios	14,023,093	14,037,510	15,679,340
Investment funds	359,806	260,740	276,533
	91,370,800	87,044,475	66,658,124

The unquoted investments include investments with a carrying value of KD28,108,202 (31 December 2014: KD24,481,820 and 30 June 2014: KD2,279,302) stated at cost due to unavailability of reliable sources to determine their fair values. Management studies and cash flow expectations for these investments do not indicate any impairment for these investments.

Quoted and unquoted local shares and investment in managed portfolios with an aggregate carrying value of KD 28,490,822 (31 December 2014: KD28,844,009 and 30 June 2014: KD31,672,816) are pledged against due to banks, term loans and murabaha payable (notes 13, 14 and 15).

11 Investment in associates

Below is the movement in the investment in associates during the period/year:

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
At 1 January	53,143,043	54,071,423	54,071,423
Additions	-	4,611,600	-
Disposals (note 12)	(2,600,000)	(2,308,954)	-
Share of results	612,330	(237,382)	798,804
Share of other comprehensive loss	-	(214)	-
Impairment of associate	-	(597,529)	-
Reduction of an associate's capital	(175,354)	(337,151)	(289,657)
Dividends from associates	(824,923)	(1,579,162)	(276,599)
Foreign currency translation of foreign associates	898,851	(479,588)	270,087
	51,053,947	53,143,043	54,574,058

Notes to the interim condensed consolidated financial information (continued)

12 Investment in real estate under development

This represents the parent company's 33.54% share in the ownership of the right of use of land located in Al Dubaiya and leased from the Ministry of Finance in Kuwait. The right of use of land is jointly owned by the parent company and other investors through a real estate portfolio agreement. Under the agreement, the real estate is being developed by one of the other investors, which is a company specialized in the field of real estate investments.

The group was party to a legal dispute for recovery of a receivable arising out of a sale of the right of use of land in a prior year. The buyer had defaulted after paying initial consideration. An out of court settlement was reached last year which gave the investors ownership interest in the right of use of land. As the legal formalities were completed during the period, the group derecognised its investment in associate of KD2,600,000 (note 11) and receivable of KD2,165,920 and reclassified to investment in real estate under development.

13 Due to banks

This represents credit facilities granted to the group from a local bank in the form of overdraft facilities. The credit facilities carry interest rate of 4.5% per annum (31 December 2014: 4.5% per annum and 30 June 2014: 4.5% per annum) and payable on demand. Credit facilities are granted against pledge of certain available for sale investments (note 10).

14 Term loans

Term loans are repayable to local and foreign banks in different periods and bear interest at annual rates ranging from 4.5% to 5.5% (31 December 2014: 4.5% to 5.5% and 30 June 2014: 4.5% to 5.5%).

Loans are repayable as follows:

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Within one year	10,101,349	8,890,000	5,390,000
After one year	-	2,770,000	3,790,000
	10,101,349	11,660,000	9,180,000

Loans are secured by the pledge of investments at fair value through profit or loss and available for sale investments (notes 9 and 10).

15 Murabaha payable

This represents Islamic financing obtained from a local financial institution, carrying an effective profit rate of 5.00% (31 December 2014: 5.00% and 30 June 2014: 5.00%). This financing is secured by way of mortgage of certain available for sale investments (note 10).

Murabaha payable is due as follows:

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Within one year	1,040,000	-	6,000,000
After one year	4,160,000	5,200,000	-
	5,200,000	5,200,000	6,000,000

Notes to the interim condensed consolidated financial information (continued)

16 Treasury shares

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Number of treasury shares	6,033,392	6,033,392	5,260,000
Percentage of ownership	0.751%	0.751%	0.655%
Market value (KD)	262,453	286,586	347,160
Cost (KD)	557,080	557,080	529,299

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

17 Annual general assembly

The Annual General Assembly of the shareholders held on 28 May 2015 approved the consolidated financial statements for the year ended 31 December 2014 without any dividend.

18 Fiduciary accounts

Investment portfolios managed by the group and assets held in trust or in a fiduciary capacity and related liabilities are not treated as the group's assets or liabilities and accordingly are not included in the interim condensed consolidated financial position. Total fiduciary assets as at the financial position date were KD4,029,109 (31 December 2014: KD3,978,021 and 30 June 2014: KD2,559,455).

19 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss. The measurement policies the group used for segment reporting under IFRS 8 are the same as those used in its annual audited consolidated financial statements.

The group's principal trading activities are carried out within the State of Kuwait and all of the group's assets and liabilities are located in Kuwait in addition to GCC, Middle East and other countries. The group operates in four business segments; instalment credit, investments, financial brokerage and real estate. The segmental analysis of total revenues, profit for the period, total assets and total liabilities for the business segments are as follows:

Notes to the interim condensed consolidated financial information (continued)

19 Segmental information (continued)

	Instalment credit KD	Investments KD	Financial brokerage KD	Real estate investment KD	Total KD
Six months ended 30 June 2015					
Total revenues	1,902,949	3,970,987	169,839	83,721	6,127,496
Profit/(loss) for the period	333,910	2,423,720	(118,451)	52,909	2,692,088
Three months ended 30 June 2015					
Total revenues	853,039	1,766,142	66,226	38,734	2,724,141
(Loss)/profit for the period	(89,793)	1,221,530	(52,256)	23,419	1,102,900
As at 30 June 2015					
Total assets	21,625,881	140,995,686	15,990,807	10,731,136	189,343,510
Total liabilities	18,084,165	7,093,571	2,970,481	-	28,148,217
Net assets	3,541,716	133,902,115	13,020,326	10,731,136	161,195,293
Six months ended 30 June 2014					
Total revenues	1,414,505	4,150,938	106,025	81,355	5,752,823
(Loss)/profit for the period	(44,431)	2,832,791	(121,393)	50,429	2,717,396
Three months ended 30 June 2014					
Total revenues	1,303,199	898,334	91,111	40,678	2,333,322
Profit for the period	558,097	358,028	6,407	25,138	947,670
As at 30 June 2014					
Total assets	24,248,389	113,089,039	18,090,235	6,365,105	161,792,768
Total liabilities	15,536,700	8,082,549	2,643,907	-	26,263,156
Net assets	8,711,689	105,006,490	15,446,328	6,365,105	135,529,612

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20 Related party balances and transactions

Related parties represent associates, major shareholders, 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 between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note.

Details of significant related party balances and transactions are as follows:

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Interim condensed consolidated statement of financial position			
Instalment credit debtors-gross (note 8)	320,499	1,144,873	3,113,425
Due from related parties	731,098	1,002,023	783,537
Due to shareholders (included in accounts payable and other liabilities)	224,030	224,030	224,030
Due to related parties	334,297	424,547	400,568

Notes to the interim condensed consolidated financial information (continued)

20 Related party balances and transactions (continued)

	Three months ended		Six months ended	
	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD	30 June 2015 (Unaudited) KD	30 June 2014 (Unaudited) KD
Interim condensed consolidated statement of profit or loss				
Income from instalment credit debtors	4,502	45,583	20,995	90,665
Key management compensation:				
Salaries and other short term benefits	184,738	74,128	299,316	148,256
End of service benefits	24,599	7,877	33,899	15,754

21 Fair value measurement

21.1 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 consolidated 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).

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

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
Cash and cash equivalents	6,270,229	9,566,645	9,941,842
Instalment credit debtors	15,740,235	14,549,898	11,044,093
Accounts receivable and other assets	4,998,714	6,200,635	5,278,941
Due from related parties	731,098	1,002,023	783,537
Investments at fair value through profit or loss:			
Investments at fair value through profit or loss – at fair value	7,685,205	5,640,753	6,875,652
Available for sale investments:			
Available for sale investments – at fair value	63,262,598	62,562,655	64,378,822
Available for sale investments – at cost	28,108,202	24,481,820	2,279,302
Total	126,796,281	124,004,429	100,582,189

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

21.1 Fair value hierarchy (continued)

	30 June 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Financial liabilities:			
<i>Financial liabilities at amortised cost:</i>			
Due to banks	4,452,881	2,683,248	3,291,255
Accounts payable and other liabilities	7,249,196	7,119,902	6,780,478
Due to related parties	334,297	424,547	400,568
Term loans	10,101,349	11,660,000	9,180,000
Murabaha payable	5,200,000	5,200,000	6,000,000
Provision for employees' end of service benefits	810,494	721,432	610,855
Total	28,148,217	27,809,129	26,263,156

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.

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

30 June 2015 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<i>Investments at fair value through profit or loss:</i>				
Local quoted shares	2,264,968	-	-	2,264,968
Foreign quoted shares	70,487	-	-	70,487
Investment in managed portfolios	5,349,750	-	-	5,349,750
<i>Available for sale investments:</i>				
Local quoted shares	28,048,059	-	-	28,048,059
Local unquoted shares	-	-	9,473,972	9,473,972
Foreign unquoted shares	-	-	11,357,668	11,357,668
Investment in managed portfolios	1,687,693	-	12,335,400	14,023,093
Investment funds	-	359,806	-	359,806
	37,420,957	359,806	33,167,040	70,947,803

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

21.1 Fair value hierarchy (continued)

31 December 2014 (Audited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss:				
Local quoted shares	2,020,898	-	-	2,020,898
Foreign quoted shares	103,001	-	-	103,001
Investment in managed portfolios	3,516,854	-	-	3,516,854
Available for sale investments:				
Local quoted shares	27,309,384	-	-	27,309,384
Local unquoted shares	-	-	9,907,012	9,907,012
Foreign unquoted shares	-	-	11,048,010	11,048,010
Investment in managed portfolios	1,702,109	-	12,335,400	14,037,509
Investment funds	-	260,740	-	260,740
	34,652,246	260,740	33,290,422	68,203,408

30 June 2014 (Unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss:				
Local quoted shares	2,189,863	-	-	2,189,863
Foreign quoted shares	195,789	-	-	195,789
Investment in managed portfolios	4,490,000	-	-	4,490,000
Available for sale investments:				
Local quoted shares	30,107,600	-	-	30,107,600
Local unquoted shares	-	-	24,203,030	24,203,030
Foreign unquoted shares	-	-	7,756,018	7,756,018
Investment in managed portfolios	2,035,640	-	-	2,035,640
Investment funds	-	276,534	-	276,534
	39,018,892	276,534	31,959,048	71,254,474

There have been no transfers between levels during the reporting period.

21.2 Fair value measurement of financial instruments

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 on a recognized stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

21.2 Fair value measurement of financial instruments (continued)

Measurement at fair value (continued)

b) Managed funds

The underlying investments of managed funds primarily comprise of quoted and unquoted securities. The fair value of the quoted underlying securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the unquoted underlying securities has been determined using valuation techniques that are normally used by fund managers. All significant inputs into the model are based on observable market prices

c) Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, and market multiples which include some assumptions that are not supportable by observable market prices or rates or the latest financial statements or information available on these investments the future financial flows of which are unpredictable.

Level 3 fair value measurement

The group's financial assets and liabilities classified in Level 3 uses 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 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 June 2014 (Unaudited) KD
Opening Balance	33,290,422	29,938,143	29,938,143
- Change in fair value	-	2,476,159	2,020,905
- Purchases	581,986	876,120	-
- Sale	(705,368)	-	-
Closing balance	33,167,040	33,290,422	31,959,048

Gains or losses recognized in the consolidated statement of profit or loss for the period/year are included in change in fair value of investments at fair value through profit or loss.

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%.

22 Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2014.

Notes to the interim condensed consolidated financial information (continued)

23 Change in the group's ownership interest in subsidiaries

During the period, the group disposed of 3%, 15%, 2% and 3% of its interests in Hilltop 1 UK Limited, Hilltop 3 UK Limited, Hilltop 4 UK Limited and Hilltop Germany, respectively, reducing its continuing interests to 6.614%, 17.518%, 9.949% & 7.515% respectively. The group continued to exercise control over these subsidiaries.

The proceeds on disposals amounting to KD717,881 were received in cash. The amounts received which represent the proportionate share of the carrying amount of the net assets of the subsidiaries disposed of have been transferred to non-controlling interests. The part disposals did not result into any gain or loss.