Interim condensed consolidated financial information and review report

Arzan Financial Group for Financing and Investment – KPSC
(Formerly: International Finance Company – KPSC)
and its Subsidiaries
Kuwait

30 September 2014 (Unaudited)

Contents

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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
(formerly: International Finance Company - KPSC)
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Arzan Financial Group for Financing and Investment - KPSC (formerly: International Finance Company - KPSC) (a Kuwaiti Public Shareholding Company) (the "parent company") and its subsidiaries (together the "group") as at 30 September 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with 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 and Memorandum of Association of the parent company, as amended, have occurred during the nine-month period ended 30 September 2014 that might have had a material effect on the business or financial position of the group.

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 nine-month period ended 30 September 2014.

We further report that, during the course of our review, we have not become aware of any material violations during the nine-month period ended 30 September 2014 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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Kuwait
6 November 2014

Interim condensed consolidated statement of income

	Notes	Three months ended 30 Sept. 2014 (Unaudited) KD	Three months ended 30 Sept. 2013 (Unaudited) KD	Nine months ended 30 Sept. 2014 (Unaudited) KD	Nine months ended 30 Sept. 2013 (Unaudited) KD
Revenue					
Income from instalment credit debtors		**393,123**	466,437	**859,973**	1,525,180
Rental income		**37,063**	40,823	**118,418**	109,946
Interest income		**119,864**	256,939	**246,444**	452,135
Profit on sale of investments at fair value through statement of income		**19,187**	29,473	**313,245**	119,671
Change in fair value of investments at fair value through statement of income		**152,542**	50,437	**440,718**	2,392
(Loss)/profit on sale of available for sale investments		**(181,213)**	-	**388,300**	1,243,001
Profit on sale of properties held for trading		**223,283**	42,789	**223,283**	135,024
Share of results of associates	11	**(993,823)**	373,808	**(195,019)**	313,535
Reversal of provision for instalment credit debtors – net		**2,149,336**	961,573	**3,020,093**	1,653,084
Profit on sale of investment in associate	11	**130,906**	-	**130,906**	184,625
Dividend income		**12,152**	20,263	**1,405,441**	1,032,975
Brokerage income		**117,839**	113,944	**285,441**	222,449
Advisory fees		**141,054**	388,189	**502,696**	388,189
Gain/(loss) on foreign currency exchange		**82,489**	53,395	**124,303**	(28,404)
Other income		**67,997**	3,778	**360,380**	83,731
		2,471,799	2,801,848	**8,224,622**	7,437,533
Expenses and other charges					
Staff costs		**(467,928)**	(463,097)	**(1,610,103)**	(1,296,393)
General and administrative expenses		**(370,271)**	(258,058)	**(1,148,429)**	(1,072,264)
Finance costs		**(639,594)**	(247,315)	**(1,559,331)**	(763,976)
Provision for doubtful debts		**-**	-	**-**	(603,019)
Depreciation		**(49,740)**	(44,724)	**(145,961)**	(130,480)
Impairment of available for sale investments	10	**(309,979)**	(925,763)	**(309,979)**	(1,470,951)
		(1,837,512)	(1,938,957)	**(4,773,803)**	(5,337,083)
Profit for the period before provisions for contribution to KFAS, National Labour Support Tax and Zakat		**634,287**	862,891	**3,450,819**	2,100,450
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**(6,343)**	-	**(34,508)**	-
Provision for National Labour Support Tax		**(20,074)**	(33,428)	**(78,809)**	(60,784)
Provision for Zakat		**(5,539)**	(12,954)	**(17,775)**	(18,401)
Profit for the period		**602,331**	816,509	**3,319,727**	2,021,265
Attributable to:					
Shareholders of the parent company		**893,589**	800,796	**3,546,790**	1,987,503
Non-controlling interests		**(291,258)**	15,713	**(227,063)**	33,762
		602,331	816,509	**3,319,727**	2,021,265
Basic and diluted earnings per share attributable to the shareholders of the parent company (Fils)	5	**1.12**	1.01	**4.45**	2.50

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2014 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD
Profit for the period	602,331	816,509	3,319,727	2,021,265
Other comprehensive income/(loss):				
Items that will be reclassified subsequently to consolidated statement of income:				
Exchange differences arising on translation of foreign operations	187,095	(66,058)	148,509	(85,022)
Available for sale investments:				
- Net change in fair value arising during the period	458,256	6,319,673	(8,243,848)	9,273,809
- Transferred to consolidated statement of income on sale	(94,251)	(29,505)	(523,174)	(304,887)
- Transferred to consolidated statement of income on impairment	309,979	925,763	309,979	1,470,951
Total other comprehensive income/(loss) for the period	861,079	7,149,873	(8,308,534)	10,354,851
Total comprehensive income/(loss) for the period	1,463,410	7,966,382	(4,988,807)	12,376,116
Attributable to:				
Shareholders of the parent company	1,691,155	7,953,545	(4,978,164)	12,355,010
Non-controlling interests	(227,745)	12,837	(10,643)	21,106
	1,463,410	7,966,382	(4,988,807)	12,376,116

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 Sept. 2013 (Unaudited) KD
Assets				
Cash and cash equivalents	6	5,614,220	12,062,146	8,561,385
Instalment credit debtors	7	13,431,800	9,454,266	19,075,700
Investments at fair value through statement of income	8	7,853,708	8,120,193	8,116,024
Accounts receivable and other assets	9	10,475,413	5,016,378	4,786,966
Due from related parties	19	906,349	108,920	327,455
Properties held for trading		1,513,947	1,849,329	3,418,136
Available for sale investments	10	66,702,495	75,973,784	68,682,927
Held to maturity investment		-	283,050	283,050
Investment in associates	11	50,426,021	54,071,423	44,560,150
Investment properties		1,905,888	1,950,185	1,964,951
Property and equipment		3,101,135	2,725,633	2,735,433
Total assets		161,930,976	171,615,307	162,512,177
Liabilities and equity				
Liabilities				
Due to banks	12	4,429,090	2,374,655	2,585,664
Accounts payable and other liabilities		7,129,519	7,492,130	6,792,668
Due to related parties	19	365,224	271,060	322,968
Term loans	13	8,670,000	16,000,000	8,426,700
Murabaha payable	14	5,200,000	6,800,000	6,800,000
Provision for employees' end of service benefits		639,302	579,856	598,810
Total liabilities		26,433,135	33,517,701	25,526,810
Equity				
Share capital		80,288,257	80,288,257	80,288,257
Share premium		27,142,826	32,950,027	32,950,027
Treasury shares	15	(557,080)	(597,141)	(762,148)
Legal reserve		-	6,977,142	7,074,614
Foreign currency translation reserve		(64,193)	3,718	(261,944)
Fair value reserve		6,108,818	14,565,861	19,055,460
Retained earnings/(accumulated losses)		3,546,790	(12,709,887)	(13,093,989)
Total equity attributable to the shareholders of the parent company		116,465,418	121,477,977	125,250,277
Non-controlling interests		19,032,423	16,619,629	11,735,090
Total equity		135,497,841	138,097,606	136,985,367
Total liabilities and equity		161,930,976	171,615,307	162,512,177

Jassem Hasan Zainal
Chairman and Chief Executive Officer

The notes set out on pages 8 to 25 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	Foreign currency translation reserve KD	Fair value reserve KD	(Accumulated losses)/retained earnings KD	Sub-Total KD	Non-controlling interests KD	Total 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	-	-	(220,950)	-	-	-	-	(220,950)	-	(220,950)
Sale of treasury shares	-	(74,456)	261,011	-	-	-	-	186,555	-	186,555
Write off of accumulated losses (note 16)	-	(5,732,745)	-	(6,977,142)	-	-	12,709,887	-	-	-
Transactions with shareholders	-	(5,807,201)	40,061	(6,977,142)	-	-	12,709,887	(34,395)	-	(34,395)
Profit for the period	-	-	-	-	-	-	3,546,790	3,546,790	(227,063)	3,319,727
Other comprehensive (loss)/income:										
Exchange differences arising on translation of foreign operations	-	-	-	-	(67,911)	-	-	(67,911)	216,420	148,509
Available for sale investments:										
- Net change in fair value arising during the period	-	-	-	-	-	(8,243,848)	-	(8,243,848)	-	(8,243,848)
- Transferred to consolidated statement of income on sale	-	-	-	-	-	(523,174)	-	(523,174)	-	(523,174)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	309,979	-	309,979	-	309,979
Total other comprehensive (loss)/income for the period	-	-	-	-	(67,911)	(8,457,043)	-	(8,524,954)	216,420	(8,308,534)
Total comprehensive (loss)/income for the period	-	-	-	-	(67,911)	(8,457,043)	3,546,790	(4,978,164)	(10,643)	(4,988,807)
Disposal of partial interests in subsidiaries (note 22)	-	-	-	-	-	-	-	-	2,423,437	2,423,437
Balance at 30 September 2014 (unaudited)	**80,288,257**	**27,142,826**	**(557,080)**	**-**	**(64,193)**	**6,108,818**	**3,546,790**	**116,465,418**	**19,032,423**	**135,497,841**

The notes set out on pages 8 to 25 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										
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD	Sub-Total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2013 (as previously reported) (audited)	80,288,257	32,950,027	(931,786)	7,087,901	151,824	(189,578)	8,615,587	(15,081,492)	112,890,740	612,786	113,503,526
Prior year adjustment (note 23)	-	-	-	-	-	-	-	-	-	2,572,270	2,572,270
Balance at 1 January 2013 (as restated) (audited)	80,288,257	32,950,027	(931,786)	7,087,901	151,824	(189,578)	8,615,587	(15,081,492)	112,890,740	3,185,056	116,075,796
Purchase of treasury shares	-	-	(285,710)	-	-	-	-	-	(285,710)	-	(285,710)
Sale of treasury shares	-	-	455,348	(13,287)	(151,824)	-	-	-	290,237	-	290,237
Transactions with shareholders	-	-	169,638	(13,287)	(151,824)	-	-	-	4,527	-	4,527
Profit for the period	-	-	-	-	-	-	-	1,987,503	1,987,503	33,762	2,021,265
Other comprehensive (loss)/income:											
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(72,366)	-	-	(72,366)	(12,656)	(85,022)
Available for sale investments:											
- Net change in fair value	-	-	-	-	-	-	9,273,809	-	9,273,809	-	9,273,809
- Transferred to consolidated statement of income on sale	-	-	-	-	-	-	(304,887)	-	(304,887)	-	(304,887)
- Transferred to consolidated statement of income on impairment	-	-	-	-	-	-	1,470,951	-	1,470,951	-	1,470,951
Total other comprehensive (loss)/income for the period	-	-	-	-	-	(72,366)	10,439,873	-	10,367,507	(12,656)	10,354,851
Total comprehensive (loss)/income for the period	-	-	-	-	-	(72,366)	10,439,873	1,987,503	12,355,010	21,106	12,376,116
Non-controlling interests arising on business combination	-	-	-	-	-	-	-	-	-	8,528,928	8,528,928
Balance at 30 September 2013 (unaudited)	**80,288,257**	**32,950,027**	**(762,148)**	**7,074,614**	**-**	**(261,944)**	**19,055,460**	**(13,093,989)**	**125,250,277**	**11,735,090**	**136,985,367**

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Notes	Nine months ended 30 Sept. 2014 (Unaudited)	(Restated) Nine months ended 30 Sept 2013 (Unaudited)
		KD	KD
OPERATING ACTIVITIES			
Profit for the period		3,319,727	2,021,265
Adjustments:			
Interest income		(246,444)	(452,135)
Dividend income		(1,405,441)	(1,032,975)
Profit on sale of available for sale investments		(388,300)	(1,243,001)
Profit on sale of investment in associate		(130,906)	(184,625)
Impairment of available for sale investments		309,979	1,470,951
Profit on sale of properties held for trading		(223,283)	(135,024)
Share of results of associates	11	195,019	(313,535)
Reversal of provision for instalment credit debtors – net		(3,020,093)	(1,653,084)
Provision for doubtful debts		-	603,019
Depreciation		145,961	130,480
Finance costs		(1,559,331)	763,976
Provision for end of service indemnity		169,460	170,241
		(2,833,652)	145,553
Changes in operating assets and liabilities:			
Instalment credit debtors		(957,441)	5,743,687
Investments at fair value through statement of income		266,485	(489,971)
Accounts receivable and other assets		(5,459,032)	196,346
Held to maturity investments		283,050	-
Due from / to related parties		(703,265)	(1,424,232)
Accounts payable and other liabilities		(362,611)	225,141
Provision for end of service indemnity paid		(110,014)	(78,200)
Net cash (used in)/from operating activities		(9,876,480)	4,318,324
INVESTING ACTIVITIES			
Net purchase of property and equipment		(477,126)	(41,386)
Purchase of investment in associate		-	(13,248,501)
Proceeds from sale of investment in associate		2,355,577	1,322,188
Purchase of properties held for trading		-	(760,299)
Purchase of Available for sale investments		(1,566,468)	(10,403,858)
Proceeds from sale of properties held for trading		544,600	705,460
Proceeds from sale of available for sale investments		2,982,413	3,719,058
Dividends income received		1,405,441	1,032,975
Dividend received from associate	11	939,714	35,062
Interest income received		246,444	452,135
Net cash from/(used in) investing activities		6,430,595	(17,187,166)
FINANCING ACTIVITIES			
Net change in due to banks		2,054,435	66,384
(Repayment of)/proceeds from term loans		(7,330,000)	6,719,900
Repayment of murabaha payable		(1,600,000)	(1,600,000)
Purchase of treasury shares		(220,950)	(285,710)
Sale of treasury shares		186,555	290,237
Non-controlling interest arising on business combination		2,423,437	8,550,034
Finance costs paid		1,559,331	(763,976)
Net cash (used in)/from financing activities		(2,927,192)	12,976,869
Net (decrease)/increase in cash and cash equivalents		(6,373,077)	108,027
Foreign currency adjustment		(74,849)	(53,505)
Cash and cash equivalents at beginning of the period	6	12,062,146	8,506,863
Cash and cash equivalents at end of the period	6	5,614,220	8,561,385

The notes set out on pages 8 to 25 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 principal activities of the parent company are as follows:

1- Trading through transportation and related heavy equipment,
2- Financing the purchases of capital commodities and durable and non-durable goods,
3- Leasing the capital goods and the durable goods,
4- Granting short and medium term loans for individuals and legal entities,
5- Real estate investment transactions to manage and develop residential land, and constructing of commercial and residential units and complexes in order to sell them in cash or instalments or rent them,
6- Managing all types and forms of financial portfolios, investing and developing of funds by utilising them locally and globally for the parent company or on behalf of its customers including required lending and borrowing operations,
7- Mediation in lending, borrowing, brokerage and guarantees transactions for a commission or fee,
8- Financing and brokerage in the international and local trading,
9- Managing and establishing mutual funds in accordance with the law and after obtaining the approval of the competent authorities,
10- Brokerage in international investment instruments and securities,
11- Investment in real estate, industrial, agricultural and other economic sectors, either directly or by participating in the establishment of specialised entities or buying the shares of these entities,
12- Buying and selling of foreign currencies and trading in precious metals for the parent company only,
13- Conducting researches and studies related to real estate projects as well as those relating to the utilisation of funds for the parent company or for others,
14- Trading in securities such as shares, investment certificates and the like,
15- The parent company may have interest or participate in any way with the companies practicing similar activities or which may assist it to achieve its objectives inside or outside the State of Kuwait. The company may also purchase these companies or affiliate them therewith.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities (continued)

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.

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

The board of directors approved this interim condensed consolidated financial information for the nine month period ended 30 September 2014 for issue on 6 November 2014.

2 Basis of presentation

The interim condensed consolidated financial information of the group for the nine-month period ended 30 September 2014 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.

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 2013, 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 2014. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2013.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those used in previous year except as follows:

3.1 Adoption of new IASB Standards and amendments during the period

The group has adopted the following new and amended IFRS during the period:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 32 Financial Instruments: Presentation - Amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
IFRIC 21 Levies	1 January 2014

3.1.1 IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are required to be applied retrospectively. The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.2 IAS 36 Impairment of Assets- Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.3 Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through statement of income.

The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.4 Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The Amendment makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The adoption of the amendment did not result into any material impact on 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 Adoption of new IASB Standards and amendments during the period (continued)

3.1.5 IFRIC 21 'Levies' (IFRIC 21)
IFRIC 21 clarifies that:

- The obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on specific date within an accounting period then the entire obligation is recognised on that date
- The same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has been applied retrospectively in accordance with its transitional provisions but the adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

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 pronouncement. Management is yet to determine impact of these pronouncements in the interim condensed consolidated financial information. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

3.2.1 IFRS 9 Financial Instruments
The IASB has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. IFRS 9 (2014) incorporates the final requirements on all three phases of the financial instruments projects: classification and measurement, impairment and hedge accounting.

The group's management has yet to assess the impact of this new standard on the group's consolidated financial statements.

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)

3.2.2 IFRS 14 Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

3.2.3 IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 11 Revenues and provides a new control-based revenue recognition model using five-step to be applied 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.

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.

3.2.4 Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

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)

3.2 IASB Standards issued but not yet effective (continued)

3.2.5 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

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.

3.2.6 Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

Amends IAS 19 Employee Benefits to 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.

3.2.7 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 income.

(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.

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)

3.2.8 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*- the amendment emphasises that whether the acquisition of an investment property is a business combination requires judgement of the specific requirements of IFRS 3, independently from the requirements of IAS 40, including whether the investment property is owner occupied.

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 2013.

5 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		Nine months ended	
	30 Sept. 2014 (Unaudited)	30 Sept. 2013 (Unaudited)	**30 Sept. 2014 (Unaudited)**	30 Sept. 2013 (Unaudited)
Profit for the period attributable to the shareholders of the parent company – KD	**893,589**	800,796	**3,546,790**	1,987,503
Weighted average number of shares issued (excluding treasury shares)	**796,469,279**	795,739,581	**797,129,791**	796,255,443
Basic and diluted earnings per share attributable to the shareholders of the parent company (Fils)	**1.12**	1.01	**4.45**	2.50

Notes to the interim condensed consolidated financial information (continued)

6 Cash and cash equivalents

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 Sept. 2013 (Unaudited) KD
Cash and bank balances	**2,642,153**	8,947,736	5,837,604
Term deposits – 1 to 3 months	**2,972,067**	3,114,410	2,723,781
	5,614,220	12,062,146	8,561,385

The term deposits carry effective interest of 1.75% (31 December 2013: 1.75% and 30 September 2013: 6.5%).

7 Instalment credit debtors

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Gross instalment credit debtors	**24,743,497**	23,401,664	33,701,195
Deferred income	**(1,356,306)**	(983,643)	(941,030)
	23,387,191	22,418,021	32,760,165
Specific provision for doubtful debts	**(8,358,328)**	(10,957,594)	(11,803,686)
General provision for doubtful debts	**(1,597,063)**	(2,006,161)	(1,880,779)
	13,431,800	9,454,266	19,075,700

Gross instalment credit debtors are repayable as follows:

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Within one year	**17,841,829**	19,278,570	24,878,090
More than a year	**6,901,668**	4,123,094	8,823,105
	24,743,497	23,401,664	33,701,195

The effective annual interest rate earned on instalment credit ranged from 3% to 9% per annum (31 December 2013: 3% to 9% and 30 September 2013: 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 installment credit debtors is an amount of KD3,105,046 (31 December 2013: KD3,148,937 and 30 September 2013: KD13,023,812) in respect of related parties (note 19). This amount is secured by way of pledge of certain local and foreign shares.

The gross installment credit debtors include an amount of KD96,178 (KD252,719 as of 31 December 2013, 30 September 2013: KD344,299) representing a portfolio of customer loans which have been discounted to a bank according to a debt factoring agreement (note 12).

Notes to the interim condensed consolidated financial information (continued)

8 Investments at fair value through statement of income

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Local quoted shares	2,141,861	2,018,191	1,862,403
Foreign quoted shares	100,347	191,595	210,397
Investment in managed portfolios	5,611,500	5,910,407	6,043,224
	7,853,708	8,120,193	8,116,024

An investment portfolio with a carrying value of KD5,611,500 (31 December 2013: KD5,910,407 and 30 September 2013: KD6,043,224) is pledged against term loans (note 13).

9 Accounts receivable and other assets

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 Sept. 2013 (Unaudited) KD
Trade receivables	5,551,472	5,537,317	5,915,821
Provision for doubtful debts	(2,592,558)	(2,094,742)	(2,571,703)
	2,958,914	3,442,575	3,344,118
Staff loans receivable	10,045	17,576	21,149
Prepayments and refundable deposits	54,741	46,882	61,292
Advance payments towards purchase of investments	6,736,189	930,241	-
Other assets	715,524	579,104	1,360,407
	10,475,413	5,016,378	4,786,966

10 Available for sale investments

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Local quoted shares	30,118,420	39,653,408	32,103,916
Local unquoted shares	11,685,256	11,963,271	24,949,898
Foreign unquoted shares	8,605,766	7,086,319	7,391,845
Investment in managed portfolios	15,969,567	17,081,333	4,050,599
Investment funds	323,486	189,453	186,669
	66,702,495	75,973,784	68,682,927

The unquoted investments include investments with a carrying value of KD2,159,653 (31 December 2013: KD2,755,147 and 30 September 2013: KD8,882,043) 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 KD31,965,816 (31 December 2013: KD31,603,700 and 30 September 2013: KD33,495,817) are pledged against due to banks, term loans and murabaha payable (notes 12, 13 and 14).

Notes to the interim condensed consolidated financial information (continued)

10 Available for sale investments (continued)

During the period the group recognised an impairment loss of KD309,979 (30 September 2013: KD1,470,951) on certain investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

11 Investment in associates

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

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 Sept. 2013 (Unaudited) KD
At 1 January	54,071,423	33,408,914	33,408,914
Additions	-	22,516,609	13,248,503
Disposals	(2,224,671)	(1,131,876)	-
Share of results	(195,019)	1,227,119	313,535
Reduction of an associate's capital	(384,415)	(1,223,750)	(1,223,750)
Dividends from associates	(939,714)	(717,601)	(1,151,990)
Foreign currency translation of foreign associates	98,417	(7,992)	(35,062)
	50,426,021	54,071,423	44,560,150

During the period, the group sold one of its associate realising a gain of KD130,906.

12 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 2013: 4.5% per annum and 30 September 2013: 4.5% per annum) and payable on demand. Credit facilities are granted against pledge of certain available for sale investments (note 10).

This balance also includes an amount of KD100,051 (31 December 2013: KD238,222 and 30 September 2013: KD133,548) due to a bank against the factoring of certain instalment credit debtors (note 7).

13 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 2013: 4.5% to 5% and 30 September 2013: 4.5% to 6%).

Loans are repayable as follows:

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Within one year	5,390,000	11,190,000	3,106,700
After one year	3,280,000	4,810,000	5,320,000
	8,670,000	16,000,000	8,426,700

Loans are secured by the pledge of investments at fair value through statement of income and available for sale investments (notes 8 and 10).

Notes to the interim condensed consolidated financial information (continued)

14 Murabaha payable

This represents Islamic financing obtained from a local financial institution, carrying an effective profit rate of 5% (31 December 2013: 6.00% and 30 September 2013: 6.00%). This financing is secured by way of mortgage of certain available for sale investments (note 10).

Murabaha payable is due as follows:

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Within one year	**5,200,000**	1,600,000	2,400,000
After one year	**-**	5,200,000	4,400,000
	5,200,000	6,800,000	6,800,000

15 Treasury shares

	30 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Number of treasury shares	**6,033,392**	5,483,436	6,363,449
Percentage of shareholdership	**0.751%**	0.683%	0.793%
Market value (KD)	**398,204**	427,708	496,349
Cost (KD)	**557,080**	597,141	762,148

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

16 Annual general assembly

The Annual General Assembly of the shareholders held on 26 June 2014 approved the consolidated financial statements for the year ended 31 December 2013 without any dividend.

Also, the extraordinary general assembly of the shareholders held on 26 June 2014 approved to write off accumulated losses of KD12,709,887 as at 31 December 2013 by transfer from share premium of KD5,732,745 and KD6,977,142 from legal reserve.

17 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 KD2,644,677 (31 December 2013: KD2,456,041 and 30 September 2013: KD2,682,046).

Notes to the interim condensed consolidated financial information (continued)

18 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 uses 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, investment, brokerage and real estate. The segmental analysis of total revenues, profit for the year, total assets and total liabilities for the business segments are as follows:

	Instalment credit KD	Investments KD	Financial brokerage KD	Real estate investment KD	Total KD
Nine months ended 30 September 2014					
Total revenues	4,012,810	5,205,077	(1,334,966)	341,701	8,224,622
Profit/(loss) for the period	1,948,297	2,789,610	(1,710,899)	292,719	3,319,727
Three months ended 30 September 2014					
Total revenues	2,598,305	1,054,139	(1,440,991)	260,346	2,471,799
Profit/(loss) for the period	1,998,728	(43,181)	(1,595,506)	242,290	602,331
As at 30 September 2014					
Total assets	21,729,495	117,234,311	16,947,335	6,019,835	161,930,976
Total liabilities	15,961,191	7,500,700	2,971,244	-	26,433,135
Net assets	5,768,304	109,733,611	13,976,091	6,019,835	135,497,841
Nine months ended 30 September 2013					
Total revenues	3,070,600	3,553,162	568,801	244,970	7,437,533
Profit for the period	302,236	1,274,615	214,210	230,204	2,021,265
Three months ended 30 September 2013					
Total revenues	1,441,592	944,358	407,444	8,454	2,801,848
Profit/(loss) for the period	828,107	(319,802)	67,618	240,586	816,509
As at 30 September 2013					
Total assets (restated)	29,288,151	106,610,295	18,630,644	7,983,087	162,512,177
Total liabilities	12,563,307	9,896,395	3,067,108	-	25,526,810
Net assets	16,724,844	96,713,900	15,563,536	7,983,087	136,985,367

Notes to the interim condensed consolidated financial information (continued)

19 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 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Interim condensed consolidated statement of financial position			
Instalment credit debtors-gross (note 7)	**3,105,046**	3,148,937	13,023,812
Due from related parties	**906,349**	108,920	327,455
Due to shareholders (included in accounts payable and other liabilities)	**224,030**	224,113	224,113
Due to related parties	**365,224**	271,060	322,968

	Three months ended		Nine months ended	
	30 Sept. 2014 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD	30 Sept. 2013 (Unaudited) KD
Interim condensed consolidated statement of income				
Income from instalment credit debtors	**57,250**	188,120	**147,915**	617,685
Profit on sale of investment in associate	**-**	-	**-**	184,625
Profit on sale of available for sale investment	**-**	170,698	**-**	239,248
Key management compensation:				
Salaries and other short term benefits	**180,454**	53,687	**328,710**	160,461
Provision for end of service benefits	**8,325**	5,021	**24,079**	15,063

20 Fair value measurement

20.1 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

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.1 Fair value hierarchy (continued)

- 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 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 Sept. 2013 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
Cash and cash equivalents	**5,614,220**	12,062,146	8,561,385
Instalments credit debtors	**13,431,800**	9,454,266	19,075,700
Accounts receivable and other assets	**10,475,413**	5,016,378	4,786,966
Due from related parties	**906,349**	108,920	327,455
Held to maturity investments at amortised cost:			
Held to maturity investment	**-**	283,050	283,050
Investments at fair value through statement of income:			
Investments at fair value through statement of income	**7,853,708**	8,120,193	8,116,024
Available for sale investments:			
Available for sale investments – at fair value	**64,542,842**	73,218,637	59,800,884
Available for sale investments – at cost	**2,159,653**	2,755,147	8,882,043
Total	**104,983,985**	111,018,737	109,833,507
Financial liabilities:			
Financial liabilities at amortised cost			
Due to banks	**4,429,090**	2,374,655	2,585,664
Accounts payable and other liabilities	**7,129,519**	7,492,130	6,792,668
Due to related parties	**365,224**	271,060	322,968
Term loans	**8,670,000**	16,000,000	8,426,700
Murabaha payable	**5,200,000**	6,800,000	6,800,000
Provision for end of service benefits	**639,302**	579,856	598,810
Total	**26,433,135**	33,517,701	25,526,810

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)

20 Fair value measurement (continued)

20.1 Fair value hierarchy (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 September 2014 (Unaudited)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through statement of income:				
Local quoted shares	2,141,861	-	-	2,141,861
Foreign quoted shares	100,347	-	-	100,347
Investment in managed portfolios	5,611,500	-	-	5,611,500
Available for sale investments:				
Local quoted shares	30,118,420	-	-	30,118,420
Local unquoted shares	-	-	24,203,030	24,203,030
Foreign unquoted shares	-	-	7,572,037	7,572,037
Investment in managed portfolios	2,325,867	-	-	2,325,867
Investment funds	-	323,488	-	323,488
	40,297,995	323,488	31,775,067	72,396,550

31 December 2013 (Audited)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through statement of income:				
Local quoted shares	2,018,191	-	-	2,018,191
Foreign quoted shares	191,595	-	-	191,595
Investment in managed portfolios	5,910,407	-	-	5,910,407
Available for sale investments:				
Local quoted shares	39,653,408	-	-	39,653,408
Local unquoted shares	-	-	24,128,543	24,128,543
Foreign unquoted shares	-	-	5,809,600	5,809,600
Investment in managed portfolios	3,437,633	-	-	3,437,633
Investment funds	-	189,453	-	189,453
	51,211,234	189,453	29,938,143	81,338,830

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.1 Fair value hierarchy (continued)

30 September 2013 (Unaudited)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through statement of income:				
Local quoted shares	1,862,403	-	-	1,862,403
Foreign quoted shares	210,397	-	-	210,397
Investment in managed portfolios	6,043,224	-	-	6,043,224
Available for sale investments:				
Local quoted shares	32,103,916	-	-	32,103,916
Local unquoted shares	-	-	23,459,700	23,459,700
Investment in managed portfolios	4,050,599	-	-	4,050,599
Investment funds	-	186,669	-	186,669
	44,270,539	186,669	23,459,700	67,916,908

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

20.2 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.

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.

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.2 Fair value measurement of financial instruments (continued)

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 Sept. 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 Sept. 2013 (Unaudited) KD
Opening Balance	**29,938,143**	22,940,163	14,773,511
- Change in fair value	**1,836,924**	(1,801,307)	-
- Purchases	**-**	8,799,287	8,686,189
Closing balance	**31,775,067**	29,938,143	23,459,700

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

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

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

21 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 2013.

22 Change in the group's shareholdership interest in subsidiaries

During the period, the group disposed of 11.14% and 33.68% of its interests in Hilltop 3 UK Limited and Hilltop 4 UK Limited, respectively, reducing its continuing interests to 32.39% and 11.73%, respectively. The group continued to exercise control over these subsidiaries.

The proceeds on disposals were received in cash. An amount of KD829,239 and KD1,395,365 being the proportionate share of the carrying amount of the net assets of Hilltop 3 UK Limited and Hilltop 4 UK Limited have been transferred to non-controlling interests. The part disposals did not result into any gain or loss.

Notes to the interim condensed consolidated financial information (continued)

23 Prior period/year adjustments

In the group's 2013 annual consolidated financial statements, the group restated its prior year financial statements as a result of the adoption of IFRS 10. The interim condensed consolidated financial information has also been restated to reflect such adjustments. The application of IFRS 10 affected the accounting of the group's 9.44%, 33.79% and 41.54% interest in the equity shares of Hilltop 1 UK Limited, Hilltop 2 UK Limited and Hilltop 3 UK Limited respectively. Hilltop 1 UK Limited, Hilltop 2 UK Limited & Hilltop 3 UK Limited was classified as investment in associates and was accounted for using the equity method in the prior period comparative. At the date of initial application of IFRS 10 (1 January 2013), the group assessed that it controls Hilltop 1 UK Limited and Hilltop 2 UK Limited.

Consequently, the group had consolidated the financial statements of Hilltop 1 UK Limited ,Hilltop 2 UK Limited and Hilltop 3 UK Limited based on its 9.44% (31 December 2013: 9.44% and 30 September 2013: 9.44%) , 33.79% (31 December 2013: 33.79% and 30 September 2013: 33.79%) 32.39% (31 December 2013: 43.53% and 30 September 2013: 43.53%) equity interest respectively and accounted for the balance of 90.56% (31 December 2013: 90.56% and 30 September 2013: 90.56%), 66.21% (31 December 2013: 66.21% and 30 September 2013: 66.21%) and 67.61% (31 December 2013: 56.47% and 30 September 2013: 56.47%) respectively as non-controlling interests of KD2,824,519(31 December 2013: KD2,801,416 and 30 September 2013: KD2,781,897) KD1,539,509 (31 December 2013: KD1,458,829 and 30 September 2013: KD1,389,880) and KD7,803,181(31 December 2013: KD7,063,749 and 30 September 2013: KD6,929,422) respectively. The interim condensed consolidated financial information has been restated to reflect the above reclassification with retrospective effect. There was no material effect on the results for the nine months ended 30 September 2013 accordingly the interim condensed consolidated statement of income has not been restated.