

**NATIONAL INVESTMENTS COMPANY K.S.C.P.
AND SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2014 (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 NATIONAL INVESTMENTS COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Investments Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 30 June 2014, and the related interim condensed consolidated income statement and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six 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 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.

Basis of Qualified Conclusion

As more fully explained in Note 3 to the interim condensed consolidated financial information, the Parent Company has not consolidated one of its subsidiary companies.

Qualified Conclusion

Based on our review, except for the matter referred to in the preceding paragraph, 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.

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, or of the Parent Company's Articles of Association and Memorandum of Incorporation during the six months period ended 30 June 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, 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 six months period ended 30 June 2014 that might have had a material effect on the business of Parent Company or on its financial position.

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

ALI A. AL-HASAWI
LICENSE NO.30-A
RÖDL MIDDLE EAST
BURGAN – INTERNATIONAL
ACCOUNTANTS

19 August 2014
Kuwait

National Investments Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(UNAUDITED)

Period ended 30 June 2014

	Three months ended 30 June		Six months ended 30 June	
		(Restated)*		(Restated)*
Note	2014	2013	2014	2013
	KD 000's	KD 000's	KD 000's	KD 000's
INCOME				
Realized gain (loss) on financial assets at fair value through profit or loss	1,493	(620)	2,614	(385)
Unrealized (loss) gain on financial assets at fair value through profit or loss	(2,369)	398	(1,417)	845
Realized gain on financial assets available-for-sale	702	330	1,466	825
Rental income	341	325	641	587
Dividend income	1,458	3,166	2,583	3,549
Management and advisory fees	1,169	1,155	2,675	2,477
Interest income	5	25	24	51
Share of results of associates	99	491	4	520
Gain on foreign exchange trading	38	126	104	181
Other income	-	-	-	368
TOTAL INCOME	2,936	5,396	8,694	9,018
EXPENSES				
Finance costs	31	65	84	85
Administrative expenses	1,566	1,731	3,538	3,506
Impairment loss on financial assets available-for-sale and other receivables	790	1,121	2,134	2,309
Loss (gain) on foreign currency translation	28	-	61	(142)
TOTAL EXPENSES	2,415	2,917	5,817	5,758
PROFIT FOR THE PERIOD BEFORE TAXATION AND DIRECTORS' REMUNERATION	521	2,479	2,877	3,260
Tax credit of overseas subsidiary	-	-	-	1
Provision for contribution to Kuwait Foundation for advancement of science (KFAS)	(5)	(6)	(19)	(6)
Provision for National Labour Support Tax (NLST)	4	(15)	(27)	(24)
Provision for Zakat	3	3	(8)	-
Directors' fees (2013)	-	-	(60)	-
PROFIT FOR THE PERIOD	523	2,461	2,763	3,231
ATTRIBUTABLE TO:				
Equity holders of the Parent Company	622	2,043	2,257	2,193
Non-controlling interests	(99)	418	506	1,038
	523	2,461	2,763	3,231
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	1 fil	2 fils	3 fils
			3 fils	3 fils

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2013 and reflect adjustments made as detailed in Note 14.

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

National Investments Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

Period ended 30 June 2014

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period	523	2,461	2,763	3,231
Other comprehensive (loss) income:				
Items that may be reclassified subsequently to interim condensed consolidated income statement:				
Financial assets available-for-sale:				
- Net unrealized loss	(2,767)	(1,063)	(3,294)	(1,446)
- Gain realized during the period transferred to interim condensed consolidated income statement	(304)	(252)	(535)	(763)
- Impairment loss transferred to interim condensed consolidated income statement	516	1,094	1,004	2,262
Foreign currency translation adjustment	(3)	49	6	129
Share of other comprehensive income (loss) of associates	23	561	(16)	2
Other comprehensive (loss) income for the period	(2,535)	389	(2,835)	184
Total comprehensive (loss) income for the period	(2,012)	2,850	(72)	3,415
Attributable to:				
Equity holders of the Parent Company	(1,809)	2,321	(452)	2,266
Non-controlling interests	(203)	529	380	1,149
	(2,012)	2,850	(72)	3,415

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2013 and reflect adjustments made as detailed in Note 14.

National Investments Company K.S.C.P and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2014

	Notes	30 June 2014 KD 000's	(Audited) 31 December 2013 KD 000's	(Restated)* 30 June 2013 KD 000's
ASSETS				
Cash and balances with banks and financial institutions	5	11,448	21,716	10,736
Financial assets at fair value through profit or loss		30,695	34,905	36,313
Trading properties		1,587	1,581	1,599
Financial assets available-for-sale		119,293	111,665	116,656
Investment in associates		14,321	14,489	13,888
Investment properties		20,013	18,078	17,748
Other assets		2,234	3,161	6,431
Goodwill	3	2,864	2,864	2,864
TOTAL ASSETS		202,455	208,459	206,235
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		2,149	1,074	1,086
Accounts payable and accruals		5,716	6,039	6,209
TOTAL LIABILITIES		7,865	7,113	7,295
EQUITY				
Share capital		87,621	87,621	87,621
Share premium		49,593	49,593	49,593
Statutory reserve		16,014	16,014	15,378
Treasury shares	6	(3,285)	(1,468)	(129)
Treasury shares reserve		26,286	26,284	26,149
Foreign currency translation reserve		(407)	(420)	(385)
Cumulative changes in fair value		3,703	6,425	7,338
Retained earnings		3,104	5,134	1,810
Equity attributable to the equity holders of the Parent Company		182,629	189,183	187,375
Non-controlling interests		11,961	12,163	11,565
TOTAL EQUITY		194,590	201,346	198,940
TOTAL LIABILITIES AND EQUITY		202,455	208,459	206,235

Hamad Ahmad Al-Ameeri
Chairman

Fahad Abdulrahman Al-Mukhaizim
General Manager

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2013 and reflect adjustments made as detailed in Note 14.

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

National Investments Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Period ended 30 June 2014

	Attributable to equity holders of the Parent Company										
	Share capital KD 000's	Share premium KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Treasury shares KD 000's	Foreign currency translation reserve KD 000's	Cumulative changes in fair value KD 000's	Retained earnings KD 000's	Sub total KD 000's	Non-controlling interests KD 000's	Total equity KD 000's
Balance at 1 January 2014 (audited)	87,621	49,593	16,014	-	26,284	(420)	6,425	5,134	189,183	12,163	201,346
Profit for the period	-	-	-	-	-	-	-	2,257	2,257	506	2,763
Other comprehensive income (loss) for the period	-	-	-	-	-	13	(2,722)	-	(2,709)	(126)	(2,835)
Total comprehensive income (loss)	-	-	-	-	-	13	(2,722)	2,257	(452)	380	(72)
Purchase of treasury shares	-	-	-	-	(2,075)	-	-	-	(2,075)	-	(2,075)
Sale of treasury shares	-	-	-	-	258	-	-	-	260	-	260
Movement in non-controlling interest	-	-	-	-	-	-	-	-	-	(582)	(582)
Dividend paid (note 7)	-	-	-	-	-	-	-	(4,287)	(4,287)	-	(4,287)
Balance at 30 June 2014	87,621	49,593	16,014	-	26,286	(407)	3,703	3,104	182,629	11,961	194,590
Balance at 1 January 2013 (audited)	87,621	49,593	23,239	221	25,942	(785)	7,283	(8,083)	183,392	5	183,397
Adjustment for consolidation (note 14)	-	-	-	-	-	382	-	(382)	-	7,343	7,343
As at 1 January 2013 (restated)*	87,621	49,593	23,239	221	25,942	(403)	7,283	(8,465)	183,392	7,348	190,740
Profit for the period	-	-	-	-	-	-	-	2,193	2,193	1,038	3,231
Other comprehensive income for the period	-	-	(7,861)	(221)	-	18	55	-	73	111	184
Total comprehensive income	-	-	-	-	-	18	55	2,193	2,266	1,149	3,415
Purchase of treasury share	-	-	-	-	(937)	-	-	-	(937)	-	(937)
Sale of treasury share	-	-	-	-	207	-	-	-	2,654	-	2,654
Write off of accumulated losses	-	-	(7,861)	(221)	-	-	-	8,082	-	-	-
Arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Movement in non-controlling interest	-	-	-	-	-	-	-	-	-	3,614	3,614
Balance at 30 June 2013	87,621	49,593	15,378	-	26,149	(385)	7,338	1,810	187,375	11,565	198,940

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2013 and reflect adjustments made as detailed in Note 14.

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

National Investments Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

Period ended 30 June 2014

	Note	Six months ended 30 June	
		2014 KD 000's	(Restated)* 2013 KD 000's
OPERATING ACTIVITIES			
Profit for the period before taxation		2,877	3,260
Adjustments for:			
Unrealized (loss) gain on financial assets at fair value through profit or loss		1,417	(845)
Realized gain on financial assets available-for-sale		(1,466)	(825)
Dividend income		(2,583)	(3,549)
Interest income		(24)	(51)
Share of results of associates		(4)	(520)
Finance costs		84	85
Depreciation		173	172
Impairment loss		2,134	2,309
		<u>2,608</u>	<u>36</u>
<i>Changes in operating assets and liabilities</i>			
Properties held for trading		(7)	-
Financial assets at fair value through profit or loss		2,793	728
Other assets		1,322	(978)
Accounts payable and accruals		(200)	(112)
		<u>6,516</u>	<u>(326)</u>
Cash from (used in) operations		6,516	(326)
Interest income received		24	52
KFAS, NLST and Zakat paid		(178)	-
Directors fee paid		(60)	-
		<u>6,302</u>	<u>(274)</u>
Net cash from (used in) operating activities		6,302	(274)
INVESTING ACTIVITIES			
Acquisition of subsidiary		-	(4,098)
Purchase of financial assets available-for-sale		(26,582)	(17,848)
Proceeds from sale of financial assets available-for-sale		15,012	17,082
Purchase of investment properties		(1,935)	(27)
Dividend from associate		156	130
Dividend income received		2,464	3,542
		<u>(10,885)</u>	<u>(1,219)</u>
Net cash used in investing activities		(10,885)	(1,219)
FINANCING ACTIVITIES			
Short term borrowing availed		1,140	-
Purchase of treasury shares		(2,075)	(937)
Sale of treasury shares		260	2,654
Finance costs paid		(76)	(86)
Dividend paid		(4,287)	-
Movement in non-controlling interest		(582)	(546)
		<u>(5,620)</u>	<u>1,085</u>
Net cash (used in) from financing activities		(5,620)	1,085
NET (DECREASE) IN CASH AND CASH EQUIVALENTS			
		<u>(10,203)</u>	<u>(408)</u>
Cash and cash equivalents at 1 January		20,642	10,058
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	<u>10,439</u>	<u>9,650</u>

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 June 2013 and reflect adjustments made as detailed in Note 14.

The attached notes 1 to 14 form part of the interim condensed consolidated financial information.

National Investments Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2014

1 CORPORATE INFORMATION

The Group comprises National Investments Company K.S.C.P. (the "Parent Company") and its subsidiaries disclosed in Note 3. The Parent Company is a Kuwaiti shareholding company Public, incorporated on 6 December 1987 under the Commercial Companies Law No. 15 of 1960 and amendments thereto and listed on the Kuwait Stock Exchange. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") and Capital Markets Authority ("CMA") as an investment company.

The purposes and objectives of the Parent Company are as follows:

- Undertaking all financial brokerage works and associated activities.
- Carrying out all financial transactions such as lending, borrowing, acting as a guarantor and issuance of bonds of all kinds with or without collateral in both local and global markets.
- Incorporating or participation in the incorporation of companies of all different types, purposes and nationalities as well as selling and purchasing of their shares, issued bonds and financial rights.
- Undertaking all the activities related to securities, including selling and purchase of all types of bonds and shares whether those issued by local and global private sector, governmental or semi-governmental companies.
- Managing financial portfolios, investing and developing its customers' funds by utilizing them in all local and global investment aspects.
- Investing in real estate, industrial, agricultural sectors and other economic sectors by participation in incorporating specialized companies or purchase of their shares.
- Undertaking real estate investments aiming at developing residential lands and building units, residential and commercial complexes with a view to selling or leasing them.
- Carrying out research and studies relating to capital investment and providing all associated services to third parties.
- Acting as issuance managers for bonds issued by companies or agencies.
- Establishment and management of investment funds for its own and others' account as well as issuing units for subscription and acting as manager for investment funds inside and outside the country in accordance with the applicable decisions and laws in the country.
- Managing funds of private and public institutions as well as investing and developing these funds in various economic sectors, including management and utilization of real estate portfolios in all local and global investment aspects.
- Providing and preparing research, studies as well as technical, economic and evaluation consultations in addition to studying investment projects and preparing required studies for institutions, companies and business sectors of all types.
- Dealing and trading in foreign currency exchange and precious metals market inside and outside Kuwait for the company's account without prejudice to the prohibition stipulated by ministerial resolution issued concerning the Central Bank of Kuwait regulation of investment companies.
- Carrying out all financial, consulting and investment services which help in fulfilling the needs of financial and monetary market in Kuwait and developing as well as strengthening its ability within the limits allowed by law and regulations or instructions issued by Central Bank of Kuwait.
- Owning industrial property rights, patents, industrial and commercial trademarks, commercial royalties, literary and intellectual rights relating to software, publications as well as utilizing and franchising them to other bodies.

The company may have an interest or participate in any manner with bodies performing activities similar to its own or which may assist it achieve its purpose inside or outside Kuwait and it may establish or participate or buy such corporations or merge them to itself.

The New Companies Law issued on 26 November 2012 by Decree Law no. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no. 97 of 2013 (the Decree). The Executive Regulations of the new amended law, issued on 29 September 2013, was published in the official Gazette on 6 October 2013. As per article three of the Executive Regulations, companies have one year from the date of publishing the Executive Regulations to comply with the new amended law.

The interim condensed consolidated financial information for the period ended 30 June 2014 were authorized for issue in accordance with a resolution of the Parent Company's Board of Directors meeting on 19 August 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 June 2014

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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" except as noted below.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the IFRS. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2013 which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the State of Kuwait for financial institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all IFRS except for the IAS 39 requirement for collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD) and all values are rounded to the nearest KD thousand except when otherwise indicated.

Operating results for the six months ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014. For more details please refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2013.

Significant accounting policies

The following new standards and amendments to standards are applicable for the Group effective from 1 January 2014.

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

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, as none of the entities in the Group qualify to be an investment entity under IFRS 10.

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

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

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

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

National Investments Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2014

2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

New and revised IASB Standards, but not yet effective

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

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 Group 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.

3 SUBSIDIARY COMPANIES / BUSINESS COMBINATION

Details of material subsidiary companies are as follows:

Name	Country of Incorporation	% Holding		Principal activities
		2014	2013	
Gulf Investments Company EC (GIC)*	Bahrain	99	99	Investments
National Investment Company S.A.L.	Lebanon	100	100	Property development
Al Bawaba Al Wataniya for General Trading and Contracting Company W.L.L.	Kuwait	99	99	Trading and Contracting
National Gate for Computer Systems Company K.S.C. (Closed)	Kuwait	99.67	99.67	Information technology
Sapphire International Holding Limited	British Virgin Islands	100	100	Investment
Capucin Overseas NV	Netherlands Antilles	100	100	Investment
Al Seef Financial Brokerage Company K.S.C. (Closed) ("Al Seef")	Kuwait	47.86	47.86	Financial Brokerage
Al Mada Investment Fund (Al Mada)	Bahrain	40.69	38.62	Investment

* GIC has taken legal action arising from disputes with certain counterparties resulting in claims by the subsidiary and related counter-claims against the subsidiary. Pending the resolution of these disputes, management of the Parent Company decided not to consolidate the financial statements of the subsidiary as from the year ended 31 December 1992. The Parent Company has taken full provision against the carrying value of its investment in the subsidiary at 31 December 1992 amounting to KD 4,921 thousand. Further, the subsidiary has been inactive for a number of years.

On 4 February 2008, the Court of Cession has ruled that the subsidiary is a separate legal entity. Based on this ruling, management is of the view that there is no impact of the legal cases on the financial position of the Parent Company and that the Parent Company would not be liable for any claims against the subsidiary.

During the current period, the Group has completed the PPA exercise of Al Seef, in accordance with requirements of IFRS 3 and has assessed the final fair values of the identifiable assets and liabilities and observed no difference between the provisional fair values and the final fair values, and hence no restatement has been done for the comparative numbers on this account. The residual value was accounted as goodwill which represents the future economic benefits arising from assets acquired in the business combination that are not individually identified and separately recognised.

National Investments Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 30 June 2014

4 BASIC AND DILUTED EARNINGS PER SHARE

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

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2014</i>	<i>(Restated) 2013</i>	<i>2014</i>	<i>(Restated) 2013</i>
Profit for the period attributable to equity holders of the Parent Company (KD 000's)	<u>622</u>	<u>2,043</u>	<u>2,257</u>	<u>2,193</u>
Weighted average number of shares outstanding during the period (excluding treasury shares)	<u>856,776,418</u>	<u>862,848,941</u>	<u>858,906,416</u>	<u>868,617,443</u>
Basic and diluted earnings per share	<u>1 fil</u>	<u>2 fils</u>	<u>3 fils</u>	<u>3 fils</u>

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

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows consist of the following:

	<i>30 June 2014 KD 000's</i>	<i>(Audited) 31 December 2013 KD 000's</i>	<i>(Restated) 30 June 2013 KD 000's</i>
Cash and balances with banks and financial institutions	11,448	21,716	10,736
Less:			
Due to banks due within three months of the contract date	<u>(1,009)</u>	<u>(1,074)</u>	<u>(1,086)</u>
	<u>10,439</u>	<u>20,642</u>	<u>9,650</u>

6 TREASURY SHARES

	<i>30 June 2014</i>	<i>(Audited) 31 December 2013</i>	<i>30 June 2013</i>
Number of treasury shares	21,268,320	9,365,673	874,680
Percentage of capital	2.43%	1.07%	0.1%
Market value – KD thousand	3,063	1,480	136
Cost – KD thousand	3,285	1,468	129

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

7 DIVIDEND

At the Annual General Assembly of the shareholders held on 4 May 2014, cash dividend of 5% of paid up share capital for the financial year ended 31 December 2013 (2012: Nil) was approved and subsequently paid.

National Investments Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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8 TRANSACTIONS WITH RELATED PARTIES

Related parties represent associated companies, managed funds, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties are as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2014</i>	<i>Restated</i>	<i>2014</i>	<i>Restated</i>
	<i>KD 000's</i>	<i>2013</i>	<i>KD 000's</i>	<i>2013</i>
		<i>KD 000's</i>		<i>KD 000's</i>
Included in the interim condensed consolidated income statement:				
Management and advisory fees (other related parties)	754	711	1,384	1,437
Rental income (associate)	16	16	33	33

Included in interim condensed consolidated statement of financial position:

		<i>Other assets</i>	<i>Accounts payable</i>
		<i>KD 000's</i>	<i>KD 000's</i>
Other related parties	30 June 2014	569	-
	31 December 2013	628	260
	30 June 2013	636	250
	(restated)		

Compensation of key management personnel

The remuneration of key management personnel of the Group during the period were as follows:

	<i>30 June</i>	<i>30 June</i>
	<i>2014</i>	<i>2013</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Short-term benefits	389	833
Employees' end of service benefits	143	68
	<u>532</u>	<u>901</u>

9 SEGMENTAL ANALYSIS

For management purposes the Group is organized into four major business segments. The principal activities and services under these segments are as follows:

- Investment segment represents trading in equities including investment in associates and other strategic investments;
- Treasury segment represents liquidity management and trading in foreign currencies;
- Real estate segment represents buying, selling and investing in real estate; and
- Asset management and advisory represents managing discretionary and non-discretionary investment portfolio, managing of investment funds, and providing advisory and structured share services and other related financial services.

Management monitors the operating segment separately for the purpose of making decisions about the resource allocation and performance assessment. The segment performance is evaluated based on segment result before taxes in management and reporting system.

National Investments Company K.S.C.P. and Subsidiaries

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9 SEGMENTAL ANALYSIS (continued)

The following table presents revenue, results for the period, total assets and total liabilities information regarding the Group's reportable segments.

	<i>Six months ended 30 June 2014</i>					
	<i>Investment KD 000's</i>	<i>Treasury KD 000's</i>	<i>Real estate KD 000's</i>	<i>Asset management and advisory KD 000's</i>	<i>Unallocated KD 000's</i>	<i>Total KD 000's</i>
Segment revenues	6,050	105	648	1,891	-	8,694
Segment results	1,122	335	307	1,112	(113)	2,763
Segment assets	175,610	3,749	22,019	731	346	202,455
Segment liabilities	1,008	1,011	1,395	16	4,435	7,865

	<i>Six months ended 30 June 2013(restated)</i>					
	<i>Investment KD 000's</i>	<i>Treasury KD 000's</i>	<i>Real estate KD 000's</i>	<i>Asset management and advisory KD 000's</i>	<i>Unallocated KD 000's</i>	<i>Total KD 000's</i>
Segment revenues	5,900	239	619	2,260	-	9,018
Segment results	2,394	(309)	146	1,030	(30)	3,231
Segment assets	180,572	4,384	19,693	1,412	174	206,235
Segment liabilities	2,029	1,093	251	41	3,881	7,295

10 DERIVATIVES

In the ordinary course of business the Group enters into various types of transactions that involve financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments traded by the Group are mainly currency forwards.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are not indicative of the credit risk. The market risk on options purchased is limited to the premiums paid to purchase these options.

	<i>Notional amounts by term to maturity</i>		
	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Contract/ notional amount total KD 000's</i>
<i>30 June 2014</i>			
Forward foreign exchange contracts	2	2	6,306
<i>30 June 2013</i>			
Forward foreign exchange contracts	8	7	13,072

All derivative transactions are for trading purposes and mature within 3 months from the reporting date.

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11 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2014 KD 000's</i>	<i>(Audited) 31 December 2013 KD 000's</i>	<i>30 June 2013 KD 000's</i>
Capital commitments towards investments	4,241	4,251	4,305
Bank guarantees	1,057	3,315	3,260
	<u>5,298</u>	<u>7,566</u>	<u>7,565</u>

The Group has contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

12 FIDUCIARY ACCOUNTS

The Parent Company manages portfolios on behalf of others and maintains cash balances and securities in fiduciary accounts without recourse to the Group which are not included in the interim condensed consolidated statement of financial position.

	<i>30 June 2014</i>		<i>(Audited) 31 December 2013</i>		<i>(Restated) 30 June 2013</i>	
	<i>Cost KD 000's</i>	<i>Market value KD 000's</i>	<i>Cost KD 000's</i>	<i>Market value KD 000's</i>	<i>Cost KD 000's</i>	<i>Market value KD 000's</i>
Portfolios and funds under management	<u>2,356,581</u>	<u>1,683,000</u>	<u>2,376,476</u>	<u>1,750,925</u>	<u>2,412,047</u>	<u>1,711,747</u>

The total income earned from trust and other fiduciary activities amounted to KD 1,834 thousand (31 December 2013: KD 3,815 thousand and 30 June 2013 (restated): KD 1,953 thousand).

13 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

Fair value is 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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

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 active markets.

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 that are not based on observable market data.

National Investments Company K.S.C.P. and Subsidiaries

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As at 30 June 2014

13 FAIR VALUE MEASUREMENT (continued)

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

<i>30 June 2014</i>	<i>Total KD 000's</i>	<i>Level: 1 KD 000's</i>	<i>Level: 2 KD 000's</i>	<i>Level: 3 KD 000's</i>
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
<i>a) Held for trading:</i>				
Local quoted securities	16,191	16,191	-	-
Foreign quoted securities	14,032	14,032	-	-
<i>b) Designated at fair value through profit or loss</i>				
Local unquoted securities	472	-	-	472
<i>Financial assets available-for-sale:</i>				
Quoted equity investments	47,348	47,348	-	-
Unquoted equity investments	2,761	-	-	2,761
Unquoted mutual fund investments (investing in quoted securities)	25,468	-	25,468	-
<i>Other assets:</i>				
Forward foreign exchange contracts	2	-	2	-
	<u>106,274</u>	<u>77,571</u>	<u>25,470</u>	<u>3,233</u>
Liabilities measured at fair value:				
Forward foreign exchange contracts	2	-	2	-
	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>
<i>31 December 2013 (Audited)</i>	<i>Total KD 000's</i>	<i>Level: 1 KD 000's</i>	<i>Level: 2 KD 000's</i>	<i>Level: 3 KD 000's</i>
Assets measured at fair value				
<i>Financial assets at fair value through profit or loss:</i>				
<i>a) Held for trading:</i>				
Local quoted securities	18,995	18,995	-	-
Foreign quoted securities	12,287	12,287	-	-
<i>b) Designated at fair value through profit or loss:</i>				
Local unquoted securities	472	-	-	472
Investment in mutual fund	3,151	-	3,151	-
<i>Financial assets available-for-sale:</i>				
Quoted equity investments	38,277	38,277	-	-
Unquoted equity investments	2,598	-	-	2,598
Unquoted mutual fund investments (investing in quoted securities)	23,318	-	23,318	-
	<u>99,098</u>	<u>69,559</u>	<u>26,469</u>	<u>3,070</u>

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13 FAIR VALUE MEASUREMENT (continued)

	Total KD 000's	Level: 1 KD 000's	Level: 2 KD 000's	Level: 3 KD 000's
30 June 2013 (restated)				
Assets measured at fair value				
<i>Financial assets held for trading:</i>				
Local quoted securities	16,055	16,055	-	-
Foreign quoted securities	16,588	16,588	-	-
<i>Financial assets designated at fair value through profit or loss:</i>				
Local unquoted securities	472	-	-	472
Investment in mutual fund	3,198	-	3,198	-
<i>Financial assets available-for-sale:</i>				
Quoted equity investments	43,979	43,979	-	-
Unquoted equity investments	2,127	-	-	2,127
Unquoted mutual fund investments (investing in quoted securities)	23,135	-	23,135	-
<i>Other assets:</i>				
Forward foreign exchange contracts	8	-	8	-
	<u>105,562</u>	<u>76,622</u>	<u>26,341</u>	<u>2,599</u>
Liabilities measured at fair value				
Forward foreign exchange contracts	7	-	7	-
	<u>7</u>	<u>-</u>	<u>7</u>	<u>-</u>

No transfers have been made between the levels of hierarchy.

The management assessed that financial assets and financial liabilities other than those disclosed above approximate their carrying amounts largely due to the short-term maturities of those instruments.

There is no movement in the opening and closing amount of level 3 financial assets and liabilities which are recorded at fair value.

Description and sensitivity of significant unobservable inputs to valuation of financial assets:

Local unquoted securities represents delisted securities on local stock exchange, which are valued based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The Group is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

Unquoted equity investment is valued based on net book value method using latest available financial statement of the investee entity, wherein the underlying assets are fair valued.

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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14 COMPARATIVE INFORMATION

The comparative information for the period ended 30 June 2013 has been restated to reflect the consolidation of Al Mada Investment Fund ("Al Mada") in accordance with "IFRS 10: Consolidated Financial Statements".

Following adjustments have been made to the interim condensed consolidated financial information as at and for the period ended 30 June 2013.

Impact on the interim condensed consolidated income statement:	<i>Six months ended 30 June 2013 KD 000's</i>	
Increase (decrease) in income:		
Realized gain on financial assets at fair value through profit or loss		319
Unrealized gain on financial assets at fair value through profit or loss		431
Dividend income		394
Management fees		(67)
Other income		2
		<hr/>
Net increase in income		1,079
		<hr/>
Increase in expenses:		
Administrative expenses		53
Gain on foreign currency translation		86
		<hr/>
Net increase in expenses		139
		<hr/>
Net increase in profit for the year		940
		<hr/>
Attributable to:		
Equity holders of the parent		(65)
Non-controlling interests		1,005
		<hr/>
		<hr/>
		<hr/>
Impact on the interim condensed consolidated statement of financial position:	<i>30 June 2013 KD 000's</i>	<i>1 January 2013 KD 000's</i>
Increase (decrease) in assets:		
Cash and balances with banks and financial institutions	886	406
Financial assets at fair value through profit or loss	7,402	7,196
Other assets	(28)	(21)
	<hr/>	<hr/>
Net increase in assets	8,260	7,581
	<hr/>	<hr/>
Increase in liabilities:		
Accounts payable and other accruals	347	238
	<hr/>	<hr/>
Net increase in liabilities	347	238
	<hr/>	<hr/>
Increase in equity:		
Attributable to:		
Non-controlling interests	7,913	7,343
	<hr/>	<hr/>
Net increase in equity	7,913	7,343
	<hr/>	<hr/>
Net increase in liabilities and equity	8,260	7,581
	<hr/>	<hr/>

National Investments Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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14 COMPARATIVE INFORMATION (continued)

Impact on the interim condensed consolidated statement of cash flows:

30 June 2013

KD 000's

Net increase in operating activities	636
Net increase in investing activities	390
Net decrease in financing activities	(546)
	<hr/>
Net increase in cash and cash equivalents	480
	<hr/> <hr/>

There is no material impact on the basic and diluted earnings per share attributable to the equity holders of the Parent Company.