

Kuwait Financial Centre – K.P.S.C and Subsidiaries Kuwait
Interim consolidated financial information and review report
31 March 2014 (Unaudited)

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Kuwait Financial Centre - K.P.S.C
Kuwait

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Kuwait Financial Centre K.P.S.C ("the Parent Company") and its subsidiaries (collectively called "the Group") as at 31 March 2014 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the 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 consolidated interim 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

Furthermore, based on our review, the consolidated interim financial information is in agreement with the accounting records and to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 25 of 2012, as amended, or Memorandum of Incorporation and Articles of Association of the Parent Company or of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business and its related regulations, or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 2014 that might have had a material effect on the business or financial position of the Parent Company.

Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
30 April 2014

Abdullatif M. Al-Aiban (CPA)
Licence No. 94-A
Grant Thornton – Al-Qatami
Al-Aiban & Partners

Interim Condensed Consolidated Statement of Profit or Loss– Three months ended 31 March 2014

	Notes	KD'000	
		Three months ended	
		31 March 2014 (Unaudited)	31 March 2013 (Unaudited) Restated
Revenue			
Interest income		291	310
Dividend income		255	193
Management fees and commission	4	1,669	1,452
Gain on sale of investments at fair value through statement of profit or loss		267	168
Change in fair value of investments at fair value through statement of profit or loss		2,698	915
Gain on sale of available for sale investments		398	668
Share of results of associate		25	2
Gain on sale of investment properties		88	944
Net rental income		79	65
Foreign exchange gain		61	91
Other income		1	2
		<u>5,832</u>	<u>4,810</u>
Expenses and other charges			
General and administrative expenses		(1,980)	(1,575)
Impairment of available for sale investments		(291)	(37)
(Charge)/reversal of provisions		(43)	67
Finance costs		(263)	(265)
		<u>(2,577)</u>	<u>(1,810)</u>
Profit before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		3,255	3,000
Provision for contribution to KFAS		(24)	(24)
Provision for NLST		(66)	(66)
Provision for Zakat		(26)	(27)
Profit for the period		<u>3,139</u>	<u>2,883</u>
Profit for the period attributable to:			
Owners of the Parent Company		2,496	2,583
Non-controlling interests		643	300
		<u>3,139</u>	<u>2,883</u>
Basic and diluted earnings per share attributable to the owners of the Parent Company	5	5 Fils	5 Fils

The notes set out on pages 7 to 16 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
Three months ended 31 March 2014

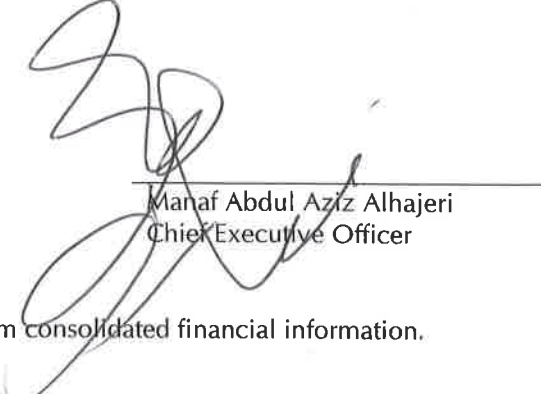
	KD'000	
	Three months ended	
	31 March 2014 (Unaudited)	31 March 2013 (Unaudited) Restated
Profit for the period	3,139	2,883
Other comprehensive income:		
<i>Items that will be reclassified subsequently to consolidated statement of profit or loss;</i>		
<i>Available for sale investments:</i>		
- Net change in fair value arising during the period	245	1,477
- Transferred to interim condensed consolidated statement of profit or loss on sale	(398)	(668)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	291	37
<i>Foreign currency translation:</i>		
- Exchange differences arising on translation of foreign operations	(30)	148
Share of other comprehensive (loss)/income of associate	(1)	6
Total other comprehensive income	<u>107</u>	<u>1,000</u>
Total comprehensive income for the period	<u>3,246</u>	<u>3,883</u>
Total comprehensive income attributable to:		
Owners of the Parent Company	2,626	3,506
Non-controlling interests	620	377
	<u>3,246</u>	<u>3,883</u>

The notes set out on pages 7 to 16 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position - Three months ended 31 March 2014

	Notes	KD'000		
		31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited) Restated
Assets				
Cash and bank balances	6	3,811	3,833	3,740
Time deposits	6	6,562	3,517	3,074
Investments at fair value through statement of profit or loss		46,705	42,949	40,442
Accounts receivable and other assets	7	7,230	3,517	3,731
Short-term financing		28	28	43
Loans to customers		3,506	8,248	7,605
Available for sale investments		58,383	58,856	55,305
Investment in associate		2,201	2,177	2,095
Investment properties		12,922	13,507	15,016
Property and equipment		406	403	421
Total assets		141,754	137,035	131,472
Liabilities and equity				
Liabilities				
Due to banks and other financial institutions	6	21	-	-
Accounts payable and other liabilities		6,561	5,856	6,153
Bonds		22,000	22,000	22,000
Total liabilities		28,582	27,856	28,153
Equity				
Share capital		53,130	53,130	53,130
Share premium		7,902	7,902	7,902
Legal reserve		14,114	14,114	13,446
Voluntary reserve		14,060	14,060	13,392
Treasury shares	8	(16,342)	(16,342)	(16,342)
Treasury shares reserve	8	7,973	7,973	7,973
Other components of equity	9	8,446	8,316	6,158
Retained earnings		9,617	7,095	4,820
Equity attributable to the owners of the Parent Company		98,900	96,248	90,479
Non-controlling interests		14,272	12,931	12,840
Total equity		113,172	109,179	103,319
Total liabilities and equity		141,754	137,035	131,472


Diraar Yusuf Alghanim
Chairman


Manaf Abdul Aziz Alhajeri
Chief Executive Officer

The notes set out on pages 7 to 16 form an integral part of this interim consolidated financial information.

Interim Condensed Consolidated Statement of Changes in Equity – Period ended 31 March 2014

	KD 000's										Non- controlling interests	Total equity
	Equity attributable to the shareholders of the Parent Company											
	Share capital	Share premium	Legal reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Treasury shares reserve	Other components of equity (Note 9)	Retained earnings	Sub total		
Balance at 31 December 2013	53,130	7,902	14,114	14,060	(16,342)	7,973	8,316		7,095	96,248	12,931	109,179
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	747	747
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	-	-	-	26	26	(26)	-
Transactions with owners	-	-	-	-	-	-	-	-	26	26	721	747
Profit for the period	-	-	-	-	-	-	-	-	2,496	2,496	643	3,139
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	130	-	-	130	(23)	107
Total comprehensive income for the period	-	-	-	-	-	-	130	-	2,496	2,626	620	3,246
Balance at 31 March 2014	53,130	7,902	14,114	14,060	(16,342)	7,973	8,446	9,617	98,900	14,272	113,172	
Balance at 31 December 2012 (Previously reported)	53,130	7,902	13,446	13,392	(16,342)	7,973	5,333		5,272	90,106	4,113	94,219
Effect of restatements	-	-	-	-	-	-	(98)		(156)	(254)	7,921	7,667
Balance at 31 December 2012 - Restated	53,130	7,902	13,446	13,392	(16,342)	7,973	5,235	5,116	89,852	12,034	101,886	
Net changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	435	435
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	-	-	-	6	6	(6)	-
Dividend	-	-	-	-	-	-	-	(2,885)	(2,885)	(2,885)	-	(2,885)
Transactions with owners	-	-	-	-	-	-	-	-	(2,879)	(2,879)	429	(2,450)
Profit for the period	-	-	-	-	-	-	-	-	2,583	2,583	300	2,883
Other comprehensive income for the period	-	-	-	-	-	-	923	-	-	923	77	1,000
Total comprehensive income for the period	-	-	-	-	-	-	923	-	2,583	3,506	377	3,883
Balance at 31 March 2013 restated (See Note 3)	53,130	7,902	13,446	13,392	(16,342)	7,973	6,158	4,820	90,479	12,840	103,319	

The notes set out on pages 7 to 16 form an integral part of these interim consolidated financial statements.

Interim Condensed Consolidated Cash Flows – 31 March 2014

	KD'000	
	Three months ended	
	31 March 2014 (Unaudited)	31 March 2013 (Unaudited) Restated
Notes		
Operating Activities		
Profit for the period	3,139	2,883
Adjustments for:		
Dividend income	(255)	(193)
Interest income	(291)	(310)
Depreciation	66	87
Gain on redemption/sale of available for sale investments	(398)	(668)
Impairment of available for sale investments	291	37
Gain on sale of investments properties	(88)	(944)
Charge/(reversal) of provision for credit losses	43	(1)
Share of results of associate	(25)	(2)
Finance costs	263	265
<i>Changes in operating assets and liabilities:</i>		
Investments at fair value through statement profit or loss	(3,756)	(2,209)
Accounts receivable and other assets	(3,697)	711
Short term financing	-	(1)
Loans to customers	4,790	275
Accounts payable and other liabilities	454	(133)
Net cash from/(used in) operating activities	536	(203)
Investing Activities		
Term deposit maturing after three months	2	(17)
Purchase of property and equipment	(40)	(28)
Proceeds from redemption/sale of available for sale investments	2,424	1,310
Purchase of available for sale investments	(1,706)	(1,454)
Purchase of investment properties	(141)	(147)
Proceeds from sale of investment properties	785	6,163
Dividend income received	255	193
Interest income received	184	310
Net cash from investing activities	1,763	6,330
Financing Activities		
Dividends paid	(11)	(2,350)
Net change in non-controlling interests	747	429
Net cash from/(used in) financing activities	736	(1,921)
Foreign currency adjustments	(31)	154
Increase in cash and cash equivalents	3,004	4,360
Cash and cash equivalents at the beginning of the period	7,286	2,380
Cash and cash equivalents at the end of the period	6 10,290	6,740
Non-cash transactions		
Available for sale investments	-	2,087
Investment in associate	-	(2,087)

The notes set out on pages 7 to 16 form an integral part of this interim consolidated financial information.

1. Incorporation and activities

Kuwait Financial Centre – K.P.S.C. (“the Parent Company”) was incorporated in 1974 in accordance with the Commercial Companies Law in the State of Kuwait. The Parent Company is listed on the Kuwait Stock Exchange and is governed under the directives of the Central Bank of Kuwait and Law No 7 of 2010, concerning the Capital Market Authority of Kuwait and its related regulations.

The principal activities of the Parent Company and its subsidiaries (“the Group”) are investment management, corporate financing, investment and financial advisory services, private equity funds, mutual funds and real estate funds and real estate funds management, real estate investments, money market and foreign exchange deals. The Parent Company has the following subsidiaries.

Name	Country of incorporation	Voting Capital Held		Activity
		31 March 2014	31 March 2013	
Mar-Gulf Management Inc.	USA	100%	100%	Assets management
First Management and Economic Consultancy Company – KSCC	Kuwait	85%	85%	Economic consultancy
MDI Holding Limited	Cayman Islands	66.66%	66.66%	Property management
MDI Management Limited	Cayman Islands	66.66%	66.66%	Property management
MDI Ventures Ltd	Cayman Islands	50%	50%	Property management
Markaz Offshore Ltd.	Cayman Islands	100%	100%	Investment
Marmore Mena Intelligence Private Limited	India	96.25%	96.25%	Consultancy
Aradi Development Limited	Cayman Islands	20%	20%	Real Estate
Markaz Real Estate Investment Company WLL	KSA	100%	100%	Real Estate
Rimal Venture Company WLL	Bahrain	100%	100%	Assets management
Markaz Fixed Income Fund	Kuwait	98.79%	87.32%	Investment Fund
Markaz Arabian Fund	Bahrain	51.55%	53.89%	Investment Fund

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 23444, Safat 13095, State of Kuwait.

This interim consolidated financial information for the three month period ended 31 March 2014 was authorized for issue by the parent company’s board of directors on 30 April 2014.

2. Basis of preparation

This interim consolidated financial information of the Group for the three-month period ended 31 March 2014 has been prepared in accordance with IAS 34, Interim Financial Reporting, except as noted below.

The annual consolidated financial statements for the year ended 31 December 2013 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (“CBK”). These regulations require adoption of all International Financial Reporting Standards (“IFRS”) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK’s requirement for a minimum general provision. The impairment provision for loans and advances complies in all material respects with the specific provision requirements of the CBK and IFRS. In this respect, the CBK requires general provisions of 1% for cash facilities and 0.5% for non-cash facilities, for which no specific provision has been made.

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2014

This consolidated interim financial information does not contain all information and disclosures required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of the management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-months ended 31 March 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. For further information refer to the consolidated financial statements for the year ended 31 December 2013.

This consolidated interim financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty used in the preparation of this consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2013 except for the adoption of the following interpretations of new standards and amendments effective as of 1 January 2014.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The amendment has not resulted in any impact on the financial position or performance of the Group.

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

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

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

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

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendment)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments have not resulted in any impact on the financial position or performance of the Group.

New and revised IASB Standards, but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's interim condensed consolidated financial information are listed below. The Group intends to adopt those standards when they become effective.

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2014

IFRS 9: Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The Standard was initially effective for annual periods beginning on or after 1 January 2015, but IASB in its November 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but is not expected to have any effect on financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final Standard including all phases is issued.

3. Restatement of Comparatives

Comparative figures are restated because of the consolidation of the following subsidiaries for the year ended 31 December 2013 as a result of adoption of IFRS 10 in the Group financials.

<u>Company name</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>	<u>Purpose</u>
Markaz Real Estate Investment Company - WLL ("MREICO")	Kingdom of Saudi Arabia	100%	Real Estate Services
Aradi Development Limited ("Aradi")	Cayman Islands	20%	Real Estate Services
Rimal Venture Company-WLL ('Rimal')	Kingdom of Bahrain	100%	Assets Management
Markaz Fixed Income Fund(MFIF)	Kuwait	98.79%	Investment Fund
Markaz Arabian Fund(MAF)	Bahrain	51.55%	Investment Fund

The aggregate impact of consolidation of these companies are given below:

Consolidated statement of profit or loss

	<u>KD 000's</u> <u>31 March</u> <u>2013</u>
<i>Revenue</i>	
Increase in interest income	64
Increase in dividend income	153
Decrease in management fees and commission	(49)
Increase in loss on sale of investments at fair value through statement of profit or loss	131
Increase in fair value of investments at fair value through statement of profit or loss	61
Decrease in foreign exchange loss	(20)
	<u>340</u>
<i>Expenses and other charges</i>	
Increase in general and administrative expenses	19
Increase in profit for the period	<u>321</u>
Increase in profit for the period attributable to:	
Owners of the Parent Company	22
Non-controlling interests	299
	<u>321</u>

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2014

Consolidated statement of total comprehensive income:

	KD 000's
	31 March 2013
Increase in profit for the period	321
Decrease in net change in fair value of available for sale investments	(5)
Increase in exchange differences on translation of foreign operations	14
	9
Increase in total comprehensive income for the period	330
Increase in total comprehensive income attributable to:	
Owners of the Parent Company	7
Non-controlling interests	323
	330

Assets, liabilities and equity as at 31 March 2013:

	KD 000's		
	31 March 2013 previously reported	Restatement adjustments	31 March 2013 Restated
Cash and bank balances	3,308	432	3,740
Investments at fair value through profit or loss	40,364	78	40,442
Accounts receivable and other assets	3,195	536	3,731
Available for sale investments	50,980	4,325	55,305
Investment properties	11,316	3,700	15,016
Property and equipment	404	17	421
Accounts payable and other liabilities	(5,497)	(656)	(6,153)
Total effect on net assets	104,070	8,432	112,502
Other components of equity	6,270	(112)	6,158
Retained earnings	4,949	(129)	4,820
Non-controlling interests	4,167	8,673	12,840
Total effect on equity	15,386	8,432	23,818

Consolidated statement of cash flows:

	KD 000's		
	31 March 2013 previously reported	Restatement adjustments	31 March 2013 Restated
Net cash flow from operating activities	602	(805)	(203)
Net cash flow from investing activities	6,254	76	6,330
Net cash flow from financing activities	(2,211)	444	(1,767)
Net cash flow	4,645	(285)	4,360

The aggregate impact on basic and diluted earnings per share is 0.05 fils.

4. **Management fees and commission**

Management fees and commission relate to income arising from Group's management of portfolios, funds, custody and similar trust and fiduciary activities.

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2014

5. **Basic and diluted earnings per share attributable to the owners of the Parent Company**

Basic and diluted earnings per share attributable to the owners of the parent company is calculated by dividing the profit for the period attributable to the owners of the Parent Company by the weighted average number of shares in issue excluding treasury shares.

	KD'000	
	Three months ended 31 March	
	2014 (Unaudited)	2013 (Unaudited) Restated
Profit for the period attributable to the owners of the Parent Company	2,496	2,583
Weighted average number of issued and fully paid up shares (excluding treasury shares)	480,802	480,802
Basic & diluted earnings per share (fils)	5 Fils	5 Fils

6. **Cash and cash equivalents**

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows comprise of the following interim condensed consolidated statement of financial position accounts:

	KD'000		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited) Restated
Cash and bank balances	3,811	3,833	3,740
Time deposits with bank and other financial institutions	6,562	3,517	3,074
	10,373	7,350	6,814
Less: Time deposits maturing after three months	(62)	(64)	(74)
Less: Due to banks and other financial institutions	(21)	-	-
Cash and cash equivalent for statement of cash flow	10,290	7,286	6,740

The Group's time deposits carry an effective interest rate of 0.68% (31 December 2013: 0.47% and 31 March 2013: 0.35%) per annum.

7. **Accounts Receivable and other assets**

During the period the group advanced an amount of KD 3.6 Million towards the purchase of an investment property in U.A.E. The formalities for the completion of the transactions are in progress.

8. **Treasury shares**

	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Number of shares (000's)	50,498	50,498	50,498
Percentage of issued shares	9.5%	9.5%	9.5%
Cost (KD '000)	16,342	16,342	16,342
Market value (KD '000)	7,878	7,676	7,171

Treasury shares reserve is not available for distribution. Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable.

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2014

9. Other components of equity

	KD 000's		Total
	Fair value reserve	Foreign currency translation reserve	
Balance at 1 January 2014	8,335	(19)	8,316
Available for sale investments			
- Net change in fair value arising during the period	245	-	245
- Transferred to consolidated statement of profit or loss on sale	(398)	-	(398)
- Transferred to consolidated statement of profit or loss on impairment	291	-	291
Exchange differences on translation of foreign operations	-	(7)	(7)
Share of other comprehensive loss of associate	-	(1)	(1)
Total other comprehensive income/(loss)	138	(8)	130
Balance at 31 March 2014	8,473	(27)	8,446

	KD 000's		Total
	Fair value reserve	Foreign currency translation reserve	
Balance at 31 December 2012 (previously reported)	5,327	6	5,333
Effect of restatements	(71)	(27)	(98)
Balance at 31 December 2012 (restated)	5,256	(21)	5,235
Available for sale investments :			
- Net change in fair value arising during the period	1,476	-	1,476
- Transferred to consolidated statement of profit or loss on sale	(668)	-	(668)
- Transferred to consolidated statement of profit or loss on impairment	37	-	37
Exchange differences on translation of foreign operations	-	72	72
Share of other comprehensive income of associate	-	6	6
Total other comprehensive income	845	78	923
Balance at 31 March 2013 (restated)	6,101	57	6,158

10. General assembly

The Annual General Assembly of the shareholders held on 17 April 2014 approved the consolidated financial statements of the Group for the year ended 31 December 2013 and approved cash dividend of 10 Fils per share amounting to KD 4,808 thousand for the year ended 31 December 2013, which was paid subsequently on 22 April 2014.

11. Related party transactions

Related parties represent associate, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below:

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2014

During the period, the Group entities entered into the following transactions with related parties that are not members of the Group:

	KD'000	
	Three months ended	
	31 March 2014 (Unaudited)	31 March 2013 (Unaudited) Restated
Interest income on loans and short term financing	13	32
Management fees and commission	1,338	1,166

	KD'000	
	Three months ended	
	31 March 2014 (Unaudited)	31 March 2013 (Unaudited) Restated
Key management compensation:		
Salaries and other short term benefits	171	161
End of service benefits	16	14
	187	175

	KD'000		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited) Restated
	Balances included in the interim condensed consolidated statement of financial position:		
Short-term financing	28	28	43
Loans to directors and senior management	66	1,372	2,371
Management fees and commission receivable	590	480	564
	684	1,880	2,978

12. Segmental information

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

Segmental information for the period ended 31 March 2014 are as follows:

	KD 000's		
	Asset management	Investment Banking Services	Total
Segment revenue	5,359	473	5,832
Segment result	3,633	(378)	3,255
KFAS, NLST and Zakat	(116)	-	(116)
Profit for the period	3,517	(378)	3,139
Assets	109,118	32,636	141,754

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2014

Segmental information for the period ended 31 March 2013 (Restated) is as follows:

	KD 000's		
	Asset management	Investment Banking Services	Total
Segment revenue	3,698	1,112	4,810
Segment result	2,535	465	3,000
KFAS, NLST and Zakat	(97)	(20)	(117)
Profit for the period	2,438	445	2,883
Assets	96,395	35,077	131,472

13. **Fiduciary accounts**

The Group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 31 March 2014 amounted to KD 1,019 million (31 December 2013: KD 975 million and 31 March 2013: KD 873 million). The Group earned management fee of KD 1.489 million (31 December 2013: KD 5.518 million and 31 March 2013: KD 1.364 million) from these activities.

14. **Commitments**

	KD 000's		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited) Restated
Commitments for purchase of investments	4,649	4,698	5,466

15. **Derivative financial instruments**

Derivatives are financial instruments that derive their value by referring to interest rate, foreign exchange rate or other indices. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivatives are carried at fair value. The derivatives held for trading are given below:

	KD'000		
	Assets	Liabilities	Contractual amounts
<i>Held for trading:</i>			
Forward foreign exchange contracts			
- 31 March 2014	49	-	9,034
- 31 March 2013	-	125	9,117

16. **Financial risk management**

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

17. **Financial instruments measured at fair value**

The following table presents financial assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2014

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The 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 interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 March 2014 (Unaudited)

	KD'000			Total
	Level 1	Level 2	Level 3	
Investments at fair value through statement of income				
Quoted securities	18,844	-	-	18,844
Managed funds				
- GCC	-	24,151	535	24,686
- foreign	-	-	-	-
Fixed income securities	3,175	-	-	3,175
Derivative	-	49	-	49
Available for sale investments				
Quoted securities	14,078	-	-	14,078
Managed funds				
- GCC	-	12,154	-	12,154
- foreign	-	8,703	-	8,703
Debt instruments	-	-	7,501	7,501
Equity participations and other investments	-	15,115	-	15,115
Unquoted securities	-	-	832	832
	36,097	60,172	8,868	105,137

31 December 2013 (Audited)

	KD'000			Total
	Level 1	Level 2	Level 3	
Investments at fair value through statement of income				
Quoted securities	15,857	-	-	15,857
Managed funds				
- GCC	-	23,357	-	23,357
- foreign	-	-	-	-
Fixed income securities	3,200	-	535	3,735
Derivative	-	(31)	-	(31)
Available for sale investments				
Quoted securities	13,816	-	-	13,816
Managed funds				
- GCC	-	12,225	-	12,225
- foreign	-	8,601	-	8,601
Debt instruments	-	-	7,524	7,524
Equity participations and other investments	-	15,858	-	15,858
Unquoted securities	-	-	832	832
	32,873	60,010	8,891	101,774

31 March 2013 (Unaudited- Restated)

	KD'000			Total
	Level 1	Level 2	Level 3	
Investments at fair value through statement of income				
Quoted securities	13,765	-	-	13,765
Managed funds				
- GCC	-	22,895	-	22,895
- foreign	-	-	-	-
Fixed income securities	3,247	-	535	3,782
Derivative	-	(125)	-	(125)
Available for sale investments				
Quoted securities	12,642	-	-	12,642
Managed funds				
- GCC	-	10,819	-	10,819
- foreign	-	7,957	-	7,957
Debt instruments	-	-	7,660	7,660
Equity participations and other investments	-	15,418	-	15,418
Unquoted securities	-	-	809	809
	<u>29,654</u>	<u>56,964</u>	<u>9,004</u>	<u>95,622</u>

Measurement at fair value

There have been no significant transfers between levels 1, 2 and 3 during the reporting period.

The Group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. There are no significant movements in level 3 during the reporting period.

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

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

For financial instruments carried at amortized cost, fair values are not materially different from their carrying values and is used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.