

**GLOBAL INVESTMENT HOUSE K.P.S.C.
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2015 (UNAUDITED)



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GLOBAL INVESTMENT HOUSE K.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Global Investment House K.P.S.C. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 31 March 2015, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three months period then ended. The management of the Parent Company's is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with 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.



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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF
GLOBAL INVESTMENT HOUSE K.P.S.C. (continued)**

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 Articles of Association and Memorandum of Incorporation during the three months period ended 31 March 2015 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations 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, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations, during the three months ended 31 March 2015 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

28 April 2015
Kuwait

Global Investment House – K.P.S.C. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2015

		<i>Three months ended</i>	
		<i>31 March</i>	
	<i>Notes</i>	<i>2015</i>	<i>2014</i>
		<i>KD '000</i>	<i>KD '000</i>
INCOME			
Fees and commission income	3	3,550	3,359
Interest and similar income		405	302
Net (loss) gain on financial assets designated at fair value through profit or loss		(479)	1,254
Share of results of associates		-	(48)
Net loss on investment properties		-	(24)
Foreign exchange gain (loss)		1,401	(70)
Other operating income		647	1,343
TOTAL INCOME		5,524	6,116
EXPENSES			
Personnel expenses		2,491	1,936
Other operating expenses		815	869
Depreciation of property and equipment		242	308
Impairment losses		27	35
Provision for credit losses (write back)		137	(120)
TOTAL EXPENSES		3,712	3,028
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KAFAS AND ZAKAT		1,812	3,088
Provision for contribution to Kuwait Foundation for Advancement of Science (KFAS)		(15)	-
Provision for Zakat		(17)	(31)
PROFIT FOR THE PERIOD		1,780	3,057
Attributable to:			
Equity holders of the Parent Company		1,789	3,066
Non-controlling interests		(9)	(9)
		1,780	3,057
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	2 fils	4 fils

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

Global Investment House – K.P.S.C. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 31 March 2015

	<i>Three months ended 31 March</i>	
	<i>2015 KD '000</i>	<i>2014 KD '000</i>
Profit for the period	1,780	3,057
Other comprehensive income to be reclassified to the statement of income in subsequent periods:		
Net unrealised (loss) gain on financial assets available for sale	(3)	29
Exchange differences on translation of foreign operations	474	32
Other comprehensive income for the period	471	61
Total comprehensive income for the period	2,251	3,118
Attributable to:		
Equity holders of the Parent Company	2,245	3,090
Non-controlling interests	6	28
	2,251	3,118

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

Global Investment House – K.P.S.C. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)

As at 31 March 2015

	Notes	31 March 2015 KD'000	(Audited) 31 December 2014 KD'000	31 March 2014 KD'000
ASSETS				
Cash and cash equivalents	5	51,937	54,639	47,392
Financial assets designated at fair value through profit or loss		17,988	16,523	17,054
Murabaha receivables		2,863	2,770	3,632
Loans and advances		4,017	2,979	3,399
Financial assets available for sale		1,940	2,117	1,123
Investments in associates		260	266	559
Investment properties		710	692	655
Property and equipment		10,465	10,539	11,124
Intangible assets		285	278	268
Other assets		10,836	9,355	10,595
TOTAL ASSETS		101,301	100,158	95,801
EQUITY AND LIABILITIES				
Equity				
Share capital	6	79,923	79,923	174,620
Share premium		8,796	8,796	19,218
Treasury shares	6	(8,796)	(8,796)	(19,218)
Statutory reserve		862	862	187
General reserve		862	862	187
Cumulative changes in fair values		(47)	(45)	(36)
Foreign currency translation reserve		1,009	551	42
Retained earnings (accumulated losses)		6,939	5,150	(91,630)
Equity attributable to equity holders of the Parent Company		89,548	87,303	83,370
Non-controlling interests		1,862	1,856	1,934
Total equity		91,410	89,159	85,304
Liabilities				
Other liabilities		9,891	10,999	10,497
Total liabilities		9,891	10,999	10,497
TOTAL EQUITY AND LIABILITIES		101,301	100,158	95,801

Ibrahim Saad
Chairman

Maha Khaled Al-Ghunaim
Vice Chairman & Group CEO

Global Investment House – K.P.S.C. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 31 March 2015

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		2015	2014
		KD '000	KD '000
OPERATING ACTIVITIES			
Profit for the period		1,780	3,057
Adjustments for:			
Depreciation on property and equipment		242	308
Interest and similar income		(405)	(302)
Dividend income		(224)	(71)
Share of results of associates		-	48
Net loss on investment properties		-	24
Impairment losses		27	35
Provision for credit losses (write back)		137	(120)
		<u>1,557</u>	<u>2,979</u>
Changes in operating assets and liabilities:			
Financial assets designated at fair value through profit or loss		(1,465)	(754)
Loans and advances		(858)	278
Financial assets available for sale		174	-
Other assets		(1,317)	(288)
Other liabilities		(1,065)	729
		<u>(2,974)</u>	<u>2,944</u>
Cash flows (used in) from operations		383	309
Interest and similar income received		57	-
Dividend income received		<u>57</u>	<u>-</u>
Net cash flows (used in) from operating activities		<u>(2,534)</u>	<u>3,253</u>
INVESTING ACTIVITIES			
Investment in associates		-	(42)
Purchase of property and equipment		(168)	(14)
Recovery of deposits	5	5,352	-
		<u>5,184</u>	<u>(56)</u>
Net cash flows from (used in) investing activities		<u>5,184</u>	<u>(56)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,650	3,197
Cash and cash equivalents at 1 January	5	45,283	44,195
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	<u>47,933</u>	<u>47,392</u>

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

Global Investment House – K.P.S.C. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2015

Attributable to the equity holders of the Parent Company

	Share capital KD '000	Share premium KD '000	Treasury shares KD '000	Statutory reserve KD '000	General reserve KD '000	Cumulative changes in fair values KD '000	Foreign currency translation reserve KD '000	Retained earnings (accumulated losses) KD '000	Sub total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2015	79,923	8,796	(8,796)	862	862	(45)	551	5,150	87,303	1,856	89,159
Profit (loss) for the period	-	-	-	-	-	-	-	1,789	1,789	(9)	1,780
Other comprehensive (loss) income	-	-	-	-	-	(2)	458	-	456	15	471
Total comprehensive (loss) income for the period	-	-	-	-	-	(2)	458	1,789	2,245	6	2,251
Balance at 31 March 2015	79,923	8,796	(8,796)	862	862	(47)	1,009	6,939	89,548	1,862	91,410
Balance at 1 January 2014	174,620	19,218	(19,218)	187	187	(56)	38	(94,696)	80,280	1,906	82,186
Profit (loss) for the period	-	-	-	-	-	-	-	3,066	3,066	(9)	3,057
Other comprehensive income for the period	-	-	-	-	-	20	4	-	24	37	61
Total comprehensive income for the period	-	-	-	-	-	20	4	3,066	3,090	28	3,118
Balance at 31 March 2014	174,620	19,218	(19,218)	187	187	(36)	42	(91,630)	83,370	1,934	85,304

Global Investment House – K.P.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2015

1 CORPORATE INFORMATION

The Group comprises of Global Investment House K.P.S.C. (the “Parent Company”) and its Subsidiaries (collectively the “Group”). The Parent Company is a Kuwaiti public shareholding company incorporated under the laws of the State of Kuwait on 16 June 1998. The Parent Company’s shares are listed on Bahrain Stock Exchange (BSE). However, trading of its shares on BSE remains suspended. Further, the Parent Company’s shares in the form of Global Depositing Receipts (GDRs) are listed on London Stock Exchange (LSE). The Parent Company is regulated by the Capital Markets Authority of Kuwait as an investment company and Central Bank of Kuwait for financing activities.

The Group is principally engaged in provision of asset management, investment banking and brokerage activities. Its registered office is at Global Tower, Sharq, Al Shuhada St, P.O. Box 28807, Safat 13149, Kuwait. The Group primarily operates in the Gulf Co-operation Council (GCC) and other Middle Eastern and North African (MENA) countries. The Ultimate Parent Company of the Group is NCH Ventures S.P.C., an entity established in the Kingdom of Bahrain.

The extra-ordinary general meeting (EGM) of the shareholders held on 21 October 2014 approved various amendments to the Parent Company’s Articles of Association (“AoA”) to make the Parent Company compliant with the amended law. In accordance with the provisions of Article 273 of the New Companies’ Law, the Parent Company is now considered as a public shareholding company by virtue of the law, therefore the Parent Company changed the legal status in its name from Kuwaiti Shareholding Company (Closed) to Kuwaiti Public Shareholding Company (KPSC).

This interim condensed consolidated financial information for the period ended 31 March 2015 was authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 28 April 2015.

2 BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting except as noted below.

The annual consolidated financial statements for the year ended 31 December 2014 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Capital Markets Authority of Kuwait and the Central Bank of Kuwait. 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 Central Bank of Kuwait’s (CBK) requirement for a minimum general 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 consolidated financial statements for the year ended 31 December 2014, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 July 2014 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the three months ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For more details refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2014.

Global Investment House – K.P.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2015

3 FEES AND COMMISSION INCOME

	<i>Three months ended 31 March</i>	
	<i>2014 KD '000</i>	<i>2014 KD '000</i>
Management fees on assets under management	2,822	2,650
Incentive fees on assets under management	304	172
Placement fees/redemption fees – managed funds	3	5
Investment banking and advisory fees	102	168
Brokerage fees	319	364
	<u>3,550</u>	<u>3,359</u>

**4 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY
HOLDERS OF THE PARENT COMPANY**

Basic earnings per share is computed by dividing the profit for the period attributable to the equity holders of the Parent Company by the weighted average number of shares outstanding during the period less treasury shares.

	<i>Three months ended 31 March</i>	
	<i>2015</i>	<i>2014</i>
Profit for the period attributable to the equity holders of the Parent Company (KD'000)	<u>1,789</u>	<u>3,066</u>
Weighted average number of ordinary shares for basic and diluted earnings per share (excluding treasury shares) (in '000)	<u>785,962</u>	<u>785,962</u>
Basic and diluted earnings per share attributable to equity holders of the Parent Company	<u>2 fils</u>	<u>4 fils</u>

In accordance with International Accounting Standard IAS 33: "Earning per share", the prior period comparative information has been restated for the effect of reduction of share capital and cancellation of treasury shares (Note 6).

As there are no dilutive instruments outstanding, basic and dilutive earning per share are identical.

5 CASH AND CASH EQUIVALENTS

	<i>31 March 2015 KD'000</i>	<i>(Audited) 31 December 2014 KD'000</i>	<i>31 March 2014 KD'000</i>
Bank balances and cash	9,425	8,637	10,350
Bank balances and cash arising on consolidation	7,711	11,205	12,928
Deposits with banks arising on consolidation	1,500	1,500	24,114
Deposits with banks	33,301	33,297	-
	<u>51,937</u>	<u>54,639</u>	<u>47,392</u>
Less: Deposits with banks with maturity of more than three months	<u>(4,004)</u>	<u>(9,356)</u>	<u>-</u>
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	<u>47,933</u>	<u>45,283</u>	<u>47,392</u>

Bank balances earn interest at floating rates.

Global Investment House – K.P.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2015

6 SHARE CAPITAL AND TREASURY SHARES

(i) Share capital

	<i>Authorised</i> <i>(Audited)</i>			<i>Issued and fully paid</i> <i>(Audited)</i>		
	<i>31</i> <i>March</i> <i>2015</i> <i>KD'000</i>	<i>31</i> <i>December</i> <i>2014</i> <i>KD'000</i>	<i>31</i> <i>March</i> <i>2014</i> <i>KD'000</i>	<i>31</i> <i>March</i> <i>2015</i> <i>KD'000</i>	<i>31</i> <i>December</i> <i>2014</i> <i>KD'000</i>	<i>31</i> <i>March</i> <i>2014</i> <i>KD'000</i>
Shares of KD 0.100 each	79,923	79,923	174,620	79,923	79,923	174,620

The Annual General Assembly (AGM) for the year ended 31 December 2014 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2014 have not yet been approved. The interim condensed consolidated financial information for the three month period ended 31 March 2015 does not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2014. The Parent Company's Board of Directors have proposed a dividend of 5 fils per share for the year ended 31 December 2014 (2013: Nil) which is subject to the approval of shareholders at the AGM.

The extra-ordinary general meeting (EGM) of the shareholders held on 21 October 2014 approved the write-off of accumulated losses amounting to KD 94,697 thousand against share capital. Pro-rata cancellation of treasury shares amounting to KD 10,422 thousand was made against share premium. The effect of this cancellation was recorded in the Articles of Association of the Parent Company.

(ii) Treasury shares

	<i>31 March</i> <i>2015</i>	<i>(Audited)</i> <i>31 December</i> <i>2014</i>	<i>31 March</i> <i>2014</i>
Number of shares ('000)	13,272	13,272	28,998
Percentage holding	1.66%	1.66%	1.66%
Market value (KD '000) (See below)	-	-	-

The market value of the treasury shares were not determinable as the Parent Company shares are delisted / suspended from trading.

An amount equivalent to the cost of purchase of treasury shares have been earmarked as non-distributable from general reserve, statutory reserve, retained earnings and share premium throughout the holding period of treasury shares.

7 RELATED PARTY TRANSACTIONS

In the normal course of business, the Group entered into various transactions with related parties (i.e. associates, major shareholders, directors and executive officers of the Parent Company) concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

	<i>Other related</i> <i>parties</i> <i>KD'000</i>	<i>31 March</i> <i>2015</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2014</i> <i>KD'000</i>	<i>31 March</i> <i>2014</i> <i>KD'000</i>
Interim condensed consolidated statement of financial position				
Loans and advances	-	-	100	100
Other assets	-	-	202	-
Other liabilities	1,301	1,301	929	1,261

Global Investment House – K.P.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2015

7 RELATED PARTY TRANSACTIONS (continued)

	<i>Directors KD'000</i>	<i>Other related parties KD'000</i>	<i>Three months ended</i>	
			<i>31 March 2015 KD'000</i>	<i>31 March 2014 KD'000</i>
Transactions included in interim condensed consolidated statement of income				
Fee and commission income	-	567	567	527
Other operating expenses	23	-	23	21

	<i>Three months ended</i>	
	<i>31 March 2015 KD'000</i>	<i>31 March 2014 KD'000</i>
Key management personnel compensation		
Short-term employee benefits	378	338
Termination benefits	26	25
	<u>404</u>	<u>363</u>

8 SEGMENTAL INFORMATION

For management purposes the continuing operations of Group is organised into four major business segments:

- Assets Management: Managing of GCC, MENA and international managed funds, discretionary and non-discretionary portfolio management, custody services and co-investments in the Group's Asset Management products.
- Investment Banking and Advisory: Private placement of equities and debt, advising and managing listings, initial public offerings (IPOs), arranging conventional and Islamic debt, buy and sell side advisory, advising on strategy, privatisation, mergers and reverse mergers and acquisitions and debt restructuring.
- Brokerage: Quoted and unquoted equity and debt instruments brokerage activities and margin financing.
- Group Treasury and Asset based Income: Managing the Parent Company's liquidity and foreign currency requirements, lending to corporate and individual customers and extremely limited and selective investing activities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 March 2015

8 SEGMENTAL INFORMATION (continued)

Three months ended 31 March 2015

	<i>Asset management KD '000</i>	<i>Investment banking and advisory KD '000</i>	<i>Brokerage KD '000</i>	<i>Group treasury and asset based income KD '000</i>	<i>Total KD '000</i>
Revenue – fee based	3,129	102	319	-	3,550
Revenue – asset based	(266)	-	142	2,098	1,974
Total segment revenue	<u>2,863</u>	<u>102</u>	<u>461</u>	<u>2,098</u>	<u>5,524</u>
Segment result – fee based	637	(185)	(461)	-	(9)
Segment result – asset based	(266)	-	142	1,913	1,789
Total segment result	<u>371</u>	<u>(185)</u>	<u>(319)</u>	<u>1,913</u>	<u>1,780</u>

Three months ended 31 March 2014

	<i>Asset management KD '000</i>	<i>Investment banking and advisory KD '000</i>	<i>Brokerage KD '000</i>	<i>Group treasury and asset based income KD '000</i>	<i>Total KD '000</i>
Revenue – fee based	2,827	168	364	-	3,359
Revenue – asset based	749	-	124	1,884	2,757
Total segment revenue	<u>3,576</u>	<u>168</u>	<u>488</u>	<u>1,884</u>	<u>6,116</u>
Segment result – fee based	671	(77)	(389)	-	205
Segment result – asset based	749	-	124	1,979	2,852
Total segment result	<u>1,420</u>	<u>(77)</u>	<u>(265)</u>	<u>1,979</u>	<u>3,057</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

31 March 2015

8 SEGMENTAL INFORMATION (continued)

	<i>Asset Management KD '000</i>	<i>Investment banking and advisory KD '000</i>	<i>Brokerage KD '000</i>	<i>Group treasury and asset based income KD '000</i>	<i>Total KD '000</i>
31 March 2015					
Total segment assets	<u>17,297</u>	<u>467</u>	<u>17,791</u>	<u>65,746</u>	<u>101,301</u>
Total segment liabilities	<u>1,807</u>	<u>120</u>	<u>934</u>	<u>7,030</u>	<u>9,891</u>
<i>Other disclosures</i>					
Investment in associates					<u>260</u>
Capital expenditure					<u>168</u>
31 December 2014 (Audited)					
Total segment assets	<u>18,926</u>	<u>508</u>	<u>18,201</u>	<u>62,523</u>	<u>100,158</u>
Total segment liabilities	<u>1,888</u>	<u>450</u>	<u>1,304</u>	<u>7,357</u>	<u>10,999</u>
<i>Other disclosures</i>					
Investment in associates					<u>266</u>
Capital expenditure					<u>232</u>
31 March 2014					
Total segment assets	<u>19,012</u>	<u>4,158</u>	<u>15,750</u>	<u>56,881</u>	<u>95,801</u>
Total segment liabilities	<u>2,157</u>	<u>330</u>	<u>1,339</u>	<u>6,671</u>	<u>10,497</u>
<i>Other disclosures</i>					
Investment in associates					<u>559</u>
Capital expenditure					<u>14</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 March 2015

9 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 Group's interim condensed consolidated statement of financial position.

The aggregate value of assets held in a fiduciary capacity by the Group at 31 March 2015 amounted to KD 1,181 million (31 December 2014: KD 1,188 million and 31 March 2014: KD 1,201 million).

10 CONTINGENT LIABILITIES AND COMMITMENTS

The total outstanding contingent liabilities and commitments are as follows:

	<i>31 March</i>	<i>(Audited)</i>	
	<i>2015</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD'000</i>	<i>2014</i>	<i>2014</i>
		<i>KD'000</i>	<i>KD'000</i>
Commitments			
Commitments to invest in private equity funds	301	294	243
Irrevocable and unconditional bank guarantee	620	605	644

Commitments to invest in private equity funds

Commitments to invest in private equity funds represent the uncalled capital by the investment managers (general partners) of various private equity funds in which the Group has made investments. The capital can be called at the investment manager's discretion.

Legal claims

Legal claims related to compensation by an individual raised in Turkey for a cancelled private equity acquisition transaction amounted to KD 1.57 million (31 December 2014: KD 1.53 million and 31 March 2014: KD 1.43 million). On 21 May 2014, the Court of First Instance rejected the claim and ruled in the favour of the Parent Company. However, the claimant has appealed in the Court of Appeal. In a similar case for a claim amounting to KD 0.04 million the Court of Appeal had rejected the claim and ruled in the favour of the Parent Company. The Parent Company has been advised by its legal advisors that it is possible, but not probable, that the action will succeed.

The Parent Company had a lawsuit against a bank in UAE. The Court of Appeals of Dubai ruled to accept the settlement agreement between the Parent Company and the bank, thereby bringing to an end a long pending legal dispute. This settlement will have no impact on the Company's cash flows or income streams since the associated rewards and certain risks of this litigation were transferred to the Company's legacy Financiers in context of the debt restructuring transaction concluded in 2013. Refer note 21 of the annual consolidated financial statements as at 31 December 2014 of the Group for details.

11 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, financial assets designated at fair value through profit or loss, financial assets available for sale, murabaha receivables, loans and advances and other assets.

Financial liabilities consist of other liabilities.

Fair values of all financial instruments are not materially different from their carrying values. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 March 2015

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 March 2015	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
<i>Financial assets designated at fair value through profit or loss</i>				
Unquoted equity securities	-	-	1,531	1,531
Quoted equity securities	4,461	-	-	4,461
Managed funds and portfolios	-	10,395	1,601	11,996
<i>Financial assets available for sale</i>				
Quoted equity securities	287	-	-	287
Unquoted securities	-	-	1,042	1,042
Managed funds and portfolios	-	611	-	611
<i>Investment properties</i>	-	-	710	710
31 December 2014 (Audited)	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
<i>Financial assets designated at fair value through profit or loss</i>				
Unquoted equity securities	-	-	1,534	1,534
Quoted equity securities	4,605	-	-	4,605
Managed funds and portfolios	-	8,801	1,583	10,384
<i>Financial assets available for sale</i>				
Unquoted securities	-	-	830	830
Quoted equity securities	287	-	-	287
Managed funds and portfolios	-	1,000	-	1,000
<i>Investment properties</i>	-	-	692	692
31 March 2014	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
<i>Financial assets designated at fair value through profit or loss</i>				
Unquoted equity securities	-	-	1,552	1,552
Quoted equity securities	4,005	-	-	4,005
Managed funds and portfolios	-	9,719	1,778	11,497
<i>Financial assets available for sale</i>				
Quoted equity securities	263	-	-	263
Unquoted securities	-	-	860	860
<i>Investment properties</i>	-	-	655	655

During the period ended 31 March 2015, there were no transfer between level 1 and level 2 fair value measurement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 March 2015

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

31 March 2015	At 1 January 2015 KD 000's	Loss recorded in the consolidated statement of income KD 000's	Gain recorded in other comprehensive income KD 000's	Net purchases, sales and settlements KD 000's	At 31 March 2015 KD 000's
<i>Financial assets designated at fair value through income statement</i>					
Unquoted equity securities	1,534	(1)	-	(2)	1,531
Managed funds and portfolio	1,583	(15)	-	33	1,601
<i>Financial assets available for sale</i>					
Unquoted securities	830	-	-	212	1,042
<i>Investment properties</i>	692	-	-	18	710
31 December 2014	As at 1 January 2014 KD 000's	Gain (loss) recorded in the consolidated statement of income KD 000's	Gain recorded in other comprehensive income KD 000's	Net purchases, sales and settlements KD 000's	As at 31 December 2014 KD 000's
<i>Financial assets designated at fair value through profit or loss</i>					
Unquoted equity securities	1,423	18	-	93	1,534
Managed Funds and portfolio	2,012	8	-	(437)	1,583
<i>Financial assets available for sale</i>					
Unquoted securities	856	-	-	(26)	830
<i>Investment properties</i>	679	(12)	25	-	692
31 March 2014	At 1 January 2014 KD 000's	Gain (loss) recorded in the consolidated statement of income KD 000's	Gain recorded in other comprehensive income KD 000's	Net purchases, sales and settlements KD 000's	At 31 March 2014 KD 000's
<i>Financial assets designated at fair value through income statement</i>					
Unquoted equity securities	1,423	29	-	100	1,552
Managed Funds and portfolio	2,012	47	-	(281)	1,778
<i>Financial assets available for sale</i>					
Unquoted securities	856	-	4	-	860
<i>Investment properties</i>	679	(24)	-	-	655

The Group recorded net loss of KD 16 thousand (31 December 2014: net gain of KD 14 thousand and 31 March 2014: net gain of KD 52 thousand) in the interim condensed consolidated statement of income with respect to assets classified under level 3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

31 March 2015

11 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Description of significant unobservable inputs to valuation of financial assets:

Unquoted equity securities are valued based on book value and price to book multiple method, multiples using latest financial statements available of the investee entities and adjusted for lack of marketability discount in the range of 33% to 50%. The Group has determined that market participants would take into account these discounts when pricing the investments.

Funds and managed portfolio have been valued based on Net Asset Value (NAV) of the fund provided by the custodian of the fund or portfolio and certain managed funds were adjusted for lack of marketability discount by 15% to 20%.

A change in assumptions used for valuing the Level 3 financial instruments, by possible using an alternative $\pm 5\%$ higher or lower liquidity and market discount could have resulted in increase or decrease in the results by KD 156 thousand (31 December 2014: KD 156 thousand and 31 March 2014: KD 167 thousand) and increase or decrease in other comprehensive income by KD 53 thousand (31 December 2014: KD 41 thousand and 31 March 2014: KD 43 thousand).

Description of significant unobservable inputs to valuation of non-financial assets:

Investment properties are stated at fair values which have been determined based on valuations performed by accredited independent valuers. Fair value of investment properties were determined using Mark to Market method, conducted by valuers considering transaction prices of the property and similar properties. The significant unobservable valuation input used for the purpose of valuation is the market price per square foot / meter and varies from property to property. A reasonable change in this input would result in an equivalent amount of change in fair value.

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in interest rates. Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating certain assumptions such as credit spreads that are appropriate in the circumstances.