Interim Condensed Consolidated Financial Information and Review Report

International Financial Advisors – KPSC and Subsidiaries

Kuwait

30 June 2014 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

To the board of directors of
International Financial Advisors – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of International Financial Advisors (A Kuwaiti Public Shareholding Company) and its subsidiaries as of 30 June 2014 and the related interim condensed consolidated statements of income, 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 Group. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 or of the articles of association of the Company, as amended, have occurred during the six-month period ended 30 June 2014 that might have had a material effect on the business or financial position of the Group.

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 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.

We also note 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 the Capital Markets Authority and the instructions thereto, during the six-months period ended 30 June 2014.

Abdullatif M. Al-Aiban (CPA)
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Kuwait
21 August 2014

Interim condensed consolidated statement of income

	Notes	Three months ended 30 June 2014 (Unaudited) KD	Three months ended 30 June 2013 (Unaudited) KD	Six months ended 30 June 2014 (Unaudited) KD	Six months ended 30 June 2013 (Unaudited) KD
Revenue					
Interest and similar income		**98,321**	84,108	**159,177**	360,253
Management fees and commission income		**53,988**	358,224	**107,132**	573,964
Dividends income		**60,566**	7,542	**218,713**	129,987
Net income from hoteliers and related services	6	**4,581,288**	2,695,505	**9,612,206**	4,282,248
Net loss from investments at fair value through profit or loss	11	**(290,397)**	(754,876)	**(93,074)**	(1,283,173)
Net Gain on sale of asset classified as held for sale		**-**	12,876,430	**-**	12,938,184
Gain/(loss) on sale of properties under development	7	**400,823**	(2,517,233)	**849,257**	(2,306,855)
Loss on sale of shares in associate		**-**	(3,167)	**-**	(78,306)
Share of loss from associates and joint ventures	16	**(145,412)**	(1,514,345)	**(664,914)**	(1,563,298)
Gain on sale of available for sale investments		**-**	-	**30,144**	667,622
Changes in fair value of investment properties	15	**-**	-	**-**	19,932,188
Foreign currency exchange gain/(loss)		**20,742**	(119,466)	**129,661**	(574,698)
Other loss	8	**(187,293)**	(123,348)	**(432,625)**	(3,038,223)
Total income		**4,592,626**	10,989,374	**9,915,677**	30,039,893
Expenses and other charges					
Interest and similar expense		**2,541,448**	3,125,995	**5,122,106**	5,673,702
Staff and related costs		**1,634,350**	1,910,305	**3,376,646**	3,139,390
Other operating expenses		**4,355,273**	2,587,768	**7,406,952**	6,924,933
Impairment loss in value of available for sale investments		**33,083**	58,905	**70,416**	516,170
Impairment loss in value of the shareholders' loan granted to an associate		**-**	-	**-**	3,216,178
Impairment loss in value of receivables and other assets		**-**	-	**-**	764,883
Depreciation of property, plant and equipment		**1,188,992**	879,612	**2,359,872**	1,322,679
Total expenses and other charges		**9,753,146**	8,562,585	**18,335,992**	21,557,935
Loss/(profit) before contribution to KFAS, National Labour Support Tax, Zakat provision and taxation on overseas subsidiaries		**(5,160,520)**	2,426,789	**(8,420,315)**	8,481,958
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**-**	(59,085)	**27,311**	(87,137)
National Labour Support Tax		**-**	(164,125)	**74,642**	(242,047)
Zakat provision		**-**	(65,650)	**29,857**	(96,819)
Taxation on overseas subsidiaries		**8,799**	(38,869)	**(91,210)**	(1,513,715)
(Loss)/ profit for the period		**(5,151,721)**	2,099,060	**(8,379,715)**	6,542,240
Attributable to :					
Owners of the parent company		**(3,681,976)**	373,626	**(5,574,861)**	2,067,846
Non-controlling interests		**(1,469,745)**	1,725,434	**(2,804,854)**	4,474,394
(Loss)/ profit for the period		**(5,151,721)**	2,099,060	**(8,379,715)**	6,542,240
Basic and diluted (loss)/ earnings per share attributable to the owners of the parent company (Fils)	9	**(5.47)**	0.56	**(8.29)**	3.08

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income

	Three months ended		Six months ended	
	30 June 2014 (Unaudited) KD	30 June 2013 (Unaudited) KD	**30 June 2014 (Unaudited) KD**	30 June 2013 (Unaudited) KD
(Loss)/profit for the period	**(5,151,721)**	2,099,060	**(8,379,715)**	6,542,240
Other comprehensive income:				
Items that will be reclassified subsequently to the interim condensed consolidated statement of income:				
Available for sale investments:				
- Net change in fair value during the period	**(1,473,216)**	(859,038)	**(2,024,654)**	(968,730)
- Transferred to interim condensed consolidated statement of income on sale	**-**	-	**(38,953)**	(1,990,120)
- Transferred to interim condensed consolidated statement of income on impairment in value	**33,083**	58,905	**70,416**	516,170
Investment in associates and joint ventures:				
- Share of other comprehensive (loss)/income of associates and joint ventures	**(611,069)**	(277,224)	**(1,480,393)**	1,009,384
Foreign currency translation:				
- Exchange differences arising on translation of foreign operations	**(228,905)**	(768,605)	**154,932**	(94,254)
Net other comprehensive loss to be reclassified subsequently to interim condensed consolidated statement of income	**(2,280,107)**	(1,845,962)	**(3,318,652)**	(1,527,550)
Net other comprehensive income not to be reclassified subsequently to interim condensed consolidated statement of income	**-**	-	**-**	-
Total comprehensive (loss)/profit for the period	**(7,431,828)**	253,098	**(11,698,367)**	5,014,690
Attributable to:				
Owners of the parent company	**(5,962,083)**	(1,472,336)	**(8,893,513)**	540,296
Non-controlling interests	**(1,469,745)**	1,725,434	**(2,804,854)**	4,474,394
	(7,431,828)	253,098	**(11,698,367)**	5,014,690

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Assets				
Cash and cash equivalents	10	**4,497,681**	5,704,539	26,136,660
Investments at fair value through profit or loss	11	**1,180,744**	3,562,854	2,771,922
Receivables and other debit balances	12	**17,930,385**	18,499,996	16,339,061
Loans receivable		**-**	1,163,230	2,732,377
Due from related parties	25	**11,510,198**	12,878,614	11,135,026
Trading properties	13	**4,011,401**	4,212,858	5,916,510
Available for sale investments	14	**32,111,909**	34,064,743	37,590,263
Investment properties	15	**62,635,077**	58,361,664	60,304,429
Investment in associates and joint ventures	16	**49,336,101**	51,661,172	53,746,527
Goodwill		**48,662,513**	48,665,305	48,672,199
Properties under development	17	**148,951,757**	152,715,382	131,654,591
Capital work in progress	18	**387,117**	335,065	12,995,584
Property, plant and equipment		**122,995,415**	124,544,941	118,809,133
Total assets		**504,210,298**	516,370,363	528,804,282
Liabilities and equity				
Liabilities				
Payables and other credit balances	19	**74,640,017**	76,880,802	80,539,244
Due to related parties	25	**21,909,939**	23,369,522	24,235,237
Term loan from a related party	25	**-**	-	9,943,636
Borrowings	20	**166,220,243**	165,261,762	181,131,839
Advances received from customers		**126,951,294**	123,996,415	124,838,605
Total liabilities		**389,721,493**	389,508,501	420,688,561
Equity				
Equity attributable to the owners of the parent company				
Share capital		**72,000,000**	72,000,000	72,000,000
Share premium		**11,973,061**	11,973,061	11,973,061
Treasury shares	21	**(32,757,404)**	(32,869,551)	(32,869,551)
Reserves for treasury shares profit		**104,935**	-	-
Statutory and voluntary reserves		**61,426,066**	61,426,066	61,408,598
Cumulative changes in fair value		**9,144,504**	12,618,088	10,480,510
Foreign currency translation reserve		**(5,906,963)**	(6,061,895)	(4,773,159)
Accumulated losses		**(36,173,821)**	(30,132,882)	(31,014,991)
Total equity attributable to the owners of the parent company		**79,810,378**	88,952,887	87,204,468
Non-controlling interests		**34,678,427**	37,908,975	20,911,253
Total equity		**114,488,805**	126,861,862	108,115,721
Total liabilities and equity		**504,210,298**	516,370,363	528,804,282
Fiduciary accounts		**59,129,296**	77,343,907	91,144,511

Saleh Saleh Al-Selmi
Chairman

Talal Jassim Al-Bahar
Vice Chairman

The notes set out on pages 9 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 owners of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Reserves for treasury shares profit KD	Statutory and voluntary reserves KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
Balance as at 1 January 2014 (Audited)	72,000,000	11,973,061	(32,869,551)	-	61,426,066	12,618,088	(6,061,895)	(30,132,882)	88,952,887	37,908,975	126,861,862
Loss for the period	-	-	-	-	-	-	-	(5,574,861)	(5,574,861)	(2,804,854)	(8,379,715)
Other comprehensive (loss)/income	-	-	-	-	-	(3,473,584)	154,932		(3,318,652)	-	(3,318,652)
Total comprehensive (loss)/profit for the period	-	-	-	-	-	(3,473,584)	154,932	(5,574,861)	(8,893,513)	(2,804,854)	(11,698,367)
Purchase of treasury shares	-	-	(46,849)	-	-	-	-	-	(46,849)	-	(46,849)
Sale of treasury shares	-	-	158,996	-	-	-	-	-	158,996	-	158,996
Profit on sale of treasury shares	-	-	-	104,935	-	-	-	-	104,935	-	104,935
Loss on acquisition of non-controlling interest in a subsidiary (note 5.2)	-	-	-	-	-	-	-	(466,078)	(466,078)	(367,069)	(833,147)
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	(58,625)	(58,625)
Balance as at 30 June 2014 (Unaudited)	**72,000,000**	**11,973,061**	**(32,757,404)**	**104,935**	**61,426,066**	**9,144,504**	**(5,906,963)**	**(36,173,821)**	**79,810,378**	**34,678,427**	**114,488,805**

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the parent company									
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
Balance as at 1 January 2013 (Audited)	72,000,000	11,973,061	(32,869,551)	61,408,598	11,913,806	(4,678,905)	(33,084,165)	86,662,844	16,255,835	102,918,679
Profit for the period	-	-	-	-	-	-	2,067,846	2,067,846	4,474,394	6,542,240
Other comprehensive loss	-	-	-	-	(1,433,296)	(94,254)	-	(1,527,550)	-	(1,527,550)
Total comprehensive (loss)/income for the period	-	-	-	-	(1,433,296)	(94,254)	2,067,846	540,296	4,474,394	5,014,690
Gain arising on partial disposal of subsidiary shares	-	-	-	-	-	-	1,328	1,328	-	1,328
Change in non-controlling interests	-	-	-	-	-	-	-	-	181,024	181,024
Balance as at 30 June 2013 (Unaudited)	**72,000,000**	**11,973,061**	**(32,869,551)**	**61,408,598**	**10,480,510**	**(4,773,159)**	**(31,014,991)**	**87,204,468**	**20,911,253**	**108,115,721**

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Six months ended 30 June 2014 (Unaudited) KD	(Six months ended 30 June 2013 (Unaudited) KD
OPERATING ACTIVITIES		
(Loss)/profit for the period attributable to the owners of the parent company	(5,574,861)	2,067,846
Adjustments:		
Gain on sale of available for sale investments	(30,144)	(667,622)
Changes in fair value of investment properties	-	(19,932,188)
(Gain)/loss on sale of properties under development	(849,257)	2,306,855
Gain on sale of asset classified as held for sale	-	(12,938,184)
Gain on sale of investment properties	(20,105)	-
Impairment loss in value of available for sale investments	70,416	516,170
Impairment loss in value of the shareholders' loan granted to an associate	-	3,216,178
Impairment loss in value of receivables and other assets	-	764,883
Dividends income	(218,713)	(129,987)
Interest and similar income	(159,177)	(360,253)
Interest and similar expenses	5,122,106	5,673,702
Provisions	1,213,518	273,530
Depreciation of property, plant and equipment	2,359,872	1,322,679
Loss on sale of shares in associate and joint ventures	-	78,306
Share of loss from associates and joint ventures	664,914	1,563,298
Foreign currency exchange (profit)/loss	(129,661)	574,698
	2,448,908	(15,670,089)
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	2,382,110	3,227,447
Receivables and other debit balances	569,611	(159,056)
Loans receivable	(120,718)	389,202
Due from related parties	1,368,416	(7,990,749)
Trading properties	201,457	(450,249)
Payables and other credit balances	(2,170,355)	13,691,768
Due to related parties	(1,459,583)	6,153,795
Advances received from customers	2,954,879	(11,359,525)
Cash from/(used in) operating activities	6,174,725	(12,167,456)
Dividends income received	218,713	129,987
Interest and similar income received	159,177	360,253
Interest and similar expenses paid	(5,122,106)	(5,673,702)
Net cash from/(used in) operating activities	1,430,509	(17,350,918)
INVESTING ACTIVITIES		
Proceeds from sale of shares in associate	-	59,134
Proceeds from sale of shares in a consolidated subsidiary company	314	10,382
Proceeds from sale of asset classified as held for sale	-	20,969,625
Net change in investment in associates and joint ventures	1,660,158	(1,006,087)
Net movement in properties under development	(281,826)	15,338,495
Net additions to capital work in progress	(52,052)	(12,048,177)
Net change in property, plant and equipment	(810,346)	3,844,177
Proceeds from sale of available for sale investments	70,927	-
Net change in investment properties	641,401	(1,065,888)
Purchase of available for sale investments	(1,631,949)	(574,846)
Net cash (used in)/from investing activities	(403,373)	25,526,815
FINANCING ACTIVITIES		
Loans obtained from banks	17,428,501	4,806,279
Repayment of loans	(15,715,725)	(5,046,586)
Change in non-controlling interests	(3,696,943)	4,646,365
Purchase of treasury shares	(46,849)	-
Proceeds from sale of treasury shares	263,931	-
Net movement on foreign currency translation reserve	(466,909)	(460,278)
Net cash (used in)/from financing activities	(2,233,994)	3,945,780
Net (decrease)/increase in cash and cash equivalents	(1,206,858)	12,121,677
Cash and cash equivalents at beginning of the period	5,704,539	14,014,983
Cash and cash equivalents at end of the period	4,497,681	26,136,660

The notes set out on pages 9 to 24 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities of the parent company

International Financial Advisors – KPSC ("the parent company") is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974. The parent company is regulated by the Central Bank of Kuwait as an investment company.

The parent company is principally engaged in providing financial advisory services, trading in local and international securities, borrowing, lending, issuing guarantees, managing investment funds and portfolios management and trading in future contracts.

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 4694, Safat 13047, State of Kuwait.

This interim condensed consolidated financial information for the six-month period ended 30 June 2014 was authorised for issue by the parent company's board of directors on 21 August 2014.

2 Basis of presentation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the Central Bank of Kuwait regulations regarding general provisions against loans receivable.

The provisions for loans receivable complies in all material respects with the requirements of the Central bank of Kuwait. In this respect, Central Bank of Kuwait requires a general provision of 1% on all loans receivable not subject to a specific provision.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements of the group for the year ended 31 December 2013 except for the adoption of new and revised standards and interpretations as discussed below.

Operating results for the six-month period are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. For further information, refer to the audited consolidated financial statements and its related notes for the year ended 31 December 2013.

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

Basis of consolidation

The interim condensed financial information of the parent company and its subsidiaries (Note 5) has been consolidated on a line by line basis after eliminating intra-group balances, intra-group transactions and resulting unrealized profits in full. Uniform accounting policies have been used by the group's companies in order to record like transactions and other events which occurred under similar circumstances in these companies.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies

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 profit or loss.

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	No stated effective date
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
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 aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities, and hedge accounting have been issued. Chapter dealing with impairment methodology is still being developed. The effective date for the entire standard will be determined after completion of the new impairment model.

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)

3.2.1 IFRS 9 Financial Instruments (continued)

Further, in November 2013, the IASB made limited modifications to IFRS 9's financial asset classification model to address application issues.

The group's management have yet to assess the impact of this new standard on the group's consolidated financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

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.

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)

3.2.4 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.

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 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).

(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)

3.2.7 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 is 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 investment property or owner-occupied property

4 Assumptions 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, liabilities, income and expenses. 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 consistent with those applied to the consolidated financial statements for the year ended 31 December 2013.

5 Subsidiary companies

5.1 The interim condensed consolidated financial information has incorporated the interim condensed financial information of the following subsidiaries as at 30 June 2014 or 31 March 2014:

Name of subsidiary	Period ended	Activity	Effective ownership percentage %
IFA Hotels and Resorts – KPSC and Subsidiaries	31 March 2014	Hotel operations	55.90
Seven Seas Resorts Company – KSC (Closed)	31 March 2014	Hotels and resorts	48.30
Gulf Real Estate Company – WLL	30 June 2014	Real estate investments	46.32
IFA Aviation Company – KSC (Closed) and Subsidiary	30 June 2014	Aviation services	74.80
Dana Real Estate Company – SAL	30 June 2014	Real estate investments	90.00
Radeem Real Estate Company – SAL	30 June 2014	Real estate investments	99.70

5.2. Towards the end of last year Group acquired the entire shareholding held by non-controlling interests (15%) with respect of IFA Hotels and Resort Limited, South Africa resulting in a loss of KD833,147 which has been recognised in the interim condensed consolidated statement of changes in equity for the period.

Notes to the interim condensed consolidated financial information (continued)

6 Net income from hoteliers and related services

	Three months ended		Six months ended	
	30 June 2014 (Unaudited) KD	30 June 2013 (Unaudited) KD	**30 June 2014 (Unaudited) KD**	30 June 2013 (Unaudited) KD
Revenue	**7,981,811**	4,420,386	**16,262,504**	8,190,966
Costs	**(3,400,523)**	(1,724,881)	**(6,650,298)**	(3,908,718)
	4,581,288	2,695,505	**9,612,206**	4,282,248

7 Gain/(loss) on sale of properties under development

Gain/(loss) on sale of properties under development represents the difference between the revenue and cost which have been originally incurred by the Group to purchase the properties and then fully develop and sell it to customers, and it is as follows:

	Three months ended		Six months ended	
	30 June 2014 (Unaudited) KD	30 June 2013 (Unaudited) KD	**30 June 2014 (Unaudited) KD**	30 June 2013 (Unaudited) KD
Sales revenue	**1,245,730**	16,157,080	**2,454,213**	19,008,958
Cost of sales	**(844,907)**	(18,674,313)	**(1,604,956)**	(21,315,813)
	400,823	(2,517,233)	**849,257**	(2,306,855)

8 Other loss

The other loss consists of the following:

	Three months ended		Six months ended	
	30 June 2014 (Unaudited) KD	30 June 2013 (Unaudited) KD	**30 June 2014 (Unaudited) KD**	30 June 2013 (Unaudited) KD
Properties rental income	**-**	8,671	**27,586**	8,671
Net income from ticket sales and related services	**39,854**	44,939	**95,717**	80,622
Reversal of excess provision on margin loans	**53,595**	-	**86,308**	5,866
Profit/(loss) on default of customers to the terms in the sale contracts of the sold residential units	**309,075**	-	**553,987**	(675,236)
Interest on delayed land payment	**(85,045)**	41	**(473,654)**	(1,819,232)
Other miscellaneous loss	**(504,772)**	(176,999)	**(722,569)**	(638,914)
	(187,293)	(123,348)	**(432,625)**	(3,038,223)

Notes to the interim condensed consolidated financial information (continued)

9 Basic and diluted (loss)/earnings per share attributable to the owners of the parent company

(Loss)/earnings per share is computed by dividing the (loss)/profit for the period attributable to the owners of the parent company, by the weighted average number of outstanding shares during the period after deducting treasury shares as follows:

	Three months ended		Six months ended	
	30 June 2014 (Unaudited)	30 June 2013 (Unaudited)	**30 June 2014 (Unaudited)**	30 June 2013 (Unaudited)
(Loss)/ profit for the period attributable to the owners of the parent company (KD)	**(3,681,976)**	373,626	**(5,574,861)**	2,067,846
Weighted average number of outstanding shares (excluding treasury shares) (share)	**672,889,436**	670,486,872	**672,597,412**	670,486,872
Basic and diluted (loss) / earnings per share attributable to the owners of the parent company (Fils)	**(5.47)**	0.56	**(8.29)**	3.08

10 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, short term deposits and balances due to banks. Short term deposits mature within six months from the date of placement and carry interest at the prevailing commercial rates.

11 Investments at fair value through profit or loss

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Held for trading:			
Local			
Quoted securities and managed funds	**842,292**	1,468,546	295,371
Unquoted securities	**232,154**	232,334	250,619
	1,074,446	1,700,880	545,990
Foreign			
Quoted securities	**106,298**	1,861,974	2,225,932
	1,180,744	3,562,854	2,771,922

The amounts included in the interim condensed consolidated statement of income are:

	Three months ended		Six months ended	
	30 June 2014 (Unaudited) KD	30 June 2013 (Unaudited) KD	**30 June 2014 (Unaudited) KD**	30 June 2013 (Unaudited) KD
Realised (loss)gain	**(140,804)**	(940,737)	**72,427**	(1,311,487)
Unrealised gain/(loss)	**(149,593)**	185,861	**(165,501)**	28,314
	(290,397)	(754,876)	**(93,074)**	(1,283,173)

Notes to the interim condensed consolidated financial information (continued)

12 Receivables and other debit balances

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Trade receivables	**5,512,459**	5,252,568	6,941,549
Advances and prepayments	**1,102,741**	1,118,906	316,081
Kuwait Clearing Company receivables	**147,094**	143,075	163,128
Staff receivables	**51,258**	26,909	32,241
Prepaid expenses	**2,490,147**	2,662,314	1,789,031
Advances to contractors	**151,352**	1,323,569	1,294,162
Other miscellaneous receivables	**8,475,334**	7,972,655	5,802,869
	17,930,385	18,499,996	16,339,061

13 Trading properties

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Residential apartments in Dubai – UAE	**142,464**	-	1,250,953
Properties in South Africa	**3,868,937**	4,212,858	4,665,557
	4,011,401	4,212,858	5,916,510

Trading properties represent plots of lands purchased in South Africa for trading purposes and comprise of lands at cost and development expenditure relating to unsold properties.

14 Available for sale investments

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Quoted securities	**2,379,663**	3,895,888	3,569,754
Unquoted securities	**29,732,246**	30,168,855	34,020,509
	32,111,909	34,064,743	37,590,263

Unquoted securities include investments stated at cost amounting to KD11,979,444 as there are no other reliable sources to determine their fair values (31 December 2013: KD11,412,018 and 30 June 2013: KD14,146,226). Management is not aware of any circumstances that may have lead to the decline in the value of such investments.

15 Investment properties

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Lebanon	**1,833,061**	1,850,037	1,877,234
Jordan	**401,800**	401,800	401,800
United Arab Emirates - see below	**50,766,836**	46,371,172	48,555,419
Egypt	**354,966**	354,966	354,966
Portugal	**9,275,261**	9,379,838	8,954,554
South Africa	**3,153**	3,851	160,456
	62,635,077	58,361,664	60,304,429

Notes to the interim condensed consolidated financial information (continued)

15. Investment properties (continued)

The group recognised during the period ended 30 June 2013 profit resulting from re-estimation of the fair value as at 31 December 2012 of properties, which have been estimated by independent external valuers licensed to practice real estate evaluation profession according to the requirement of CMA in Kuwait, where the revaluation gain amounting to KD 19,932,188 has been recognised in the interim condensed consolidated statement of income for the six months period ended 30 June 2013.

16 Investment in associates and joint ventures

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Investment in associates (note 16.1)	**35,450,032**	36,632,501	34,628,903
Investment in joint ventures (note 16.2)	**13,886,069**	15,028,671	19,117,624
	49,336,101	51,661,172	53,746,527

16.1 The details of the associated companies are as follows:

Name of the associate	Principal activities	Date of acquisition	Country of incorporation	%	Net shareholders' equity as of 30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Zamzam Religious Tourism Company - KSCC	Hajj & Umrah services	Sep-07	Kuwait	20	**41,153**	41,153	50,000
Legend and IFA Developments (Pty) Ltd	Property development	Jun-07	South Africa	50	**6,833,138**	6,994,390	7,529,218
Arzan Financial Group For Financing and Investment KPSC	Financing	July-08	Kuwait	19.36	**28,575,741**	29,596,958	27,049,685
					35,450,032	36,632,501	34,628,903

The Group's share during the period from the results of the activities of the above mentioned associates amounted to profit of KD424,182 (Profit of KD62,490 in 30 June 2013) has been recognised in the interim condensed consolidated statement of income during the period.

16.2 The details of the joint ventures are as follows:

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Interest in Zilwa Limited (the principal activity of the joint venture is property development) – South Africa	**871,438**	872,295	1,663,056
Interest in Zimbali Estates (PTY) Ltd. (the principal activity of the joint venture is the sale of developed property) – South Africa	**88,009**	102,764	84,013
Interest in Palm Golden Mile Joint Venture (the principal activity of the Joint Venture is design, development, construction, marketing, sale of apartment and rental of shopping centers and residential apartments) – UAE	**12,926,622**	14,053,612	17,370,555
	13,886,069	15,028,671	19,117,624

The Group's share during the period from the results of the activities of the above mentioned joint ventures amounted to loss of KD1,089,096 (loss KD1,625,788 in 30 June 2013) has been recognised in the interim condensed consolidated statement of income during the period.

Notes to the interim condensed consolidated financial information (continued)

17 Properties under development

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Properties in Dubai – UAE	**130,742,880**	134,437,017	111,889,949
Properties in South Africa	**5,463,458**	5,626,047	6,271,124
Properties in Lebanon	**12,745,419**	12,652,318	13,493,518
	148,951,757	152,715,382	131,654,591

18 Capital work in progress

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Hotels, residential flats and commercial properties under construction in Dubai – UAE and South Africa & UK	**387,117**	335,065	12,995,584

19 Payables and other credit balances

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Accrued interest payable	**7,067,117**	7,204,202	6,360,125
Accounts payable (a below)	**28,406,279**	23,991,138	21,813,987
Dividends payable	**515,920**	517,645	521,343
Obligations against purchase of land	**1,172,987**	2,354,353	3,716,116
Kuwait Foundation for the Advancement of Science	**2,448,592**	2,475,903	2,478,457
National Labour Support Tax	**7,618,757**	7,693,399	7,700,494
Zakat provision	**637,454**	667,310	670,148
Provision for end of service indemnity and leave	**2,037,671**	2,429,335	2,135,590
Deferred income	**1,857,838**	1,849,464	1,797,155
Accrued retention payable	**-**	7,329,259	11,039,519
Accrued construction costs	**1,030,214**	6,306,953	8,310,014
Redeemable preference shares	**2,821,193**	2,831,270	2,854,637
Refundable deposits on cancellation and resale of units	**1,736,598**	2,373,357	2,418,199
Land transfer fee payable	**1,075,209**	1,147,342	1,339,084
Provision for contingent liabilities	**73,966**	73,966	73,966
Provision for loans receivable	**1,556,000**	1,556,000	-
Non cash provision	**34,704**	70,430	126,401
Advance received against sale of shares (b - below)	**8,486,247**	-	-
Other payables	**6,063,271**	6,009,476	7,184,009
	74,640,017	76,880,802	80,539,244

a. Accounts payable include payable to the ex-contractor being the amount payable to [Dubai Contracting Company (DCC)] with respect of Balqis Residence FZE and Kingdom of Sheba Heritage Palace FZE, subsidiaries of the UAE subsidiary. During the previous year, DCC contract was terminated under agreement dated 8 October 2013 to discharge all the contractual and financial obligations. As a result, AED183,103,399 (equivalent to KD14,126,006) was determined as payable to DCC in two instalments of AED18,300,000 (equivalent to KD1,411,803) and AED164,803,399 (equivalent to KD12,714,203) due on 31 March 2014 and 31 March 2015 respectively. Accordingly balance due on 31 March 2014 was settled. Certain amounts were reclassified from accrued retention payable and accrued construction cost to accounts payable. Such reclassification had no impact on the statement of income for the period.

Notes to the interim condensed consolidated financial information (continued)

19 Payables and other credit balances (continued)

b. The group received an advance of AED 110 million equivalent to KD8,486,247 from C View Fourteen Limited (the "Investor") under investment arrangements which were not finalized as at 30 June 2014. In relation to these investment arrangements, the group has transferred 84,615 shares (32.5% holding) of C Fourteen (BVI) Limited (100% owned subsidiary of the group) in the name of the Investor. Further, 100% ownership of the group's another wholly owned subsidiary, C Fourteen FZE has been transferred to C Fourteen (BVI) Limited as the ultimate purpose of the Investor is to invest in C Fourteen FZE through C Fourteen (BVI) Limited. The amount of AED 110 million was received as on account payment and the shares of C Fourteen (BVI) Limited were transferred to the Investor as a security against the deposit money. These investment arrangements have not been finalized because a binding legal contract has not been signed between the Investor and the group as at the date of this interim condensed consolidated financial information. Therefore, this amount of AED 110 million is recorded as an advance.

20 Borrowings

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Loans in KD	**31,555,000**	33,555,000	45,000,000
Loans in USD	**39,338,650**	37,194,678	37,396,745
Loans in AED	**69,738,593**	64,844,950	67,877,724
Loans in EURO	**13,533,531**	14,160,672	13,615,461
Loans in Rand	**11,729,297**	15,152,924	16,877,583
Loans in GBP	**325,172**	353,538	364,326
	166,220,243	165,261,762	181,131,839

The loans above are due for repayment as at as follows:

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Within one year	**12,926,655**	23,231,742	66,937,065
More than one year	**153,293,588**	142,030,020	114,194,774
	166,220,243	165,261,762	181,131,839

21 Treasury shares

	30 June 2014 (Unaudited)	31 Dec. 2013 (Audited)	30 June 2013 (Unaudited)
Number of shares (thousand share)	**47,111**	49,513	49,513
Percentage to the issued shares	**6.54%**	6.88%	6.88%
Market value (KD '000)	**2,403**	4,852	3,416

Notes to the interim condensed consolidated financial information (continued)

22 Capital commitments

Capital expenditure commitments
The Group has commitments to pay all the amounts required to settle its remaining share in the financing of the construction of real estate projects in Dubai (UAE) and South Africa. The Group's share in the amounts required to finance these projects is as follows:

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Estimated and contracted capital expenditure for construction of properties under development and trading properties	**15,565,000**	36,681,000	37,324,000
	15,565,000	36,681,000	37,324,000

The Group expects to finance the future expenditure commitments from the following sources:

a) Sale of investment properties.
b) Advances from customers.
c) Share capital increase.
d) Advances provided by the shareholders, related entities and joint ventures.
e) Borrowings, if required.

The financing rates expected from the above sources are dependent on the nature of the source of financing and management estimates of the best financing sources available at the time they become due.

Notes to the interim condensed consolidated financial information (continued)

23 Segmental analysis

The Group activities are concentrated in four main segments: asset management, treasury and investments, real estate and others. The segments' results are reported to the higher management in the Group. In addition, the segments revenue, assets are reported based on the geographic locations which the Group operates in.

The following is the segments information, which conforms with the internal reporting presented to management.

	Assets management		Treasury and investments		Real Estate		Others		Total	
	30 June 2014 (Unaudited) KD '000	30 June 2013 (Unaudited) KD '000	**30 June 2014 (Unaudited) KD '000**	30 June 2013 (Unaudited) KD '000	**30 June 2014 (Unaudited) KD '000**	30 June 2013 (Unaudited) KD '000	**30 June 2014 (Unaudited) KD '000**	30 June 2013 (Unaudited) KD '000	**30 June 2014 (Unaudited) KD '000**	30 June 2013 (Unaudited) KD '000
Interim condensed consolidated statement of income										
Segment revenue/(expenses)	**107**	574	**(349)**	11,172	**10,489**	21,916	**(331)**	(3,622)	**9,916**	30,040
Segment profit/(loss)	**107**	574	**(349)**	11,172	**10,489**	21,916	**(331)**	(3,622)	**9,916**	30,040
Unallocated expenses									**(12,686)**	(32,446)
Non-controlling interests									**(2,805)**	4,474
(Loss)/profit for the period									**(5,575)**	2,068

Geographical segments

The Group operates from one location in Kuwait, however the Group's assets are scattered in different geographical areas of the world.

Notes to the interim condensed consolidated financial information (continued)

24 Annual general assembly

The general assembly of shareholders meeting held on 22 May 2014 approved the consolidated financial statement for the year ended 31 December 2013, and the directors' proposal not to distribute any dividend for the year then ended.

25 Related parties transactions

These represent transactions with related parties such as shareholders, members of the board of directors and senior management of the parent company and its companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the parent company's management.

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

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	30 June 2013 (Unaudited) KD
Balances included in the interim condensed consolidated statement of financial position:			
Due from related parties	**11,510,198**	12,878,614	11,135,026
Due to related parties	**21,909,939**	23,369,522	24,235,237
Term loan from a related party	**-**	-	9,943,636
Transactions included in the interim condensed consolidated statement of income:			
Interest income	**11,271**	34,366	8,189
Gain on sale of available for sale investments	**-**	667,621	667,621
Key management compensation of the group			
Short-term employee benefits	**567,149**	785,072	369,682

Related parties balances outstanding at period end and which are resulting from funds transfer are included under amounts due from related parties and amounts due to related parties.

26 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2013.

Notes to the interim condensed consolidated financial information (continued)

27 Summary of financial assets and liabilities by category and fair value measurement

27.1 Categories of financial assets and liabilities

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

	30 June 2014 (Unaudited)		30 June 2013 (Unaudited)	
	Fair value KD'000	Carrying value KD'000	Fair value KD'000	Carrying value KD'000
Financial assets				
Cash and cash equivalents	-	4,498	-	26,137
Investments at fair value through profit or loss	949	232	2,521	251
Receivables and other debt balances	-	17,930	-	16,339
Loans receivable	-	-	-	2,732
Due from related parties	-	11,510	-	11,135
Available for sale investments	20,132	11,979	23,444	14,146
	21,081	46,149	25,965	70,740
Financial liabilities				
Payables and other credit balances	-	74,640	-	80,539
Due to related parties	-	21,910	-	24,235
Term loan from a related party	-	-	-	9,944
Borrowings	-	166,220	-	181,132
Advances received from customers	-	126,951	-	124,839
	-	389,721	-	420,689

Management believes that the carrying values of the financial instruments approximate their fair values.

27.2 Fair value hierarchy

This hierarchy groups financial assets and liabilities into six levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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 in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

Notes to the interim condensed consolidated financial information (continued)

27 Summary of financial assets and liabilities by category and fair value measurement (continued)

27.2 Fair value hierarchy (continued)

30 June 2014 (unaudited)

	Note	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
Assets:					
Investments at fair value through profit or loss					
Investments held for trading:					
Local:					
Quoted securities and managed funds	a + b	842	-	-	842
Foreign:					
Quoted securities	a	106	-	-	106
Financial assets available for sale					
Quoted securities	a	2,380	-	-	2,380
Managed funds	b	-	444	-	444
Unquoted securities	c	-	-	17,309	17,309
Net fair value		**3,328**	**444**	**17,309**	**21,081**

30 June 2013 (unaudited)

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Assets:					
Investments at fair value through profit or loss					
Investments held for trading:					
Local:					
Quoted securities and managed funds	a + b	295	-	-	295
Foreign:					
Quoted securities	a	2,226	-	-	2,226
Financial assets available for sale					
Quoted securities	a	3,570	-	-	3,570
Managed funds	b	-	1,286	-	1,286
Unquoted securities	c	-	-	18,588	18,588
Net fair value		6,091	1,286	18,588	25,965

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

Notes to the interim condensed consolidated financial information (Continued)

27 Summary of financial assets and liabilities by category and fair value measurement (continued)

27.3 Measurement at fair value

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

a) Quoted securities

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

b) Managed funds

The underlying investments of local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

c) Unquoted securities

The consolidated financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.