

**THE SECURITIES HOUSE K.S.C.P. AND
SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)**

30 SEPTEMBER 2014



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Securities House K.S.C.P. (the “parent company”) and its subsidiaries (collectively, the “group”) as at 30 September 2014 and the related interim condensed consolidated statements of income and interim condensed consolidated statements of comprehensive income for the three months and nine months period then ended, and the related interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of 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 the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditors’ 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.

Emphasis of a Matter

We draw attention to the following:

- a) Note 2 to the interim condensed consolidated financial information which indicates that the group’s current liabilities exceeded its current assets by KD 34,016,760 (31 December 2013: KD 36,294,973 and 30 September 2013: KD 36,257,100). These conditions indicate the existence of a material uncertainty about the group’s ability to continue as a going concern. However, the interim condensed consolidated financial information has been prepared on a going concern basis because the group has been able to extend the settlement of its current liabilities or swap certain of its liabilities with financial assets. The management of the group is of the opinion that the group will continue with the same strategy going forward.
- b) Note 8 to the interim condensed consolidated financial information which states that one of the murabaha creditors has filed legal cases against the parent company for the recovery of its dues and the uncertainty of the outcome of the legal cases and their impact on the group’s interim condensed consolidated financial position.

Our conclusion is not qualified in respect of the above matters.



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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION TO THE BOARD OF DIRECTORS OF THE SECURITIES HOUSE K.S.C.P.
(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 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, or of the parent company's Memorandum of Incorporation and Articles of Association during the nine months period ended 30 September 2014 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, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine months period ended 30 September 2014 that might have had a material effect on the business of the parent company or on its financial position.

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The Securities House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2014

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 KD	2013 KD	2014 KD	2013 KD
INCOME					
<i>From investment activities</i>					
Realised gain on sale of financial assets at fair value through income statement		-	105,003	16,241	105,003
Realised gain (loss) on sale of financial assets available for sale		72,375	(47,168)	87,581	332,849
Dividend income		22,391	83,862	108,361	202,845
Management fee income		7,125	1,125	5,628	66,120
Investment services income		1,927,656	608,949	2,559,681	1,220,529
Total income from investment activities		2,029,547	751,771	2,777,492	1,927,346
<i>From commercial activities</i>					
Sales of goods and services		3,767,388	3,503,170	11,140,004	10,015,928
Cost of sales		(2,495,950)	(1,967,147)	(7,476,012)	(6,268,474)
Gross profit from commercial activities		1,271,438	1,536,023	3,663,992	3,747,454
Other income (loss)		81,152	(81,244)	136,805	81,524
TOTAL INCOME		3,382,137	2,206,550	6,578,289	5,756,324
EXPENSES					
Staff costs		784,955	541,820	1,898,779	1,346,009
Selling and distribution expenses		388,211	435,433	1,119,423	1,022,904
General and administration expenses		506,360	612,314	1,487,359	1,598,164
TOTAL EXPENSES		1,679,526	1,589,567	4,505,561	3,967,077
PROFIT BEFORE FAIR VALUE ADJUSTMENTS, SHARE OF RESULTS, MURABAHA PAYABLE COSTS AND TAXATION					
		1,702,611	616,983	2,072,728	1,789,247
Unrealised gain (loss) on financial assets at fair value through income statement		35,051	(31,810)	(85,567)	(279,451)
Reversal (impairment) loss on financial assets available for sale		25,410	(535,591)	(179,455)	(704,322)
Share of results of associates	6	2,625,692	309,288	3,490,069	1,033,639
Amortisation of intangibles		(24,081)	-	(63,633)	-
Murabaha payable costs		(41,049)	142,940	(228,356)	(190,238)
National Labour Support Tax		(50,665)	(5,019)	(54,271)	(22,628)
Zakat		(20,255)	(2,256)	(21,779)	(10,170)
PROFIT FOR THE PERIOD		4,252,714	494,535	4,929,736	1,616,077
Attributable to:					
Equity holders of the parent company		3,468,236	218,297	4,022,627	984,204
Non-controlling interests		784,478	276,238	907,109	631,873
		4,252,714	494,535	4,929,736	1,616,077
Basic and diluted earnings per share attributable to equity holders of the parent company	4	5.4 fils	0.3 fils	6.3 fils	1.5 fils

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

The Securities House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 30 September 2014

	Note	Three months ended 30 September		Nine months ended 30 September	
		2014	2013	2014	2013
		KD	KD	KD	KD
Profit for the period		4,252,714	494,535	4,929,736	1,616,077
Other comprehensive (loss) income:					
<i>Other comprehensive income to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>					
Cumulative changes in fair values		-	35,157	-	508,277
Foreign currency translation adjustment		108,899	(83,367)	104,337	78,772
Share of other comprehensive income of Associates	6	(1,640,806)	3,866,224	234,929	630,418
Other comprehensive (loss) income for the period		(1,531,907)	3,818,014	339,266	1,217,467
Total comprehensive income for the period		2,720,807	4,312,549	5,269,002	2,833,544
Attributable to:					
Equity holders of the parent company		1,891,225	4,003,006	4,318,678	2,163,679
Non-controlling interests		829,582	309,543	950,324	669,865
		2,720,807	4,312,549	5,269,002	2,833,544


The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

The Securities House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2014

		(Audited)	
		30 September	31 December
		2014	2013
	Notes	KD	KD
		30 September	30 September
		2014	2013
		KD	KD
ASSETS			
Bank balances and cash	5	6,549,149	4,521,612
Short-term murabaha investments	5	677,113	799,571
Accounts receivable and prepayments		4,591,052	3,889,812
Inventories		3,054,061	2,450,019
Financial assets at fair value through income statement		4,554,928	4,945,836
Financial assets available for sale		3,699,419	4,803,891
Investment in associates	6	88,735,642	85,708,799
Investment properties		698,974	698,974
Property, plant and equipment		4,209,639	5,175,846
TOTAL ASSETS		116,769,977	112,994,360
EQUITY			
Share capital		68,000,000	68,000,000
Cumulative changes in fair values		-	508,277
Foreign currency translation reserve		105,634	44,512
Employee share purchase plan reserve		545,456	545,456
Other reserve		(255,897)	(255,897)
Treasury shares reserve		11,376,864	11,376,864
Treasury shares	7	(19,867,108)	(19,867,108)
Cumulative changes in equity of associates		5,125,104	4,890,175
Accumulated losses		(8,845,273)	(12,867,900)
Equity attributable to equity holders of the parent company		56,184,780	51,866,102
Non-controlling interests		6,520,025	6,078,804
TOTAL EQUITY		62,704,805	57,944,906
LIABILITIES			
Murabaha payables	8	47,570,923	49,215,181
Accounts payable and accruals		5,367,793	4,867,749
Employees' end of service benefits		1,126,456	966,524
TOTAL LIABILITIES		54,065,172	55,049,454
TOTAL EQUITY AND LIABILITIES		116,769,977	112,994,360


Ibrahim Youssef Al Ghanim
Chairman

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

The Securities House K.S.C.P. and Subsidiaries

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

For the period ended 30 September 2014

	Notes	Nine months ended 30 September	
		2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit for the period		4,929,736	1,616,077
Adjustments for:			
Realised gain on sale of financial assets at fair value through income statement		(16,241)	(105,003)
Realised gain on sale of financial assets available for sale		(87,581)	(332,849)
Dividend income		(108,361)	(202,845)
Share in results of associates	6	(3,490,069)	(1,033,639)
Unrealised loss on financial assets at fair value through income statement		85,567	279,451
Impairment loss of financial assets available for sale		179,455	704,322
Amortisation of intangibles	6	63,633	-
Depreciation		542,127	533,266
Provision for employees' end of service benefits		179,837	154,653
Murabaha payables costs		228,356	190,238
		<u>2,506,459</u>	<u>1,803,671</u>
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		(719,498)	(1,496,282)
Inventories		(604,042)	(104,297)
Financial assets at fair value through income statement		321,582	202,670
Accounts payable and accruals		486,181	894,761
Cash from operations		<u>1,990,682</u>	<u>1,300,523</u>
Employees' end of service benefits paid		(19,905)	(23,893)
Net cash flows from operating activities		<u>1,970,777</u>	<u>1,276,630</u>
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		(931,307)	(1,501,146)
Proceeds from sale of financial assets available for sale		1,943,905	1,221,036
Proceeds from sale of an investment in an associate		125,000	-
Dividend income received		108,361	202,845
Dividends received from an associate	6	509,522	313,319
Purchase of property, plant and equipment		(169,420)	(439,429)
Proceeds from sale of property, plant and equipment		593,500	5,600
Net cash flows from (used in) investing activities		<u>2,179,561</u>	<u>(197,775)</u>
FINANCING ACTIVITIES			
Non-controlling interests' share in liquidation of a subsidiary		-	(18,185)
Dividends paid to non-controlling interests		(509,103)	-
Repayment of murabaha payables		(1,644,258)	(1,094,318)
Murabaha payables costs paid		(196,236)	-
Net cash flows used in financing activities		<u>(2,349,597)</u>	<u>(1,112,503)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		1,800,741	(33,648)
Cash and cash equivalents at 1 January		104,338	78,722
		<u>5,321,183</u>	<u>7,896,886</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	5	<u><u>7,226,262</u></u>	<u><u>7,942,010</u></u>

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

The Securities House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2014

Atributable to equity holders of the parent company

	Share capital KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Employee share purchase plan reserve KD	Other reserve KD	Treasury shares reserve KD	Treasury shares KD	Cumulative changes in equity of associates KD	Accumulat ed losses KD	Sub total KD	Non- controlling interests KD	Total equity KD		
As at 1 January 2014 (Audited)	68,000,000	-	-	44,512	545,456	(255,897)	11,376,864	(19,867,108)	4,890,175	4,890,175	(12,867,900)	51,866,102	6,078,804	57,944,906
Profit for the period	-	-	-	-	-	-	-	-	-	-	4,022,627	4,022,627	907,109	4,929,736
Other comprehensive income	-	-	-	61,122	-	-	-	-	234,929	234,929	-	296,051	43,215	339,266
Total comprehensive income for the period	-	-	-	61,122	-	-	-	-	234,929	234,929	4,022,627	4,318,678	950,324	5,269,002
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(509,103)	(509,103)
As at 30 September 2014	68,000,000	-	-	105,634	545,456	(255,897)	11,376,864	(19,867,108)	5,125,104	5,125,104	(8,845,273)	56,184,780	6,520,025	62,704,805
As at 1 January 2013 (Audited)	68,000,000	-	-	8,444	545,456	(255,897)	11,376,864	(19,867,108)	4,218,133	4,218,133	(8,269,174)	55,756,718	5,957,513	61,714,231
Profit for the period	-	-	-	-	-	-	-	-	-	-	984,204	984,204	631,873	1,616,077
Other comprehensive income	-	508,277	508,277	40,780	-	-	-	-	630,418	630,418	-	1,179,475	37,992	1,217,467
Total comprehensive income for the period	-	508,277	508,277	40,780	-	-	-	-	630,418	630,418	984,204	2,163,679	669,865	2,833,544
Non-controlling interests share in liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(18,185)	(18,185)
As at 30 September 2013	68,000,000	508,277	508,277	49,224	545,456	(255,897)	11,376,864	(19,867,108)	4,848,551	4,848,551	(7,284,970)	57,920,397	6,609,193	64,529,590

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 September 2014

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of The Securities House K.S.C.P. (the "parent company") and subsidiaries (collectively the "group") were authorised for issue by the Board of Directors on 9 November 2014.

The parent company is a Kuwaiti shareholding company incorporated and registered in Kuwait on 28 March 1982 and is engaged in investment and trading in securities, investment in real estate, finance activities and in portfolio and fund management on behalf of third parties, under the Commercial Companies Law No. 15 of 1960 and amendments thereto and is listed on the Kuwait Stock Exchange. The parent company is registered with the Central Bank of Kuwait ("CBK") as an investment company and is subject to the supervision of the CMA.

The parent company's principal place of business and registered address is 18th floor, Al-Dhow Tower, Khalid Ibn Al-Waleed Street, Sharq, P.O.Box 26972 Safat, 13130, Kuwait.

2 FUNDAMENTAL ACCOUNTING CONCEPT

As of 30 September 2014, the group's current liabilities exceed its current assets by KD 34,016,760 (31 December 2013: KD 36,294,973 and 30 September 2014: KD 36,257,100). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern. However, the interim condensed consolidated financial information has been prepared on a going concern basis because the group has been able to extend the settlement of its current liabilities or swap certain of its liabilities with financial assets. The management of the group is of the opinion that the group will continue with the same strategy going forward.

3 BASIS OF PREPARATION

The interim condensed consolidated financial information for the nine months ended 30 September 2014 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 2013 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the IAS 39 requirement for a collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision.

The interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK, and should be read in conjunction with the group's annual consolidated financial statements for the year ended 31 December 2013. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. In addition, results for the nine months ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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

Changes in accounting policy and disclosures

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the following new standards and interpretations effective as of 1 January 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2014

3 BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through income statement. These amendments have no impact to the group, since none of the entities in the group qualifies to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the group.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (“CGUs”) for which an 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.

Standards issued but not yet effective

IFRS 15 – Revenue from Contracts with customers

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRS 15, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The parent company is in the process of evaluating the effect of IFRS 15 on the group and do not expect any significant impact on adoption of this standard

The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Basic and diluted earnings per share is computed by dividing profit attributable to equity holders of the parent company by the weighted average number of shares (net of treasury shares) outstanding during the period as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Profit for the period attributable to the Equity holders of the parent company	<u>3,468,236</u>	<u>218,297</u>	<u>4,022,627</u>	<u>984,204</u>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares (net of treasury shares) outstanding for the period	<u>637,720,000</u>	<u>637,720,000</u>	<u>637,720,000</u>	<u>637,720,000</u>
Basic and diluted earnings per share attributable to equity holders of the parent company	<u>5.4 fils</u>	<u>0.3 fils</u>	<u>6.3 fils</u>	<u>1.5 fils</u>

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2014

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as shown in the interim condensed consolidated statement of cash flows are reconciled to the related items in the interim condensed consolidated statement of financial position as follows:

	<i>30 September 2014 KD</i>	<i>(Audited) 31 December 2013 KD</i>	<i>30 September 2013 KD</i>
Bank balances and cash	6,549,149	4,521,612	6,142,212
Short-term murabaha investments with original maturity up to three months	677,113	799,571	1,799,798
	<u>7,226,262</u>	<u>5,321,183</u>	<u>7,942,010</u>

6 INVESTMENT IN ASSOCIATES

	<i>30 September 2014 KD</i>	<i>(Audited) 31 December 2013 KD</i>	<i>30 September 2013 KD</i>
At the beginning of the period/year	85,708,799	90,504,323	90,504,323
Disposals	(125,000)	(545,004)	-
Share of results	3,490,069	1,482,034	1,033,639
Share of other comprehensive income	234,929	672,042	630,418
Dividend received	(509,522)	(475,404)	(313,319)
Amortisation of intangible assets	(63,633)	(131,742)	-
Impairment	-	(5,797,450)	-
At the end of the period/year	<u>88,735,642</u>	<u>85,708,799</u>	<u>91,855,061</u>

7 TREASURY SHARES

	<i>30 September 2014</i>	<i>(Audited) 31 December 2013</i>	<i>30 September 2013</i>
Number of treasury shares	<u>42,280,000</u>	<u>42,280,000</u>	<u>42,280,000</u>
Percentage of capital	<u>6.2%</u>	<u>6.2%</u>	<u>6.2%</u>
Market value KD	<u>4,016,600</u>	<u>4,058,880</u>	<u>4,735,360</u>

8 MURABAHA PAYABLES

	<i>30 September 2014 KD</i>	<i>(Audited) 31 December 2013 KD</i>	<i>30 September 2013 KD</i>
Maturity within 1 year	43,970,923	44,865,181	47,552,069
Maturity after 1 year	3,600,000	4,350,000	4,860,000
	<u>47,570,923</u>	<u>49,215,181</u>	<u>52,412,069</u>

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2014

8 MURABAHA PAYABLES (continued)

Murabaha payables represent the value of assets purchased on a deferred settlement basis.

Murabaha payables amounting to KD 42,917,494 (31 December 2013: KD 42,917,494 and 30 September 2013: KD 42,917,494) are secured against financial assets at fair value through income statement, financial assets available for sale and investment in an associate amounting to KD 1,612,923, KD 297,143 and KD 7,438,468 (31 December 2013: KD 1,685,726, KD 740,379 and KD 6,507,235 and 30 September 2013: 1,918,600, KD 742,958 and KD 6,908,319) respectively.

During 2012, a major murabaha creditor (the "plaintiff") filed four legal cases against the parent company claiming the settlement of certain past due murabaha payables amounting to KD 43,352,021 at the time of filing the lawsuits. Until the date of approval of this interim condensed consolidated financial information, the final court decision on the abovementioned legal cases is still pending as follows:

- With respect to a legal case relating to a murabaha payable of KD 35,237,430, the first instance court decision came in favor of the plaintiff on 13 December 2012 obligating the parent company to settle the due balance. The parent company filed an appeal against this decision and on 24 April 2013, the appeal court decision came supporting the first instance decision in favor of the plaintiff and subsequent to that, an amount of KD 434,527 was repaid, thus reducing the balance of this murabaha payable to KD 34,802,903. The parent company filed an appeal against the ruling before the cassation court and on 17 June 2014, the court decision referred the case to the Experts Department at the Ministry of Justice and it was reserved for discussing the report of the Experts Department on 9 December 2014.
- With respect to a legal case relating to a murabaha payable of KD 4,239,342, the first instance court decision came in favor of the plaintiff on 8 April 2014 obligating the parent company to settle the due balance. The parent company appealed against this decision and, it was reserved for appeal court ruling on 12 November 2014.
- With respect to a legal case relating to a murabaha payable of KD 3,775,889, it was reserved for first degree court ruling on 8 January 2015.
- With respect to a legal case relating to a murabaha payable of KD 99,360, the first instance court decision came in favor of the plaintiff on 29 January 2014 obligating the parent company to settle the due balance. The parent company filed an appeal against this decision, and it was reserved for appeal court ruling on 27 November 2014.

Therefore, with respect to the expected results of those lawsuits, the legal counsel of the parent company is of the opinion that all the lawsuits filed by the plaintiff, tend to be referred to the Experts Department at the Ministry of Justice to discuss many aspects of the appeal submitted by the parent company to the court, some of which are legal while others are regulatory. Although final results of this dispute cannot be reliably guaranteed and that all results are possible, it is expected that the litigation will continue between the two parties for a relatively long period.

Based on the foregoing, as the value of the abovementioned lawsuits filed against the parent company is recorded originally in the books of the parent company within murabaha payables, the parent company need not to record any provisions or recognise any additional potential liabilities in the interim condensed consolidated financial information as a result of these lawsuits.

9 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and executive officers of the parent company, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the parent company's management.

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 September 2014

9 RELATED PARTY TRANSACTIONS (continued)

Related party transactions and balances consist of the following:

	<i>Nine months ended 30 September</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of income:		
Murabaha payable costs	207,764	276,158
	<i>(Audited)</i>	
	<i>30 September</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of financial position:		
Murabaha payable	4,500,000	6,164,753
	<i>Nine months ended 30 September</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Key management compensation:		
Salaries and other short term benefits	592,919	525,954
Employees' end of services and share purchase plan benefits	43,407	82,107
	<u>636,326</u>	<u>608,061</u>

Assets amounting to KD 2,385,889 (31 December 2013: KD 2,375,890 and 30 September 2013: KD 2,021,193) are being managed on behalf of related parties.

10 COMMITMENTS

As at 30 September 2014, the group's bankers have given bank guarantees amounting to KD 11,890 (31 December 2013: KD 14,650 and 30 September 2013: KD 70,453).

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2014

11 SEGMENTAL ANALYSIS

For management purposes the group is organised into three major business segments:

- Proprietary investment management : Investing of group funds in securities and real estate, financing corporate and individual customers, and managing the group's liquidity requirements.
- Asset management and advisory services : Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related investment services.
- Commercial trading activities : Selling and distribution of manufactured and imported goods and services.

The following table presents information regarding the group's business segment:

	Proprietary investment management		Asset management and advisory services		Commercial trading activities		Total	
	Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013	2014	2013	2014	2013
	KD	KD	KD	KD	KD	KD	KD	KD
Segment revenue	(56,628)	(58,463)	2,630,116	1,140,323	11,215,791	10,015,928	13,789,279	11,097,788
Segment results	(759,086)	(507,925)	1,202,976	261,028	1,375,490	1,332,073	1,819,380	1,085,176
Unallocated expenses							(11,674)	(152,108)
Share of results of associates							3,490,069	1,033,639
Amortisation							(63,633)	-
Murabaha payable costs							(228,356)	(317,832)
Zakat and National Labor Support Tax							(76,050)	(32,798)
Profit for the period							<u>4,929,736</u>	<u>1,616,077</u>

The Securities House K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 September 2014

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Underlying the definition of fair value is the presumption that the group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial instruments comprise of financial assets and financial liabilities.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value. The fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost, are not materially different from their carrying values.

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) prices in an active market for identical assets and 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; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30 September 2014	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Financial assets at fair value			
<i>Financial assets at fair value through income statement:</i>			
Quoted equities	450,581	-	450,581
Unquoted equity securities	-	4,104,347	4,104,347
	<u>450,581</u>	<u>4,104,347</u>	<u>4,554,928</u>
	<u><u>450,581</u></u>	<u><u>4,104,347</u></u>	<u><u>4,554,928</u></u>
	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
30 September 2013			
Financial assets at fair value			
<i>Financial assets at fair value through income statement:</i>			
Quoted equities	616,043	-	616,043
Unquoted equity securities	-	4,968,783	4,968,783
	<u>616,043</u>	<u>4,968,783</u>	<u>5,584,826</u>
	<u><u>616,043</u></u>	<u><u>4,968,783</u></u>	<u><u>5,584,826</u></u>

During the nine month period ended 30 September 2014, there were no transfers between the hierarchies.