

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

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

31 MARCH 2014



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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Securities House K.S.C.P. (the “parent company”) and its subsidiaries (collectively, the “group”) as at 31 March 2014 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and the cash flows for the three 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

Emphasis of a Matter

We draw attention to the following:

- a) Note 2 to the interim condensed consolidated financial information which indicates that the group’s current liabilities exceeded its current assets by KD 35,035,533 (31 December 2013: KD 36,294,973 and 31 March 2013: KD 37,688,978). These conditions indicate the existence of a material uncertainty about the group’s ability to continue as a going concern. However, the interim condensed consolidated financial information has been prepared on a going concern basis because the group has been able to extend the settlement of its current liabilities or swap certain of its liabilities with financial assets. The management of the group is of the opinion that the group will continue with the same strategy going forward.
- b) Note 8 to the interim condensed consolidated financial information which states that one of the murabaha creditors has filed legal cases against the parent company for the recovery of its dues and the uncertainty of the outcome of the legal cases and their impact on the group’s interim condensed consolidated financial position.

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



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

Report on other legal and regulatory requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the parent company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 25 of 2012 as amended, or of the parent company's Memorandum of Incorporation and Articles of Association during the three months period ended 31 March 2014 that might have had a material effect on the business of the parent company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three months period ended 31 March 2014 that might have had a material effect on the business of the parent company or on its financial position.

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13 May 2014
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The Securities House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2014

	Notes	Three months ended 31 March	
		2014 KD	2013 KD
INCOME			
<i>From investment activities</i>			
Realised gain on sale of financial assets at fair value through income statement		14,185	-
Realised gain on sale of financial assets available for sale		15,206	303,595
Dividend income		31,308	14,675
Management fee income		-	31,421
Investment services income		344,968	459,322
Total income from investment activities		405,667	809,013
<i>From commercial activities</i>			
Sales of goods and services		3,601,397	3,052,286
Cost of sales		(2,563,960)	(2,051,292)
Gross profit from commercial activities		1,037,437	1,000,994
Other income		77,383	174,616
TOTAL INCOME		1,520,487	1,984,623
EXPENSES			
Staff costs		558,364	411,065
Selling and distribution expenses		326,080	284,937
General and administration expenses		430,556	460,331
TOTAL EXPENSES		1,315,000	1,156,333
PROFIT BEFORE FAIR VALUE ADJUSTMENTS, SHARE OF RESULTS, MURABAHA PAYABLE COSTS AND TAXATION		205,487	828,290
Unrealised gain (loss) on financial assets at fair value through income statement		20,543	(273,767)
Share of results of associates	6	600,216	338,358
Amortisation of intangibles		(15,822)	-
Murabaha payable costs		(94,525)	(166,899)
National Labour Support Tax		(6,070)	(9,816)
Zakat		(2,423)	(4,412)
PROFIT FOR THE PERIOD		707,406	711,754
Attributable to:			
Equity holders of the parent company		654,792	426,957
Non-controlling interests		52,614	284,797
		707,406	711,754
Basic and diluted earnings per share attributable to equity holders of the parent company	4	1.0 fils	0.7 fils

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the period ended 31 March 2014

	Note	Three months ended	
		31 March	
		2014	2013
		KD	KD
Profit for the period		707,406	711,754
Other comprehensive income (loss):			
<i>Other comprehensive income to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>			
Foreign currency translation adjustment		(6,400)	16,965
Share of other comprehensive income of associates	6	385,157	(3,000,691)
Other comprehensive income (loss) for the period		378,757	(2,983,726)
Total comprehensive income (loss) for the period		1,086,163	(2,271,972)
Attributable to:			
Equity holders of the parent company		1,036,194	(2,563,141)
Non-controlling interests		49,969	291,169
		1,086,163	(2,271,972)

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2014

			(Audited)	
		31 March	31 December	31 March
		2014	2013	2013
	Notes	KD	KD	KD
ASSETS				
Bank balances and cash	5	5,349,376	4,521,612	5,094,345
Short-term murabaha investments	5	777,990	799,571	1,415,697
Accounts receivable and prepayments		4,780,615	3,889,812	4,639,197
Inventories		2,671,763	2,450,019	2,119,510
Financial assets at fair value through income statement		4,693,979	4,945,836	5,688,177
Financial assets available for sale		4,549,531	4,803,891	4,779,536
Investment in associates	6	85,948,910	85,708,799	87,899,092
Investment properties		698,974	698,974	536,222
Property, plant and equipment		4,866,713	5,175,846	15,531,775
TOTAL ASSETS		114,337,851	112,994,360	127,703,551
EQUITY				
Share capital		68,000,000	68,000,000	68,000,000
Foreign currency translation reserve		40,757	44,512	19,037
Employee share purchase plan reserve		545,456	545,456	545,456
Other reserve		(255,897)	(255,897)	(255,897)
Treasury shares reserve		11,376,864	11,376,864	11,376,864
Treasury shares	7	(19,867,108)	(19,867,108)	(19,867,108)
Cumulative changes in equity of associates		5,275,332	4,890,175	1,217,442
Accumulated losses		(12,213,108)	(12,867,900)	(7,842,217)
Equity attributable to equity holders of the parent company		52,902,296	51,866,102	53,193,577
Non-controlling interests		6,128,773	6,078,804	6,230,497
TOTAL EQUITY		59,031,069	57,944,906	59,424,074
LIABILITIES				
Murabaha payables	8	49,097,576	49,215,181	53,431,346
Accounts payable and accruals		5,159,064	4,867,749	14,010,490
Employees' end of service benefits		1,050,142	966,524	837,641
TOTAL LIABILITIES		55,306,782	55,049,454	68,279,477
TOTAL EQUITY AND LIABILITIES		114,337,851	112,994,360	127,703,551


 Ayman Abdullah Boodat
 Chairman and Managing Director

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 31 March 2014

	Notes	Three months ended 31 March	
		2014 KD	2013 KD
OPERATING ACTIVITIES			
Profit for the period		707,406	711,754
Adjustments for:			
Realised gain on sale of financial assets at fair value through income statement		(14,185)	-
Realised gain on sale of financial assets available for sale		(15,206)	(303,595)
Dividend income		(31,308)	(14,675)
Share in results of associates	6	(600,216)	(338,358)
Unrealised (gain) loss on financial assets at fair value through income statement		(20,543)	273,767
Amortisation of intangibles	6	15,822	-
Depreciation		316,335	126,019
Murabaha payables costs		96,259	166,899
Provision for employees' end of service benefits		94,525	66,874
		<u>548,889</u>	<u>688,685</u>
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		(844,611)	(1,492,265)
Inventories		(221,744)	106,711
Financial assets at fair value through income statement		286,585	-
Accounts payable and accruals		204,315	(255,689)
Cash used in operations		<u>(26,566)</u>	<u>(952,558)</u>
Employees' end of service benefits paid		(12,641)	(937)
Net cash flows used in operating activities		<u>(39,207)</u>	<u>(953,495)</u>
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		-	(917,017)
Proceeds from sale of financial assets available for sale		269,566	660,986
Proceeds from sale of an investment in an associate		80,000	-
Dividend income received		31,308	14,675
Dividends received from an associate	6	604,440	-
Purchase of property, plant and equipment		(184,702)	(67,918)
Proceeds from sale of property, plant and equipment		177,500	9,288
Net cash flows from (used in) investing activities		<u>978,112</u>	<u>(299,986)</u>
FINANCING ACTIVITIES			
Non-controlling interests' share in liquidation of a subsidiary		-	(18,185)
Repayment of murabaha payables		(117,605)	(75,041)
Murabaha payables costs paid		(8,717)	-
Net cash flows used in financing activities		<u>(126,322)</u>	<u>(93,226)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange difference		812,583	(1,346,707)
Cash and cash equivalents at 1 January		(6,400)	(40,137)
		<u>5,321,183</u>	<u>7,896,886</u>
CASH AND CASH EQUIVALENTS AT 31 MARCH	5	<u><u>6,127,366</u></u>	<u><u>6,510,042</u></u>

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2014

	Attributable to equity holders of the parent company										
	Share capital KD	Foreign currency translation reserve KD	Employee share purchase plan reserve KD	Other reserve KD	Treasury shares reserve KD	Treasury shares KD	Cumulative changes in equity of associates KD	Accumulated losses KD	Sub total KD	Non- controlling interests KD	Total equity KD
As at 1 January 2014	68,000,000	44,512	545,456	(255,897)	11,376,864	(19,867,108)	4,890,175	(12,867,900)	51,866,102	6,078,804	57,944,906
Profit for the period	-	-	-	-	-	-	-	654,792	654,792	52,614	707,406
Other comprehensive (loss) income	-	(3,755)	-	-	-	-	385,157	-	381,402	(2,645)	378,757
Total comprehensive (loss) income for the period	-	(3,755)	-	-	-	-	385,157	654,792	1,036,194	49,969	1,086,163
As at 31 March 2014	68,000,000	40,757	545,456	(255,897)	11,376,864	(19,867,108)	5,275,332	(12,213,108)	52,902,296	6,128,773	59,031,069
As at 1 January 2013	68,000,000	8,444	545,456	(255,897)	11,376,864	(19,867,108)	4,218,133	(8,269,174)	55,756,718	5,957,513	61,714,231
Profit for the period	-	-	-	-	-	-	-	426,957	426,957	284,797	711,754
Other comprehensive income (loss)	-	10,593	-	-	-	-	(3,000,691)	-	(2,990,098)	6,372	(2,983,726)
Total comprehensive income (loss) for the period	-	10,593	-	-	-	-	(3,000,691)	426,957	(2,563,141)	291,169	(2,271,972)
Non-controlling interests' share in liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	(18,185)	(18,185)
As at 31 March 2013	68,000,000	19,037	545,456	(255,897)	11,376,864	(19,867,108)	1,217,442	(7,842,217)	53,193,577	6,230,497	59,424,074

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2014

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of The Securities House K.S.C.P. (the "parent company") and subsidiaries (collectively the "group") were authorised for issue by the Board of Directors on 13 May 2014.

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

The parent company's principal place of business and registered address is 17th floor, Al-Dhow Tower, Khalid Ibn Al-Waleed Street, Sharq, P.O.Box 26972 Safat, 13130, Kuwait.

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 were 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.

2 FUNDAMENTAL ACCOUNTING CONCEPT

As of 31 March 2014, the group's current liabilities exceed its current assets by KD 35,035,533 (31 December 2013: KD 36,294,973 and 31 March 2014: KD 37,688,978). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern. However, the interim condensed consolidated financial information has been prepared on a going concern basis because the group has been able to extend the settlement of its current liabilities or swap certain of its liabilities with financial assets. The management of the group is of the opinion that the group will continue with the same strategy going forward.

3 BASIS OF PREPARATION

The interim condensed consolidated financial information for the three months ended 31 March 2014 has been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting, except as noted below.

The annual consolidated financial statements for the year ended 31 December 2013 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the IAS 39 requirement for a collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision.

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

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

Changes in accounting policy and disclosures

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2014

3 BASIS OF PREPARATION (continued)

Changes in accounting policy and disclosures (continued)

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

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

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

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

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

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

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

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

	<i>Three months ended 31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Profit for the period attributable to the equity holders of the parent company	<u>654,792</u>	<u>426,957</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares (net of treasury shares) outstanding for the period	<u>637,720,000</u>	<u>637,720,000</u>
Basic and diluted earnings per share attributable to equity holders of the parent company	<u>1.0 fils</u>	<u>0.7 fils</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2014

5 CASH AND CASH EQUIVALENTS

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

	<i>31 March 2014 KD</i>	<i>(Audited) 31 December 2013 KD</i>	<i>31 March 2013 KD</i>
Bank balances and cash	5,349,376	4,521,612	5,094,345
Short-term murabaha investments with original maturity up to three months	777,990	799,571	1,415,697
	<u>6,127,366</u>	<u>5,321,183</u>	<u>6,510,042</u>

6 INVESTMENT IN ASSOCIATES

	<i>31 March 2014 KD</i>	<i>(Audited) 31 December 2013 KD</i>	<i>31 March 2013 KD</i>
At the beginning of the period/year	85,708,799	90,504,323	90,504,323
Disposals	(125,000)	(545,004)	-
Share of results	600,216	1,482,034	338,358
Share of other comprehensive income	385,157	672,042	(3,000,691)
Dividend received	(604,440)	(475,404)	-
Amortisation of intangible assets	(15,822)	(131,742)	-
Impairment	-	(5,797,450)	-
Foreign currency adjustment	-	-	57,102
At the end of the period/year	<u>85,948,910</u>	<u>85,708,799</u>	<u>87,899,092</u>

7 TREASURY SHARES

	<i>31 March 2014</i>	<i>(Audited) 31 December 2013</i>	<i>31 March 2013</i>
Number of treasury shares	<u>42,280,000</u>	<u>42,280,000</u>	<u>42,280,000</u>
Percentage of capital	<u>6.2%</u>	<u>6.2%</u>	<u>6.2%</u>
Market value KD	<u>3,509,240</u>	<u>4,058,880</u>	<u>4,228,000</u>

8 MURABAHA PAYABLES

	<i>31 March 2014 KD</i>	<i>(Audited) 31 December 2013 KD</i>	<i>31 March 2013 KD</i>
Maturity within 1 year	44,747,576	44,865,181	48,571,346
Maturity after 1 year	4,350,000	4,350,000	4,860,000
	<u>49,097,576</u>	<u>49,215,181</u>	<u>53,431,346</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at 31 March 2014

8 MURABAHA PAYABLES (continued)

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

Murabaha payables amounting to KD 42,917,494 (31 December 2013: KD 42,917,494 and 31 March 2013: KD 43,352,021) are secured against financial assets at fair value through income statement, financial assets available for sale and investment in an associate amounting to KD 1,590,569, KD 570,543 and KD 6,574,181 (31 December 2013: KD 1,685,726, KD 740,379 and KD 6,507,235 and 31 March 2013: KD 1,897,891, KD 911,689 and KD 7,029,744) respectively.

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

- With respect to a legal case relating to a murabaha payable of KD 35,237,430, the first instance court decision came in favor of the plaintiff on 13 December 2012 obligating the parent company to settle the due balance. On 13 February 2013, the parent company filed an appeal against this decision and on 24 April 2013, the appeal court decision came supporting the first instance decision in favor of the plaintiff and subsequent to that, an amount of KD 434,527 was repaid, thus reducing the balance of this murabaha payable to KD 34,802,903. On 4 June 2013, the parent company filed an appeal against the ruling before the cassation court and suspended the related ruling.
- With respect to a legal case relating to a murabaha payable of KD 4,239,342, the first instance court decision came in favor of the plaintiff on 8 April 2014 obligating the parent company to settle the due balance. The parent company intends to file an appeal against this decision within the legally allowable period for the appeal.
- With respect to a legal case relating to a murabaha payable of KD 3,775,889, it was reserved for first degree court ruling on 5 June 2014.
- With respect to a legal case relating to a murabaha payable of KD 99,360, the first instance court decision came in favor of the plaintiff on 29 January 2014 obligating the parent company to settle the due balance. On 24 February 2014, the parent company filed an appeal against this decision and it was reserved for appeal court ruling on 22 May 2014.

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

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

9 RELATED PARTY TRANSACTIONS

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2014

9 RELATED PARTY TRANSACTIONS (continued)

Related party transactions and balances consist of the following:

	<i>Three months ended 31 March</i>		
	<i>2014</i>	<i>2013</i>	
	<i>KD</i>	<i>KD</i>	
Interim condensed consolidated statement of income:			
Murabaha payable costs	85,808	88,767	
	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2014</i>	<i>2013</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Interim condensed consolidated statement of financial position:			
Murabaha payable	5,800,000	5,800,000	6,075,000

	<i>Three months ended 31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>KD</i>	<i>KD</i>
Key management compensation:		
Salaries and other short term benefits	207,227	175,318
Employees' end of services and share purchase plan benefits	21,724	27,369
	<u>228,951</u>	<u>202,687</u>

Assets amounting to KD 2,375,889 (31 December 2013: KD 2,375,890 and 31 March 2013: KD 2,021,505) are being managed on behalf of related parties.

10 COMMITMENTS

As at 31 March 2014, the group's bankers have given bank guarantees amounting to KD 13,050 (31 December 2013: KD 14,650 and 31 March 2013: KD 70,453).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2014

11 SEGMENTAL ANALYSIS

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

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

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

	Proprietary investment management		Asset management and advisory services		Commercial trading activities		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Three months ended 31 March		Three months ended 31 March		Three months ended 31 March		Three months ended 31 March	
	KD	KD	KD	KD	KD	KD	KD	KD
Segment revenue	60,699	164,731	344,968	490,743	3,601,397	3,052,286	4,007,064	3,707,760
Segment results	(273,286)	8,329	147,516	207,218	401,877	389,032	276,107	604,579
Unallocated expenses					(50,077)	(50,056)	(50,077)	(50,056)
Share of results of associates					600,216	338,358	600,216	338,358
Amortisation					(15,822)	-	(15,822)	-
Murabaha payable costs					(94,525)	(166,899)	(94,525)	(166,899)
Zakat and National Labor Support Tax					(8,493)	(14,228)	(8,493)	(14,228)
Profit for the period					707,406	711,754	707,406	711,754

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2014

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial instruments comprise of financial assets and financial liabilities.

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

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

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

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

	<i>Level 1</i> <i>KD</i>	<i>Level 3</i> <i>KD</i>	<i>Total</i> <i>KD</i>
31 March 2014			
Financial assets at fair value			
<i>Financial assets at fair value through income statement:</i>			
Quoted equities	519,588	-	519,588
Unquoted equity securities	-	4,174,391	4,174,391
	<u>519,588</u>	<u>4,174,391</u>	<u>4,693,979</u>
31 March 2013			
Financial assets at fair value			
<i>Financial assets at fair value through income statement:</i>			
Quoted equities	833,606	-	833,606
Unquoted equity securities	-	4,854,571	4,854,571
	<u>833,606</u>	<u>4,854,571</u>	<u>5,688,177</u>

During the three month period ended 31 March 2014, there were no transfers between the hierarchies.