Interim condensed consolidated financial information and review report

Al-Deera Holding Company – KPSC and Subsidiaries

Kuwait

30 June 2014 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

To the board of directors of
Al-Deera Holding Company – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Deera Holding Company (A Kuwaiti Public Shareholding Company) and its subsidiaries ("Al-Deera Group") as of 30 June 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". 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 International Accounting Standard 34, "Interim Financial Reporting".

Emphasis of matter

At 30 June 2014, the accumulated losses of Al-Deera Holding Company and its Subsidiaries amounted to 74.75% of the share capital and its current liabilities exceeded current assets by KD35,317,137. Further, as disclosed in note 12 to the interim condensed consolidated financial information, certain instalments of the borrowings were not settled resulting into maturity of the entire outstanding loans. Management is currently negotiating restructuring of its borrowings with the banks. These conditions may indicate inability of an entity to continue as a going concern.

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012, or of the articles of association of the Company, as amended, have occurred during the six-month period ended 30 June 2014 that might have had a material effect on the business or financial position of the Company.

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Kuwait
14 August 2014

Interim condensed consolidated statement of income

	Note	Three months ended 30 June 2014 (Unaudited) KD	Three months ended (Restated) 30 June 2013 (Unaudited) KD	Six months ended 30 June 2014 (Unaudited) KD	Six months ended (Restated) 30 June 2013 (Unaudited) KD
Revenue					
Sales		2,720,521	2,483,957	5,683,164	4,917,812
Cost of sales		(2,005,229)	(2,116,942)	(4,116,455)	(3,959,296)
Gross profit		715,292	367,015	1,566,709	958,516
Change in fair value of investments at fair value through statement of income		(336,004)	401,733	(369,225)	(444,163)
Profit on sale of investments at fair value through statement of income		-	21,729	232	21,729
Profit on sale of available for sale investments		-	-	7,657	-
Profit on sale of associates		-	115,121	-	5,882,857
Share of results of associates		188,826	214,736	531,515	331,852
Liabilities and provisions no longer required written back		-	-	-	985,256
Consultancy and advisory fees		-	-	91,955	-
Dividend income		605	-	605	-
Interest and other income		46,036	26,882	72,312	54,287
(Loss)/gain on foreign exchange		(13,660)	(72,083)	22,934	(404,279)
		601,095	1,075,133	1,924,694	7,386,055
Expenses and other charges					
Distribution costs		(52,902)	(132,640)	(225,373)	(395,824)
Staff costs		(631,599)	(500,547)	(1,117,355)	(856,536)
General, administrative and other expenses		(399,242)	(279,096)	(659,447)	(503,301)
Finance costs		(483,453)	(542,411)	(954,674)	(1,223,451)
Provision for doubtful debts		(22,599)	(784,948)	(196,807)	(784,948)
Impairment of investment in associates		-	-	-	(875,277)
(Loss)/profit before contribution to NLST and Zakat		(988,700)	(1,164,509)	(1,228,962)	2,746,718
Reversal of/(provision for) National Labour Support Tax (NLST)		-	10,150	-	(76,203)
Reversal of/(provision for) Zakat		-	4,060	-	(30,481)
(Loss)/profit for the period		(988,700)	(1,150,299)	(1,228,962)	2,640,034
Attributable to:					
Owners of the parent company		(937,880)	(456,697)	(1,128,069)	2,833,664
Non-controlling interests		(50,820)	(693,602)	(100,893)	(193,630)
		(988,700)	(1,150,299)	(1,228,962)	2,640,034
Basic and diluted (loss)/ earnings per share attributable to the owners of the parent company	7	(1.26) Fils	(0.61)Fils	(1.52) Fils	3.81Fils

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

Interim condensed consolidated statement of comprehensive income

	Three months ended		Six months ended	
	30 June 2014 (Unaudited) KD	(Restated) 30 June 2013 (Unaudited) KD	30 June 2014 (Unaudited) KD	(Restated) 30 June 2013 (Unaudited) KD
(Loss)/profit for the period	(988,700)	(1,150,299)	(1,228,962)	2,640,034
Other comprehensive (loss)/income:				
Items that will be reclassified subsequently to consolidated statement of income:				
Exchange differences arising on translation of foreign operations	(11,332)	426	(12,316)	426
Available for sale investments:				
- Net change in fair value arising during the period	(2,804,295)	3,472,279	(7,018,829)	2,589,685
- Transferred to consolidated statement of income on sale	-	(246,423)	(9,030)	(10,688,061)
Share of other comprehensive (loss)/income of associates	(1,106,288)	826,229	(1,696,493)	578,376
Total other comprehensive (loss)/income for the period	(3,921,915)	4,052,511	(8,736,668)	(7,519,574)
Total comprehensive (loss)/income for the period	(4,910,615)	2,902,212	(9,965,630)	(4,879,540)
Attributable to:				
Owners of the parent company	(4,863,424)	3,595,814	(9,868,062)	(4,685,910)
Non-controlling interests	(47,191)	(693,602)	(97,568)	(193,630)
	(4,910,615)	2,902,212	(9,965,630)	(4,879,540)

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

Interim condensed consolidated statement of financial position

	Notes	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 June 2013 (Unaudited) KD
Assets				
Non-current assets				
Goodwill		9,242,504	9,242,504	9,242,504
Property, plant and equipment		3,472,894	3,399,012	3,516,050
Intangible assets		6,182,193	6,182,193	6,182,193
Deferred costs		1,272,607	1,324,609	943,040
Investment in associates	8	28,587,024	29,763,452	33,519,159
Available for sale investments	9	21,491,298	28,534,549	37,015,324
		70,248,520	78,446,319	90,418,270
Current assets				
Inventories		663,648	758,803	692,011
Receivables and other assets		7,816,126	7,938,862	9,600,144
Current portion of deferred costs		104,716	105,104	74,400
Investments at fair value through statement of income		1,709,888	2,091,376	2,808,635
Balances with banks and other financial institutions		782,746	608,404	1,747,233
		11,077,126	11,502,549	14,922,423
Total assets		81,325,645	89,948,868	105,340,693
Equity and liabilities				
Equity				
Share capital		74,445,648	74,445,648	74,445,648
Treasury shares	10	(12,364)	(12,364)	(12,364)
Legal reserve		1,000,000	1,000,000	1,000,000
Other components of equity	11	1,817,973	10,657,966	13,625,436
Accumulated losses		(55,549,580)	(54,534,049)	(52,885,595)
Total equity attributable to the owners of the parent company		21,701,677	31,557,201	36,173,125
Non-controlling interests		3,234,815	3,894,877	3,877,623
Total equity		24,936,492	35,452,078	40,050,748
Liabilities				
Non-current liabilities				
Term loans	12	8,939,275	1,693,000	8,621,750
Provision for end of service benefits		1,055,616	1,061,525	1,065,190
		9,994,891	2,754,525	9,686,940
Current liabilities				
Payables and other liabilities		24,599,435	21,710,259	19,943,661
Advances from customers		3,848,388	4,063,580	4,745,441
Current portion of term loans	12	17,946,439	25,968,426	25,972,976
Bank overdrafts		-	-	4,940,927
		46,394,262	51,742,265	55,603,005
Total liabilities		56,389,153	54,496,790	65,289,945
Total equity and liabilities		81,325,645	89,948,868	105,340,693

Abdulwahab Ahmad Al-Nakib
Chairman

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

Interim condensed consolidated statement of changes in equity (Unaudited)

	Equity attributable to the owners of the parent company						Non-controlling interests	Total
	Share capital KD	Treasury shares KD	Legal reserve KD	Other components of equity (Note 11) KD	Accumulated losses KD	Sub – total KD	KD	KD
Balance at 1 January 2014	74,445,648	(12,364)	1,000,000	10,657,966	(54,534,049)	31,557,201	3,894,877	35,452,078
Acquisition of non-controlling interests (note 6)	-	-	-	-	12,538	12,538	(562,494)	(549,956)
Total transactions with owners	-	-	-	-	12,538	12,538	(562,494)	(549,956)
Loss for the period	-	-	-	-	(1,128,069)	(1,128,069)	(100,893)	(1,228,962)
Other comprehensive (loss)/income for the period	-	-	-	(8,739,993)	-	(8,739,993)	3,325	(8,736,668)
Total comprehensive loss for the period	-	-	-	(8,739,993)	(1,128,069)	(9,868,062)	(97,568)	(9,965,630)
Balance at 30 June 2014	**74,445,648**	**(12,364)**	**1,000,000**	**1,917,973**	**(55,649,580)**	**21,701,677**	**3,234,815**	**24,936,492**

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

Interim condensed consolidated statement of changes in equity (Unaudited) (continued)

	Equity attributable to the owners of the parent company						Non-controlling interests	
	Share capital KD	Treasury shares KD	Legal reserve KD	Other components of equity (Note 11) KD	Accumulated losses KD	Sub – total KD	KD	Total KD
Balance at 1 January 2013 (as previously reported)	74,445,648	(12,364)	1,000,000	21,145,010	(55,719,259)	40,859,035	2,273,444	43,132,479
Effect of IFRS 10 adaption (note 21)	-	-	-	-	-	-	1,797,809	1,797,809
Balance at 1 January 2013 (restated)	74,445,648	(12,364)	1,000,000	21,145,010	(55,719,259)	40,859,035	4,071,253	44,930,288
Profit for the period	-	-	-	-	2,833,664	2,833,664	(193,630)	2,640,034
Other comprehensive loss for the period	-	-	-	(7,519,574)	-	(7,519,574)	-	(7,519,574)
Total comprehensive (loss)/income for the period	-	-	-	(7,519,574)	2,833,664	(4,685,910)	(193,630)	(4,879,540)
Balance at 30 June 2013	74,445,648	(12,364)	1,000,000	13,625,436	(52,885,595)	36,173,125	3,877,623	40,050,748

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

Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2014 (Unaudited) KD	(Restated) Six months ended 30 June 2013 (Unaudited) KD
OPERATING ACTIVITIES			
(Loss)/profit for the period		(1,228,962)	2,640,034
Adjustments for:			
Foreign exchange (profit)/loss on non-operating assets and liabilities		(22,934)	404,279
Depreciation		549,454	537,760
Interest income		(72,312)	(54,287)
Liabilities and provisions no longer required written back		-	(985,256)
Impairment of investments in associates		-	875,277
Provision for doubtful debts		196,807	784,948
Provision for end of service benefits		84,328	136,887
Dividend income		(605)	-
Profit from sale of available for sale investments		(7,667)	-
Share of results of associates		(531,515)	(331,852)
Profit on sale of associate		-	(5,882,857)
Finance costs		954,674	1,223,451
		(78,722)	(651,616)
Changes in operating assets and liabilities:			
Deferred costs		52,391	36,972
Investments at fair value through statement of income		381,488	922,203
Receivables and other assets		(74,071)	1,759,697
Payables and other liabilities		1,119,496	(729,020)
Inventories		95,155	(134,502)
Advances from customers		215,192	124,587
End of service benefits paid		(78,615)	(34,271)
Net cash from operating activities		1,632,314	1,294,050
INVESTING ACTIVITIES			
Proceeds from sale of available for sale investments		19,208	457,205
Redemption of available for sale investment		-	62,258
Dividend income received		605	-
Interest income received		27,372	41,305
Purchase of property, plant and equipment		(623,336)	(519,468)
Purchase of investment in associates		-	(611,696)
Proceeds from sale of investment in associates		-	423,754
Dividend received from associate		-	54,965
Net cash used in investing activities		(576,151)	(91,677)
FINANCING ACTIVITIES			
Finance costs paid		(129,619)	(1,117,417)
Movement in term loans		(752,200)	(125,000)
Net cash used in financing activities		(881,819)	(1,242,417)
Net increase/(decrease) in cash and cash equivalents		174,344	(40,044)
Cash and cash equivalents at beginning of the period	13	608,404	1,787,277
Cash and cash equivalents at end of the period	13	782,748	1,747,233
Non-cash transactions			
Available for sale investments		-	1,250,225
Accounts payable and other liabilities		-	(1,250,225)

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

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

Al Deera Holding Company (the parent company) was established on 18 February 1998 as a Kuwaiti limited liability company. On 8 September 2005, the legal status of the company was changed from a limited liability company to a Kuwaiti public shareholding company.

The extraordinary general assembly held on 26 June 2014 approved the amendment of the parent company's objectives to become as follows:

- Management of the parent company's subsidiaries or participation in management of other companies in which it holds ownership stakes and providing the necessary support thereto.
- Investing funds by way of trading in shares, bonds and other financial securities
- Acquisition of properties and movables necessary to carry out the business activities as allowable by the law.
- Financing and extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or royalties and any other property related thereto, and renting such properties to the subsidiary companies and others whether inside Kuwait or abroad.

The parent company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The parent company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The parent company has the right to establish, participate in or acquire such institutions.

The parent company's shares are listed on Kuwait Stock Exchange. The group comprises the parent company and its subsidiaries.

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 offices is PO. Box 4839, Safat 13049 – Kuwait.

The interim condensed consolidated financial information of the group for the six month period ended 30 June 2014 was authorized for issue by the directors of parent company on 14 August 2014.

2 Basis of preparation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the most recent annual financial statements of the group for the year ended 31 December 2013 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional currency of the group.

This interim condensed consolidated financial information does not include all information and disclosures required for complete 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.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

Operating results for the six month period ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. For further details, refer to the financial statements and its disclosures for the year ended 31 December 2013.

3 Changes in accounting policies

3.1 Adoption of new IASB Standards and amendments during the period

The group has adopted the following new and amended IFRS during the period:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 32 Financial Instruments: Presentation - Amendments	1 January 2014
IAS 36 Impairment of Assets- Amendments	1 January 2014
Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
IFRIC 21 Levies	1 January 2014

3.1.1 IAS 32 Financial Instruments: Presentation - Amendments

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off
- that some gross settlement systems may be considered equivalent to net settlement.

The amendments are required to be applied retrospectively. The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.2 IAS 36 Impairment of Assets- Amendments

The amendments to IAS 36 reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.3 Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

The Amendments define the term 'investment entity', provide supporting guidance and require investment entities to measure investments in the form of controlling interests in another entity at fair value through statement of income.

The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.4 Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

The Amendment makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 Adoption of new IASB Standards and amendments during the period (continued)

3.1.4 Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (continued)

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. The adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.1.5 IFRIC 21 'Levies' (IFRIC 21)

IFRIC 21 clarifies that:

- the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the government's legislation. If this activity arises on specific date within an accounting period then the entire obligation is recognised on that date
- the same recognition principles apply in the annual and interim financial statements.

IFRIC 21 has been applied retrospectively in accordance with its transitional provisions but the adoption of the amendment did not result into any material impact on the group's interim condensed consolidated financial information.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Management is yet to determine impact of these pronouncements in the interim condensed consolidated financial information. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

3.2.1 IFRS 9 Financial Instruments

The IASB has replaced IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. IFRS 9 (2014) incorporates the final requirements on all three phases of the financial instruments projects: classification and measurement, impairment and hedge accounting.

The group's management has yet to assess the impact of this new standard on the group's consolidated financial statements.

3.2.2 IFRS 14 Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

3.2.3 IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 11 Revenues and provides a new control-based revenue recognition model using five-step to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including –
    - o non-cash consideration and asset exchanges
    - o contract costs
    - o rights of return and other customer options
    - o supplier repurchase options
    - o warranties
    - o principal versus agent
    - o licencing
    - o breakage
    - o non-refundable upfront fees, and
    - o consignment and bill-and-hold arrangements.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

3.2.4 Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

3.2.5 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

3.2.6 Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

3.2.7 Annual Improvements to IFRSs 2010–2012 Cycle:

(i) Amendments to IFRS 3-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in consolidated statement of income.

(ii) Amendments to IFRS 13- the addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

(iii) Amendments to IFRS 8-Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

3.2.7 Annual Improvements to IFRSs 2010–2012 Cycle: (continued)

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(iv) Amendments to IAS 16 and IAS 38- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(v) Amendments to IAS 24- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

3.2.8 Annual Improvements 2011-2013 Cycle:
Makes amendments to the following standards:

(i) Amendments to IFRS 1-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective

- IFRSs that have been issued but are not yet effective, that permits early adoption

The same version of each IFRS must be applied to all periods presented. IFRS also clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

(ii) Amendments to IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of

a joint arrangement in the financial statements of the joint arrangement itself

(iii) Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2013.

Notes to the interim condensed consolidated financial information (continued)

5 Acquisition of subsidiary

During the period, on completion of all legal and establishment formalities, the group consolidated with effect from 1 January 2010 Al-Deera Holding USA, Inc. The group owns 100% of the subsidiary. At 30 June 2014, the total assets of the subsidiary were KD4,162, total liabilities were KD208,920 and net loss for the period was KD204,758.

6 Acquisition of non-controlling interests

During the period, the group acquired an additional 3% interest in Al-Deera International Communication Company – WLL, increasing its ownership interest to 98% for a total consideration of KD549,956 to be paid to non-controlling shareholders. The carrying value of the additional net assets acquired in Al-Deera International Communication Company – WLL was KD562,494. Following is a schedule of additional interest acquired in Al-Deera International Communication Company – WLL:

	KD
Consideration paid to non-controlling shareholders	549,956
Carrying value of the additional interest in Al-Deera International Communication Company – WLL	(562,494)
Difference recognised in accumulated losses within equity	**12,538**

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

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to the owners of the parent company by weighted average number of shares outstanding during the period (excluding treasury shares).

	Three months ended		Six months ended	
	30 June 2014 (Unaudited)	(Restated) 30 June 2013 (Unaudited)	30 June 2014 (Unaudited)	(Restated) 30 June 2013 (Unaudited)
(Loss)/profit for the period attributable to the owners of the parent company (KD)	(937,880)	(456,697)	(1,128,069)	2,833,664
Weighted average number of shares outstanding during the period (excluding treasury shares)	744,154,371	744,154,371	744,154,371	744,154,371
Basic and diluted (loss)/profit per share attributable to the owners of the parent company	(1.26) Fils	(0.61) Fils	(1.52) Fils	3.81 Fils

8 Investment in associates

Investment in associates amounting to KD9,053,546 (31 December 2013: KD11,204,935 and 30 June 2013: KD10,225,195) is pledged against term loans and due to related parties (notes 12 and 15).

Notes to the interim condensed consolidated financial information (continued)

8 Investment in associates (continued)

The movement of investment in associates during the period/year was as follows:

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 31 June 2013 (Unaudited) KD
Balance at beginning of the year (as previously reported)	**29,763,452**	48,932,291	48,932,291
Effect of IFRS 10 adoption	-	(3,139,838)	(3,139,838)
Balance at beginning of the year (restated)	**29,763,452**	45,792,453	45,792,453
Purchase of associates	-	618,935	611,696
Disposal of associates	-	(2,751,467)	(372,680)
Dividends from associates	-	(54,965)	(54,965)
Share of results	**531,515**	424,343	331,852
Share of other comprehensive (loss)/income of associates	**(1,696,493)**	1,099,136	578,376
Foreign exchange translation	**(11,450)**	(1,511)	426
Impairment of associates	-	(2,870,750)	(875,277)
Reclassification to available for sale investments	-	(12,492,722)	(12,492,722)
	28,587,024	29,763,452	33,519,159

9 Available for sale investments

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 June 2013 (Unaudited) KD
Investment portfolios	**6,907,382**	11,469,068	8,857,535
Quoted investments	**2,872,331**	5,335,367	3,782,875
Equity participations	**11,711,585**	11,730,114	24,374,914
	21,491,298	28,534,549	37,015,324

- Equity participations are investments with the objective of future medium and long-term capital growth. These investments include investments with a carrying value of KD1,906,748 (31 December 2013: KD1,906,748 and 30 June 2013: KD2,781,947) which are stated at cost due to unavailability of reliable fair market value.

- Available for sale investments having a carrying value of KD10,053,471 (31 December 2013: KD15,874,253 and 30 June 2013: KD20,804,811) are pledged as security against term loans, due to associates and due to related parties (notes 12 and 15).

10 Treasury shares

	30 June 2014 (Unaudited)	31 Dec. 2013 (Audited)	30 June 2013 (Unaudited)
Number of shares	**302,110**	302,110	302,110
Percentage of issued shares	**0.041%**	0.041%	0.041%
Cost of treasury shares (KD)	**12,364**	12,364	12,364
Market value (KD)	**8,459**	19,335	15,105

Notes to the interim condensed consolidated financial information (continued)

10 Treasury shares (continued)

Reserves of the parent company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

Treasury shares amounting to KD1,084 (31 December 2013: KD2,477 and 30 June 2013: KD15,105) are pledged against term loans (note 12).

11 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2014	**10,376,987**	**280,979**	**10,657,966**
Exchange differences arising on translation of foreign operations	-	(11,800)	(11,800)
Share of other comprehensive loss of associates	(1,661,645)	(34,848)	(1,696,493)
AFS financial assets:			
- Net change in fair value arising during the period	(7,022,670)	-	(7,022,670)
- Transferred to consolidated statement of income on sale	(9,030)	-	(9,030)
Total other comprehensive loss for the period	(8,693,345)	(46,648)	(8,739,993)
Balance at 30 June 2014	**1,683,642**	**234,331**	**1,917,973**
Balance at 1 January 2013	20,898,730	246,280	21,145,010
Exchange differences arising on translation of foreign operations	-	426	426
Share of other comprehensive income/(loss) of associates	580,029	(1,653)	578,376
AFS financial assets:			
- Net change in fair value arising during the period	2,589,685	-	2,589,685
- Transferred to consolidated statement of income on sale	(10,688,061)	-	(10,688,061)
Total other comprehensive loss for the period	(7,518,347)	(1,227)	(7,519,574)
Balance at 30 June 2013	13,380,383	245,053	13,625,436

12 Term loans

Currency	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 June 2013 (Unaudited) KD
Kuwaiti Dinars	2,751,200	3,503,400	10,146,000
US Dollars	10,585,313	10,595,626	10,723,126
US Dollars	13,549,200	13,562,400	13,725,600
	26,885,713	27,661,426	34,594,726
Less: Instalments due within next twelve months – Kuwait Dinars	(17,946,438)	(25,968,426)	(25,972,976)
	8,939,275	1,693,000	8,621,750

The average affective interest rate on US Dollar loans is 4.56% (31 December 2013: 4.59% and 30 June 2013: 4.68%) per annum and on Kuwaiti Dinar loans is 5.50% (31 December 2013: 5.50% and 30 June 2013: 5.50%) per annum.

Notes to the interim condensed consolidated financial information (continued)

12 Term loans (continued)

The term loans are secured against investment in associates, available for sale investments, investments at fair value through statement of income, treasury shares and 50% of the share capital of Al- Deera International Communication Company (subsidiary).

The Kuwaiti Dinar outstanding loans represent term loans and Murabaha. The facilities carry interest rate of 5.5% per annum. The facilities are secured by corporate guarantees as well as certain trade receivables in various instalments ending on 15 July 2018.

In a prior year, a total loan facility of USD 37.5 million was restructured to be paid in equal annual instalments of USD 12.5 million ending 28 December 2015. During last year, one of the instalments due on 28 December 2013 amounting to USD 12.5 million was not paid. However, during the period, the group agreed with the bank to reschedule the unpaid instalment which is now repayable on 28 December 2015. However, the group was unable to fully pay the interest due on this facility.

Further, on 21 October 2011, an instalment of USD26.5 million matured for a syndicated loan facility of USD53 million. However, during 2011, the group settled an amount of USD5,000,000 (equivalent to KD1,376,165) plus the related accrued interest up to that date of USD643,469 (equivalent to KD177,598). The remaining balance of USD48 million of the total facility was restructured to be paid in instalments with the final maturity on 30 December 2014. Two instalments of USD 5 million each due under the restructured facility on 30 June 2012 and 30 December 2012 and USD 8 million due on 30 June 2013 and two instalments of USD 10 million each due on 30 December 2013 and 30 June 2014 were not paid. The group was unable to fully pay the interest due on this facility. Management is currently negotiating settlement of these unpaid amounts. The entire outstanding amount due under this facility is shown as current liability.

13 Cash and cash equivalents

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 June 2013 (Unaudited) KD
Balances with banks and other financial institutions	782,748	608,404	1,747,233
	782,748	608,404	1,747,233

14 Annual general assembly

The annual general assembly of the shareholders held on 22 May 2014 approved the consolidated financial statements of the group for the year ended 31 December 2013 without dividend.

15 Related party balances and transactions

Related parties represent associates, directors and key management personnel of the group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the group's management.

Notes to the interim condensed consolidated financial information (continued)

15 Related party balances and transactions (continued)

Details of significant related party balances and transactions are as follows:

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 June 2013 (Unaudited) KD
Interim condensed consolidated statement of financial position:			
Due from related parties (included in receivables and other assets)	1,681,692	1,683,570	3,158,075
Due from associates (included in receivables and other assets)	10,263	10,263	10,263
Due to related parties (included in payables and other liabilities)	8,786,905	7,697,373	6,543,145
Due to associates (included in payables and other liabilities)	3,365,028	2,713,994	2,785,359
Loss on part disposal of subsidiary	-	112,494	-
Purchase of investment in associate	-	618,935	611,696
Purchase of available for sale investments	-	441,896	441,896
Sale of available for sale investments	-	1,707,450	1,707,450

	Three months ended		Six months ended	
	30 June 2014 (Unaudited) KD	(Restated) 30 June 2013 (Unaudited) KD	30 June 2014 (Unaudited) KD	(Restated) 30 June 2013 (Unaudited) KD
Transactions included in interim condensed consolidated statement of income:				
Profit on sale of available for sale investments	-	-	7,657	-
Profit on sale of associate	-	115,121	-	115,121
Finance costs (associates)	29,014	29,993	69,640	59,715
Finance costs (other related parties)	76,004	54,555	150,083	115,758
Management fees	31,250	31,250	62,500	62,500
Profit on sale of investments at fair value through statement of income	-	21,729	232	21,729
Compensation of key management personnel:				
Short-term benefits	153,453	274,679	313,906	478,664
Employees' end of service benefits	5,863	10,772	17,399	22,544
	159,316	285,451	331,305	501,208

Due to associates include balances amounting to KD3,365,028 (31 Dec 2013: KD2,713,994 and 30 June 2013: KD2,785,359) which bear interest rate ranging from 4.5% to 6% (31 Dec 2013: 6% and 30 June 2013: 6.5%) per annum.

Due to related parties include balances amounting to KD5,657,120 (31 Dec 2013: KD5,523,713 and 30 June 2013: KD2,473,313) which bear interest rate of 5% (31 Dec 2013: 2.5% to 5% and 30 June 2013: 5.375%) per annum and are secured against investment in associates (note 8) and available for sale investments (note 9).

Due to associates are secured against 16% of the share capital of Al-Deera International Communication Company (subsidiary) and available for sale investment (note 9).

Notes to the interim condensed consolidated financial information (continued)

16 Segmental information

The group's reportable segments under IFRS 8 are as follows:

- Telecommunication
- Investments

The revenues and profits generated by the group from segments are summarised as follows:

	Telecommunication		Investments		Total	
	30 June 2014 (Unaudited) KD	(Restated) 30 June 2013 (Unaudited) KD	30 June 2014 (Unaudited) KD	(Restated) 30 June 2013 (Unaudited) KD	30 June 2014 (Unaudited) KD	(Restated) 30 June 2013 (Unaudited) KD
Six months ended 30 June:						
Segment revenue	5,683,164	4,917,812	357,985	6,427,539	6,041,149	11,345,351
Segment (loss)/profit	(14,215)	340,077	(1,214,747)	2,299,957	(1,228,962)	2,640,034
(Loss)/profit for the period	(14,215)	340,077	(1,214,747)	2,299,957	(1,228,962)	2,640,034
Three months ended 30 June:						
Segment revenue	2,720,521	2,483,957	(114,197)	708,118	2,606,324	3,192,075
Segment profit/(loss)	29,144	(479,549)	(1,017,844)	(670,750)	(988,700)	(1,150,299)
Profit/(loss) for the period	29,144	(479,549)	(1,017,844)	(670,750)	(988,700)	(1,150,299)
As at 30 June:						
Total segment assets	16,522,617	16,237,321	64,803,028	89,103,372	81,325,645	105,340,693
Total segment liabilities	12,827,801	12,170,286	43,561,352	53,119,659	56,389,153	65,289,945

17 Contingent liabilities

At 30 June 2014, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD3,663,115 (31 December 2013: KD3,624,127 and 30 June 2013: KD1,282,127).

In addition, the parent company has provided a corporate guarantee to a local bank for the bank facilities provided by the bank to a subsidiary amounting to KD1,321,115 (31 December 2013: KD1,282,127 and 30 June 2013: KD1,268,024).

18 Capital commitments

At 30 June 2014, the group had capital commitments of KD597,947 (31 December 2013: KD597,900 and 30 June 2013: KD694,066) towards purchase of investments and an amount of KD1,057,966 (31 December 2013: KD732,780 and 30 June 2013: KD732,780) for the acquisition of internet bandwidth capacity.

19 Financial risk management

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

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement

20.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- 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 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 carrying amounts of the group's financial assets and liabilities as stated in the consolidated statement of financial position are as follows:

	30 June 2014 (Unaudited) KD	31 Dec. 2013 (Audited) KD	(Restated) 30 June 2013 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
- Receivables and other assets	7,207,673	7,265,256	8,951,709
- Balances with banks and other financial institutions	782,748	608,404	1,747,233
Investments at fair value through statement of income:			
Investments at fair value through statement of income	1,709,888	2,091,376	2,808,635
Available for sale investments:			
Available for sale investments – at fair value	19,584,550	26,627,801	34,233,377
Available for sale investments – at cost	1,906,748	1,906,748	2,781,947
	31,191,607	38,499,585	50,522,901
Financial liabilities:			
Term loans	26,885,713	27,661,426	34,594,726
Payables and other liabilities	24,599,436	21,710,259	19,943,661
Bank overdrafts	-	-	4,940,927
	51,485,149	49,371,685	59,479,314

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

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

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.1 Fair value hierarchy (continued)

30 June 2014

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
Designated on initial recognition					
Unquoted investments	b	-	-	484,979	484,979
Investment portfolios	c	1,224,909	-	-	1,224,909
Available for sale investments					
Investment portfolios	c	6,907,382	-	-	6,907,382
Quoted investments	a	2,872,331	-	-	2,872,331
Equity participations	d	-	899,179	8,905,658	9,804,837
Net fair value		11,004,622	899,179	9,390,637	21,294,438

31 December 2013

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
Designated on initial recognition					
Unquoted investments	b	-	-	484,979	484,979
Investment portfolios	c	1,606,397	-	-	1,606,397
Available for sale investments					
Investment portfolios	c	11,469,067	-	-	11,469,067
Quoted investments	a	5,335,367	-	-	5,335,367
Equity participations	d	-	917,709	8,905,658	9,823,367
Net fair value		18,410,831	917,709	9,390,637	28,719,177

30 June 2013 (restated)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through statement of income					
Designated on initial recognition					
Unquoted investments	b	-	-	481,336	481,336
Investment portfolios	c	2,327,299	-	-	2,327,299
Available for sale investments					
Investment portfolios	c	8,857,535	-	-	8,857,535
Quoted investments	a	3,782,875	-	-	3,782,875
Equity participations	d	-	1,175,094	20,417,873	21,592,967
Net fair value		14,967,709	1,175,094	20,899,209	37,042,012

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

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.2 Fair value measurement of financial instruments (continued)

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

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

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

c) Investment portfolios
The underlying investments of investment portfolios primarily comprise of local and foreign securities whose fair value has been determined by reference to their quoted bid prices at the reporting date.

d) Equity participations
Equity participations are investments with the objective of future medium and long-term capital growth.

e) Financial liabilities
The group does not have any financial liabilities at fair value.

Level 3 fair value measurements
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. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 June 2014 (Unaudited)		31 Dec. 2013 (Audited)		(Restated) 30 June 2013 (Unaudited)	
	Investments at fair value KD	Available for sale investments KD	Investments at fair value KD	Available for sale investments KD	Investments at fair value KD	Available for sale investments KD
Opening balance	484,979	8,905,658	917,389	22,371,727	917,389	22,371,727
Gains or losses recognised in:						
- Statement of income	-	-	(436,053)	-	(436,053)	-
- Other comprehensive income	-	-	-	(3,208,717)	-	-
- Sales	-	-	-	(10,257,352)	-	(1,953,854)
Additions during the period/year	-	-	3,643	-	-	-
Closing balance	484,979	8,905,658	484,979	8,905,658	481,336	20,417,873

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.2 Fair value measurement of financial instruments (continued)

Gains or losses recognized in the consolidated statement of income for the period/year are included in profit on sale of investments at fair value through statement of income, change in fair value of investments at fair value through statement of income and gain on sale of available for sale investments.

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

The impact on interim condensed consolidated statement of income and interim condensed and consolidated statement of comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

21 Prior year/period adjustment

In the group's 2013 annual consolidated financial statements, the group restated its prior year financial statements as a result of the adoption of IFRS 10 (Consolidated Financial Statements). The interim condensed consolidated financial information as at and for the six months ended 30 June 2013 has also been restated to reflect such adjustments. The application of IFRS 10 affected the accounting of the group's 49% ownership interest in Univest Consultancy Group – WLL ("UCG"). UCG was previously classified as investment in associate and was accounted for using the equity method. At the date of initial application of IFRS 10 (1 January 2013), the group assessed that it controls UCG.

Consequently, the group has consolidated the financial statements of UCG based on its 49% (31 December 2013: 49% and 30 June 2013:49%) equity interest and accounted for the balance of 51% (31 December 2013: 51% and 30 June 2013: 51%), which is held by other shareholders as non-controlling interests of KD1,008,632 (31 December 2013: KD1,100,854 and 30 June 2013: KD1,452,132). The interim condensed consolidated financial information has been restated to reflect the above reclassification with retrospective effect.