# NATIONAL INTERNATIONAL HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

## 30 SEPTEMBER 2015

**National International Holding Company – KSCP**
**And its subsidiaries**
**State of Kuwait**

**Interim Condensed Consolidated Financial Information**
**And Review Report**
**For the nine - month period ended 30 September 2015**
**(Unaudited)**

**INDEX**

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

***Introduction***

We have reviewed the accompanying interim condensed consolidated statement of financial position of National International Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 September 2015 and the related interim condensed consolidated statements of income, comprehensive income for the three months and nine months periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). 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 condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing; and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

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

***Report on Other Legal and Regulatory Requirements***

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 25 of 2012, as amended and its executive regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the nine months period ended 30 September 2015 that might have had a material effect on the business of the Parent Company or on its financial position.

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3 November 2015
Kuwait

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the period ended 30 September 2015

| | Note | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|---|
| | | ***2015*** | *2014* | ***2015*** | *2014* |
| | | ***KD*** | *KD* | ***KD*** | *KD* |
| Realised (loss) / gain on sale of financial assets at fair value through profit or loss | | **(6,835)** | 18,831 | **39,443** | 47,252 |
| Unrealised (loss) / gain on financial assets at fair value through profit or loss | | **(13,967)** | 23,747 | **(46,711)** | (21,770) |
| Realised (loss) / gain on sale of financial assets available for sale | | **(3,336)** | 13,213 | **60,292** | 116,932 |
| Impairment losses on financial assets available for sale | | **(43,101)** | - | **(452,691)** | - |
| Gain on sale of investment properties | | **-** | 428,592 | **10,629** | 633,163 |
| Gain on sale of investment in an associate | | **-** | - | **-** | 3,422 |
| Dividend income | | **5,281** | - | **360,033** | 271,132 |
| **Net investment (loss) / income** | | **(61,958)** | 484,383 | **(29,005)** | 1,050,131 |
| Administrative expenses | | **(90,709)** | (94,223) | **(304,483)** | (289,310) |
| **Net operating (loss) / income** | | **(152,667)** | 390,160 | **(333,488)** | 760,821 |
| Other income | | **19** | 1,515 | **53** | 51,192 |
| Foreign exchange gain | | **2,275** | 24,606 | **134,665** | 14,807 |
| Finance costs | | **(3,807)** | (1,507) | **(9,757)** | (5,758) |
| **(LOSS) / PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT** | | **(154,180)** | 414,774 | **(208,527)** | 821,062 |
| KFAS | | **-** | (4,148) | **-** | (8,211) |
| NLST | | **-** | (10,365) | **-** | (16,449) |
| Zakat | | **-** | (4,182) | **-** | (8,362) |
| **(LOSS) / PROFIT FOR THE PERIOD** | | **(154,180)** | 396,079 | **(208,527)** | 788,040 |
| **BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE (FILS)** | 3 | **(0.73)** | 1.88 | **(0.99)** | 3.75 |

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2015

| | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|
| | ***2015*** | *2014* | ***2015*** | *2014* |
| | ***KD*** | *KD* | ***KD*** | *KD* |
| **(Loss) / profit for the period** | **(154,180)** | 396,079 | **(208,527)** | 788,040 |
| **Other comprehensive income:** | | | | |
| ***Items to be reclassified to interim condensed consolidated statement of income in subsequent periods:*** | | | | |
| *Financial assets available for sale:* | | | | |
| - Net movement in cumulative changes in fair value | **(755,967)** | (287,975) | **(1,282,485)** | (1,414,766) |
| - Impairment losses on financial assets available for sale transferred to interim condensed consolidated statement of income | **43,101** | - | **452,691** | - |
| - Reclassified to interim condensed consolidated statement of income on sale | **9,644** | (13,213) | **(53,984)** | (116,932) |
| **Total other comprehensive losses for the period** | **(703,222)** | (301,188) | **(883,778)** | (1,531,698) |
| **TOTAL COMPREHENSIVE (LOSS) / PROFIT FOR THE PERIOD** | **(857,402)** | 94,891 | **(1,092,305)** | (743,658) |

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

National International Holding Company K.S.C.P. and its Subsidiaries

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2015

| | Notes | ***30 September 2015 KD*** | *(Audited) 31 December 2014 KD* | *30 September 2014 KD* |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and bank balances | 4 | **954,738** | 1,769,338 | 1,988,151 |
| Financial assets at fair value through profit or loss | | **375,075** | 300,994 | 309,389 |
| Financial assets available for sale | 5 | **31,725,419** | 33,244,913 | 30,753,237 |
| Accounts receivable and other assets | | **15,890** | 25,893 | 343,662 |
| Investment properties | 6 | **2,767,098** | 3,022,163 | 2,965,964 |
| Furniture and equipment | | **5,320** | 6,262 | 6,627 |
| **TOTAL ASSETS** | | **35,843,540** | 38,369,563 | 36,367,030 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | 7 | **21,687,750** | 21,262,500 | 21,262,500 |
| Share premium | | **2,813,184** | 2,813,184 | 2,813,184 |
| Statutory reserve | | **263,441** | 263,441 | 160,596 |
| Cumulative changes in fair values reserve | | **11,057,997** | 11,941,775 | 10,081,800 |
| Treasury shares | 8 | **(1,357,272)** | (1,357,272) | (1,357,272) |
| Treasury shares reserve | | **318,561** | 318,561 | 318,561 |
| Retained earnings | | **(96,884)** | 1,155,417 | 1,096,700 |
| **Total equity** | | **34,686,777** | 36,397,606 | 34,376,069 |
| **Liabilities** | | | | |
| Bank overdraft | 4 | **163,855** | - | 20,073 |
| Accounts payable and other liabilities | | **992,908** | 1,971,957 | 1,970,888 |
| **Total liabilities** | | **1,156,763** | 1,971,957 | 1,990,961 |
| **TOTAL EQUITY AND LIABILITIES** | | **35,843,540** | 38,369,563 | 36,367,030 |

Abdul Wahab Mohamed Al-Wazzan
Chairman

Mamdouh Abdul Ghani El-Sherbini
Chief Executive Officer

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

National International Holding Company K.S.C.P. and its Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2015

| | *Share capital KD* | *Share premium KD* | *Statutory reserve KD* | *Cumulative changes in fair values reserve KD* | *Treasury shares KD* | *Treasury shares reserve KD* | *Retained earnings KD* | *Total KD* |
|---|---|---|---|---|---|---|---|---|
| As at 1 January 2015 (Audited) | 21,262,500 | 2,813,184 | 263,441 | 11,941,775 | (1,357,272) | 318,561 | 1,155,417 | 36,397,606 |
| Loss for the period | - | - | - | - | - | - | (208,527) | (208,527) |
| Other comprehensive loss for the period | - | - | - | (883,778) | - | - | - | (883,778) |
| Total comprehensive loss for the period | - | - | - | (883,778) | - | - | (208,527) | (1,092,305) |
| Cash dividends (Note 7) | - | - | - | - | - | - | (618,524) | (618,524) |
| Issuance of bonus shares (Note 7) | 425,250 | - | - | - | - | - | (425,250) | - |
| **As at 30 September 2015** | **21,687,750** | **2,813,184** | **263,441** | **11,057,997** | **(1,357,272)** | **318,561** | **(96,884)** | **34,686,777** |
| | | | | | | | | |
| As at 1 January 2014 (Audited) | 21,262,500 | 2,813,184 | 160,596 | 11,613,498 | (1,357,272) | 318,561 | 1,339,533 | 36,150,600 |
| Profit for the period | - | - | - | - | - | - | 788,040 | 788,040 |
| Other comprehensive loss for the period | - | - | - | (1,531,698) | - | - | - | (1,531,698) |
| Total comprehensive (loss) / income for the period | - | - | - | (1,531,698) | - | - | 788,040 | (743,658) |
| Cash dividends (Note 7) | - | - | - | - | - | - | (1,030,873) | (1,030,873) |
| As at 30 September 2014 | 21,262,500 | 2,813,184 | 160,596 | 10,081,800 | (1,357,272) | 318,561 | 1,096,700 | 34,376,069 |

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

As at 30 September 2015

| | Notes | *Nine months ended 30 September* 2015 KD | 2014 KD |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| (Loss) / profit for the period | | **(208,527)** | 788,040 |
| Non-cash adjustments to reconcile profit for the period to net cash flows: | | | |
| Realised gain on sale of financial assets at fair value through profit or loss | | **(39,443)** | (47,252) |
| Unrealised loss on financial assets at fair value through profit or loss | | **46,711** | 21,770 |
| Realised gain on sale of financial assets available for sale | | **(60,292)** | (116,932) |
| Impairment losses on financial assets available for sale | | **452,691** | - |
| Gain on sale of investment properties | | **(10,629)** | (633,163) |
| Gain on foreign valuation of investment properties | | **(95,869)** | - |
| Gain on sale of investment in an associate | | **-** | (3,422) |
| Dividend income | | **(360,033)** | (271,132) |
| Depreciation | | **1,406** | 1,528 |
| Provision for employees' end of service benefits | | **25,676** | 15,131 |
| Finance costs | | **9,757** | 5,758 |
| | | **(238,552)** | (239,674) |
| Changes in working capital: | | | |
| Financial assets at fair value through profit or loss | | **(81,349)** | 7,212 |
| Accounts receivable and other assets | | **10,003** | 531,053 |
| Accounts payable and other liabilities | | **(759,840)** | 535,030 |
| | | **(1,069,738)** | 833,621 |
| Employee's end of service benefits paid | | **(244,885)** | - |
| Net cash flows (used in) / from operating activities | | **(1,314,623)** | 833,621 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of financial assets available for sale | | **(221,367)** | (1,281,006) |
| Proceeds from sale of financial assets available for sale | | **464,684** | 941,656 |
| Additions to investment properties | | **-** | (1,555,720) |
| Proceeds from sale of investment properties | | **361,563** | 2,296,769 |
| Proceeds from sale of investment in an associate | | **-** | 116,625 |
| Purchase of furniture and equipment | | **(464)** | (7,200) |
| Dividend income received | | **360,033** | 271,132 |
| Net cash flows from investing activities | | **964,449** | 782,256 |
| **FINANCING ACTIVITIES** | | | |
| Dividends paid | 7 | **(618,524)** | (945,785) |
| Finance costs paid | | **(9,757)** | (5,758) |
| Net cash flows used in financing activities | | **(628,281)** | (951,543) |
| **NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS** | | **(978,455)** | 664,334 |
| Cash and cash equivalents at the beginning of the period | | **1,769,338** | 1,303,744 |
| **CASH AND CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD** | 4 | **790,883** | 1,968,078 |

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

## 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of National International Holding Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group") for the nine months period ended 30 September 2015 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 3 November 2015

The Annual General Assembly of the Parent Company's shareholders for the year ended 31 December 2014 was held on 26 May 2015 and approved the consolidated financial statements for the year ended 31 December 2014.

The Parent Company is a Kuwaiti public shareholding company registered and incorporated in Kuwait on 14 January 1979 whose shares are listed on the Kuwait Stock Exchange and is engaged in investing activities in both local and international markets as set forth in Article No. 5 of the Parent Company's Articles of Association. The Parent Company is regulated by the Capital Market Authority ("CMA").

The registered office of the Parent Company is located at Chamber of Commerce and Industry Building, 4th Floor, Al Shuhada Street, P.O. Box 25825 Safat Kuwait.

The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries, which mentioned below together referred to as "the Group".

| Company Name | Country of incorporation | Principal activity | Equity interest (%) |
|---|---|---|---|
| Al Oula National Real Estate Company sole proprietorship* | Kuwait | Real estate activities | 100 |
| Al Ghad Project Management Company sole proprietorship* | Kuwait | Real estate projects management | 100 |

*On 13 May 2015, some partners transferred their equity interests (3%) in favor of the Parent Company. The subsidiaries legal form has been changed from limited liability to be sole proprietorship. This has been reflected in the Articles of Association of these subsidiaries. This has no impact on the interim condensed consolidated financial information as the Parent Company historically consolidated fully these subsidiaries, as they are 100% beneficiary owners of these companies.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

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

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD) which is the functional and presentation currency of the Parent company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full 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.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2014.

Operating results for the nine months period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015. For more details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2014.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group. The nature and the impact of each new standard or amendment are described below:

***Annual Improvements 2010-2012 Cycle***
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial information. They include:

*IFRS 3 Business Combinations*
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

*IFRS 8 Operating Segments*
The amendments are applied retrospectively and clarify that:
- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

*IAS 24 Related Party Disclosures*
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

*IFRS 13 Fair Value Measurement*
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

*IAS 40 Investment Property*
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

### 2.3 New and revised IASB Standards, but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's interim condensed consolidated financial information are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

*IFRS 9: Financial Instruments: Classification and Measurement*
The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this standard on the Group's consolidated financial statements, when adopted.

## 3 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

Basic (loss) / earnings per share is calculated by dividing the (loss) / profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted (loss) / earnings per share is calculated by dividing the (loss) / profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 September, the Parent Company did not have any diluted shares.

The information necessary to calculate basic and diluted earnings per share as follows:

| | *Three months ended 30 September* | | *Nine months ended 30 September* | |
|---|---|---|---|---|
| | ***2015*** | *2014* | ***2015*** | *2014* |
| (Loss) / profit for the period (KD) | **(154,180)** | 396,079 | **(208,527)** | 788,040 |
| Weighted average number of ordinary shares outstanding during the period (excluding treasury shares) | **210,298,143** | 210,298,143 | **210,298,143** | 210,298,143 |
| Basic and diluted (loss) / earnings per share (Fils) | **(0.73)** | 1.88 | **(0.99)** | 3.75 |

(Losses) / earnings for the comparative period have been restated in order to reflect the issuance of bonus shares. (Note 7).

## 4 CASH AND CASH EQUIVALENTS

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

| | ***30 September 2015 KD*** | *(Audited) 31 December 2014 KD* | *30 September 2014 KD* |
|---|---|---|---|
| Cash on hand | **6,474** | 6,696 | 6,950 |
| Bank balances | **948,264** | 1,762,642 | 1,981,201 |
| Total cash and bank balances | **954,738** | 1,769,338 | 1,988,151 |
| Bank overdraft | **(163,855)** | - | (20,073) |
| Cash and cash equivalents | **790,883** | 1,769,338 | 1,968,078 |

## 5 FINANCIAL ASSETS AVAILABLE FOR SALE

| | **30 September 2015** | *(Audited)* 31 December 2014 | 30 September 2014 |
|---|---|---|---|
| | ***KD*** | *KD* | *KD* |
| Local quoted equity securities | **1,489,263** | 1,874,581 | 1,668,471 |
| Local and foreign unquoted equity securities | **28,797,787** | 29,777,370 | 25,302,427 |
| Foreign managed portfolios | **1,031,876** | 1,159,887 | 3,347,927 |
| Foreign managed funds | **406,493** | 433,075 | 434,412 |
| | **31,725,419** | 33,244,913 | 30,753,237 |

An impairment loss of KD 452,691 (31 December 2014: KD 9,091 and 30 September 2014: Nil) has been recorded against local quoted equity securities.

As at 30 September 2015, local and foreign unquoted equity securities amounting KD 8,151,991 (31 December 2014: KD 9,705,329 and 30 September 2014: KD 15,432,956) are carried at cost less impairment due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments.

Financial assets available for sale include local quoted equity securities with fair value of KD 384,721 as of 30 September 2015 (31 December 2014: 450,308 and 30 September 2014: 476,908) which are pledged with one of the local banks as collateral against credit facilities which have been granted by this bank.

As at 30 September 2015, financial assets available for sale with a total carrying value of KD Nil (31 December 2014: KD 1,496,163 and 30 September 2014: KD 2,643,257) are managed by a related party (Note 9).

Fair value hierarchy disclosures for financial assets available for sale are provided in Note 10.

## 6 INVESTMENT PROPERTIES

| | **30 September 2015** | *(Audited)* 31 December 2014 | 30 September 2014 |
|---|---|---|---|
| | ***KD*** | *KD* | *KD* |
| At the beginning of the period/year | **3,022,163** | 3,073,850 | 3,073,850 |
| Additions | **-** | 1,555,720 | 1,555,720 |
| Disposals | **(350,934)** | (1,875,409) | (1,663,606) |
| Foreign currency translation adjustment | **95,869** | - | - |
| Fair value | **-** | 268,002 | - |
| At the end of the period/year | **2,767,098** | 3,022,163 | 2,965,964 |

The fair value of investment properties has been determined on 31 December 2014 based on valuations obtained from two independent professional real estate valuers in UAE, who are an industry specialized in valuing such type of investment properties. Both valuers have valued the investment properties using the market approach.

Market approach is based on a comparison of active market prices for similar properties and recent arm's length market transactions, adjusted for difference in the nature, location or condition of the specific property.

Management believes that there is no significant change in the fair value of investment properties since last valuation.

Fair value hierarchy disclosures for investment properties are provided in Note 10.

## 7 SHARE CAPITAL

| | ***30 September 2015 KD*** | *(Audited) 31 December 2014 KD* | *30 September 2014 KD* |
|---|---|---|---|
| The share capital consist of 216,877,500 (31 December 2014: 212,625,000 and 30 September 2014: 212,625,000) shares of 100 fils each, authorized, issued and fully paid up in cash. | **21,687,750** | 21,262,500 | 21,262,500 |

On 22 February 2015, the Board of Directors of the Parent Company proposed 5% (2013: 5%) dividends for the year ended 31 December 2014 amounting to KD 1,043,774 (2013: KD 1,030,873) representing 5 fils per share (2013: 5 fils per share) to the Parent Company's shareholders, the dividend is split as follows:

- 2% Bonus shares amounting to KD 425,250.
- 3% Cash dividends amounting to KD 618,524.

In addition, the Board of Directors proposed Board of Directors' remuneration amounting to KD 35,000 for the year ended 31 December 2014 (2013: KD 35,000). Board of Directors' remuneration for the year ended 31 December 2014 exceeds the amount permissible under local regulations.

On 26 May 2015, the Annual Ordinary General Assembly Meeting of the Parent Company's shareholders approved the distribution of the dividends and Board of Directors' remuneration for the year ended 31 December 2014.

## 8 TREASURY SHARES

| | ***30 September 2015 KD*** | *(Audited) 31 December 2014 KD* | *30 September 2014 KD* |
|---|---|---|---|
| Number of shares | **6,579,357** | 6,450,350 | 6,450,350 |
| Percentage of issued shares | **3%** | 3% | 3% |
| Market value (KD) | **414,499** | 354,769 | 445,074 |

The Parent Company is committed to retain reserves and retained earnings equivalent to the cost of treasury shares throughout the period, in which they are held by the Parent Company, pursuant to the instructions of the relevant regulatory authorities. These shares are not pledged.

## 9 RELATED PARTIES

These represent transactions with related parties, i.e. major shareholders, directors, executive officers and key management personnel of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. The Parent Company's management approves pricing policies and terms of these transactions .

Balances with related parties included in the interim condensed consolidated statement of financial position and transactions during the period are as follows:

| **Balances** | ***30 September 2015 KD*** | *(Audited) 31 December 2014 KD* | *30 September 2014 KD* |
|---|---|---|---|
| Financial assets available for sale, managed by a related party (Note 5) | - | 1,496,163 | 2,643,257 |

## 9. RELATED PARTIES (continued)

| Transactions | Three months ended 30 September | | Nine months ended 30 September | |
|---|---|---|---|---|
| | ***2015*** | *2014* | ***2015*** | *2014* |
| | ***KD*** | *KD* | ***KD*** | *KD* |
| **Compensation of key management personnel** | | | | |
| Salaries and other short-term benefits | **19,500** | 18,000 | **58,500** | 54,000 |
| Employees' end of service benefits | **1,500** | 1,290 | **4,550** | 3,890 |
| | **21,000** | 19,290 | **63,050** | 57,890 |

## 10 FAIR VALUE MEASUREMENT

The fair values of financial assets and financial liabilities that are not carried at fair value are not materially different from their carrying amounts except for financial assets available for sale which are carried at cost less impairment.

**Fair value hierarchy**
The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

| | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| | *KD* | *KD* | *KD* | *KD* |
| ***As at 30 September 2015*** | | | | |
| Financial assets at fair value through profit or loss | 375,075 | - | - | **375,075** |
| *Financial assets available for sale:* | | | | |
| Local quoted equity securities | 1,489,263 | - | - | **1,489,263** |
| Local and foreign unquoted equity securities | - | - | 20,645,796 | **20,645,796** |
| Foreign managed portfolios | - | - | 1,031,876 | **1,031,876** |
| Foreign managed funds | - | - | 406,493 | **406,493** |
| | 1,489,263 | - | 22,084,165 | **23,573,428** |
| Investment properties | - | 2,767,098 | - | **2,767,098** |

**10 FAIR VALUE MEASUREMENT (continued)**

| | *Level 1* *KD* | *Level 2* *KD* | *Level 3* *KD* | *Total* *KD* |
|---|---|---|---|---|
| *As at 31 December 2014(Audited)* | | | | |
| Financial assets at fair value through profit or loss | 300,994 | - | - | 300,994 |
| *Financial assets available for sale:* | | | | |
| Local quoted equity securities | 1,874,581 | - | - | 1,874,581 |
| Local and foreign unquoted equity securities | - | - | 20,072,041 | 20,072,041 |
| Foreign managed portfolios | - | - | 1,159,887 | 1,159,887 |
| Foreign managed funds | - | - | 433,075 | 433,075 |
| | 1,874,581 | - | 21,665,003 | 23,539,584 |
| Investment properties | - | 3,022,163 | - | 3,022,163 |

| | *Level 1* *KD* | *Level 2* *KD* | *Level 3* *KD* | *Total* *KD* |
|---|---|---|---|---|
| *As at 30 September 2014* | | | | |
| Financial assets at fair value through profit or loss | 309,389 | - | - | 309,389 |
| *Financial assets available for sale:* | | | | |
| Local quoted equity securities | 1,668,471 | - | - | 1,668,471 |
| Local and foreign unquoted equity securities | - | - | 9,869,471 | 9,869,471 |
| Foreign managed portfolios | - | - | 3,347,927 | 3,347,927 |
| Foreign managed funds | - | - | 434,412 | 434,412 |
| | 1,668,471 | - | 13,651,810 | 15,320,281 |
| Investment properties | - | 2,965,964 | - | 2,965,964 |

During the period ended 30 September 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and the transfers into and out of Level 3 fair value measurements are properly reflected.

**10 FAIR VALUE MEASUREMENT (continued)**

The following table shows a reconciliation of the opening and closing amounts of level 3 financial assets which are recorded at fair value.

| | *At the beginning of the period/year* *KD* | *Gain /(loss) recorded in the consolidated statement of income* *KD* | *Net movement recorded in other comprehensive income* *KD* | *Net purchases, transfers, sales and settlements* *KD* | *At the end of the period/year* *KD* |
|---|---|---|---|---|---|
| ***30 September 2015*** | | | | | |
| *Financial assets available for sale:* | | | | | |
| Local and foreign unquoted equity securities | 20,072,041 | - | (1,000,047) | 1,573,802 | **20,645,796** |
| Foreign managed portfolios | 1,159,887 | 57,330 | (83,302) | (102,039) | **1,031,876** |
| Foreign managed funds | 433,075 | (4,761) | 18,594 | (40,415) | **406,493** |
| | 21,665,003 | 52,569 | (1,064,755) | 1,431,348 | **22,084,165** |
| *31 December 2014 (Audited)* | | | | | |
| *Financial assets available for sale:* | | | | | |
| Local and foreign unquoted equity securities | 11,097,030 | - | (145,271) | 9,120,282 | 20,072,041 |
| Foreign managed portfolios | 1,315,184 | - | (155,297) | - | 1,159,887 |
| Foreign managed funds | 414,780 | (16,409) | 37,286 | (2,582) | 433,075 |
| | 12,826,994 | (16,409) | (263,282) | 9,117,700 | 21,665,003 |
| *As at 30 September 2014* | | | | | |
| *Financial assets available for sale:* | | | | | |
| Local and foreign unquoted equity securities | 11,097,030 | (1,227,559) | - | - | 9,869,471 |
| Foreign managed portfolios | 1,315,184 | 2,032,743 | - | - | 3,347,927 |
| Foreign managed funds | 414,780 | 22,214 | - | (2,582) | 434,412 |
| | 12,826,994 | 827,398 | - | (2,582) | 13,651,810 |

## 11 SEGMENTAL INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real estate investing activities comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.
- Equities and other investing activities comprise participation in financial and real estate funds and managing the Group's liquidity requirements.

| | *Equities and other investing activities* | | *Real estate investing activities* | | *Unallocated* | | *Total* | |
|---|---|---|---|---|---|---|---|---|
| ***Period ended 30 September*** | ***2015 KD*** | *2014 KD* | ***2015 KD*** | *2014 KD* | ***2015 KD*** | *2014 KD* | ***2015 KD*** | *2014 KD* |
| Realised gain on sale of financial assets at fair value through profit or loss | **39,443** | 47,252 | - | - | - | - | **39,443** | 47,252 |
| Unrealised loss on financial assets at fair value through profit or loss | **(46,711)** | (21,770) | - | - | - | - | **(46,711)** | (21,770) |
| Realised gain on sale of financial assets available for sale | **60,292** | 116,932 | - | - | - | - | **60,292** | 116,932 |
| Impairment losses on financial assets available for sale | **(452,691)** | - | - | - | - | - | **(452,691)** | - |
| Gain on sale of investment properties | - | - | **10,629** | 633,163 | - | - | **10,629** | 633,163 |
| Gain on sale of investment in an associate | - | 3,422 | - | - | - | - | - | 3,422 |
| Dividend income | **360,033** | 271,132 | - | - | - | - | **360,033** | 271,132 |
| **Total segment income** | **(39,634)** | 416,968 | **10,629** | 633,163 | - | - | **(29,005)** | 1,050,131 |
| Administrative expenses | - | - | **(24,786)** | (62,932) | **(279,697)** | (226,378) | **(304,483)** | (289,310) |
| Other income | - | - | - | - | **53** | 51,192 | **53** | 51,192 |
| Foreign exchange gain | - | - | **95,869** | - | **38,796** | 14,807 | **134,665** | 14,807 |
| Finance costs | - | - | **(9,757)** | (5,758) | - | - | **(9,757)** | (5,758) |
| KFAS, NLST and Zakat | - | - | - | - | - | (33,022) | - | (33,022) |
| **Segment results** | **(39,634)** | 416,968 | **71,955** | 564,473 | **(240,848)** | (193,401) | **(208,527)** | 788,040 |
| Segment assets | **32,100,494** | 31,062,626 | **2,767,098** | 2,965,964 | **975,948** | 2,338,440 | **35,843,540** | 36,367,030 |
| Segment liabilities | - | - | **288,745** | 1,128,435 | **868,018** | 862,526 | **1,156,763** | 1,990,961 |