

Interim condensed consolidated financial information and review report

**Al Mal Investment Company – KPSC and Subsidiaries**

**Kuwait**

31 March 2017 (Unaudited)

## **Contents**

	<b>Page</b>
<b>Review report</b>	<b>1 and 2</b>
<b>Interim condensed consolidated statement of profit or loss</b>	<b>3</b>
<b>Interim condensed consolidated statement of profit or loss and other comprehensive income</b>	<b>4</b>
<b>Interim condensed consolidated statement of financial position</b>	<b>5</b>
<b>Interim condensed consolidated statement of changes in equity</b>	<b>6 and 7</b>
<b>Interim condensed consolidated statement of cash flows</b>	<b>8</b>
<b>Notes to the interim condensed consolidated financial information</b>	<b>9 to 21</b>



**Grant Thornton** | An instinct for growth™  
Al-Qatami, Al-Aiban & Partners

**Auditors & Consultants**

Souq Al Kabeer Building, Block A, 9<sup>th</sup> Floor  
P.O. Box 2986, Safat 13030, Kuwait  
Tel: (965)2244 3900-9  
Fax: (965) 2243 8451  
E-mail: [gt@kw.gt.com](mailto:gt@kw.gt.com)  
[www.granthornton.com.kw](http://www.granthornton.com.kw)



**M A Z A R S**

**Hend Abdulla Al Surayea & Co.- Chartered Accountants**

P.O. Box 23105  
Safat 13092  
Kuwait  
Tel: +965 22470462/4  
Fax: +965 22470463  
Web: [www.mazars.com.kw](http://www.mazars.com.kw)

## Report on review of interim condensed consolidated financial information

To the board of directors of  
Al Mal Investment Company – KPSC  
Kuwait

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Mal Investment Company (Kuwaiti Public Shareholding Company) (the “Parent Company”) and its subsidiaries (collectively the “Group”) as of 31 March 2017 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management 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 matters*

Without qualifying our conclusion, we draw attention note 8 to the interim condensed consolidated financial information, which describes the legal dispute related to the refundable development expenses and the fact that the Group has followed Central Bank of Kuwait requirements with regard to provisioning against such refundable developments expenses.

### **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 Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the three-month period ended 31 March 2017 that might have had a material effect on the business or financial position of the Group.

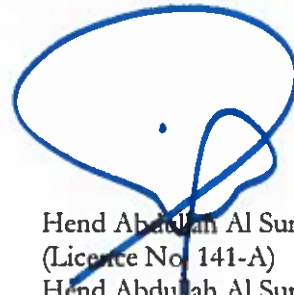
## Report on review of interim condensed consolidated financial information of Al Mal Investment Company – KPSC (continued)

### Report on review of other legal and regulatory requirements (continued)

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 material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 2017.



Anwar Y. Al-Qatami, F.C.C.A.  
(Licence No. 50-A)  
of Grant Thornton – Al-Qatami, Al-Aiban & Partners



Hend Abdulla Al Surayea  
(Licence No. 141-A)  
Hend Abdullah Al Surayea & Co.  
Member of MAZARS

Kuwait  
18 May 2017

## Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
<b>Income</b>			
Unrealised gain/(loss) from investments at fair value through profit or loss		30,241	(367,724)
Realized gain from investments at fair value through profit or loss		47,632	-
Realised (loss)/gain on disposal of available for sale investments		(26,692)	118,672
Gain on disposal of investment properties		-	3,512
Dividend income		23,468	73,701
Share of results of associates	10	126,132	97,874
Interest income		10,032	9,103
Net income from communication services		8,555	24,815
Management fees and other income	4	167,853	310,807
Foreign exchange loss		(5,691)	(61,251)
		<b>381,530</b>	<b>209,509</b>
<b>Expenses and other charges</b>			
Finance costs		49,299	60,356
Staff costs		296,756	271,516
General, administrative and other expenses		186,655	191,343
Provision for refundable development expenses	8.2	-	4,792,044
Impairment of goodwill		-	90,332
Impairment of available for sale investments	9.3	-	112,053
		<b>532,710</b>	<b>5,517,644</b>
<b>Loss for the period</b>		<b>(151,180)</b>	<b>(5,308,135)</b>
Attributable to :			
Owners of the parent company		(145,537)	(5,336,738)
Non-controlling interests		(5,643)	28,603
		<b>(151,180)</b>	<b>(5,308,135)</b>
<b>BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>			
	5	<b>(0.22) Fils</b>	<b>(7.97) Fils</b>

The notes set out on pages 9 to 22 form an integral part of the interim condensed consolidated financial information.

## Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
Loss for the period	(151,180)	(5,308,135)
<b>Other comprehensive income:</b>		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	358,036	(227,415)
Available for sale investments:		
- Net changes in fair value arising during the period	287,722	90,809
- Transferred to consolidated statement of profit or loss on disposal	20,266	5,665
- Transferred to consolidated statement of profit or loss on impairment	-	112,053
Share of other comprehensive income of associates	(128,960)	(27,653)
<b>Total other comprehensive income for the period</b>	<b>537,064</b>	<b>(46,541)</b>
<b>Total comprehensive income for the period</b>	<b>385,884</b>	<b>(5,354,676)</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent company	383,750	(5,304,838)
Non-controlling interests	2,134	(49,838)
	<b>385,884</b>	<b>(5,354,676)</b>

*The notes set out on pages 9 to 21 form an integral part of the interim condensed consolidated financial information.*

## Interim condensed consolidated statement of financial position

	Note	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
<b>Assets</b>				
Cash and cash equivalents	6	4,066,345	4,240,051	4,807,579
Investments at fair value through profit or loss	7	1,406,134	1,466,408	1,701,877
Accounts receivable and other assets	8	5,282,146	5,348,395	13,726,214
Available for sale investments	9	4,525,864	4,283,242	5,694,262
Investment in bonds		100,000	100,000	100,000
Investment in associates	10	5,332,794	5,330,347	9,348,167
Investment properties	11	12,565,743	12,494,394	12,661,046
Property and equipment		135,660	143,309	161,230
<b>Total assets</b>		<b>33,414,686</b>	<b>33,406,146</b>	<b>48,200,375</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Accounts payable and other liabilities		10,008,192	10,434,534	10,100,469
Borrowings	12	3,638,938	3,606,871	4,089,434
Bonds issued	13	900,000	900,000	900,000
Employees' end of service indemnity		514,527	497,596	401,011
<b>Total liabilities</b>		<b>15,061,657</b>	<b>15,439,001</b>	<b>15,490,914</b>
<b>Equity</b>				
Share capital	14	66,954,351	66,954,351	66,954,351
Foreign currency translation reserve		(1,886,690)	(2,107,989)	(1,239,485)
Cumulative changes in fair value		315,686	7,698	595,782
Accumulated losses		(48,051,297)	(47,905,760)	(34,955,733)
<b>Equity attributable to owners of the Parent</b>				
Company		17,332,050	16,948,300	31,354,915
Non-controlling interests		1,020,979	1,018,845	1,354,546
<b>Total equity</b>		<b>18,353,029</b>	<b>17,967,145</b>	<b>32,709,461</b>
<b>Total liabilities and equity</b>		<b>33,414,686</b>	<b>33,406,146</b>	<b>48,200,375</b>

  
Abdulkareem Abdullah Al-Mutawa  
Chairman

  
Abdul Wahab Abdul Rahman Al-Mutawa  
Director & Chief Executive Officer

*The notes set out on pages 9 to 21 form an integral part of the interim condensed consolidated financial information.*

## Interim condensed consolidated statement of changes in equity

	Equity attributable to owners of the parent company				Non-controlling interests		Total
	Share capital KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD	Sub- total KD	KD	
Balance as at 1 January 2017 (audited)	66,954,351	(2,107,989)	7,698	(47,905,760)	16,948,300	1,018,845	17,967,145
Loss for the period	-	-	-	(145,537)	(145,537)	(5,643)	(151,180)
Other comprehensive income for the period	-	221,299	307,988	-	529,287	7,777	537,064
Total comprehensive income for the period	-	221,299	307,988	(145,537)	383,750	2,134	385,884
Balance as at 31 March 2017 (unaudited)	66,954,351	(1,886,690)	315,686	(48,051,297)	17,332,050	1,020,979	18,353,029

The notes set out on pages 9 to 21 form an integral part of the interim condensed consolidated financial information.



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

	Equity attributable to owners of the parent company					Non-controlling interests		Total
	Share capital KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD	Sub- total KD	KD	KD	
Balance as at 1 January 2016 (audited)	66,954,351	(1,087,634)	412,031	(29,618,995)	36,659,753	1,404,384	38,064,137	
Loss for the period	-	-	-	(5,336,738)	(5,336,738)	28,603	(5,308,135)	
Other comprehensive income for the period	-	(151,851)	183,751	-	31,900	(78,441)	(46,541)	
Total comprehensive income for the period	-	(151,851)	183,751	(5,336,738)	(5,304,838)	(49,838)	(5,354,676)	
Balance as at 31 March 2016 (unaudited)	66,954,351	(1,239,485)	595,782	(34,955,733)	31,354,915	1,354,546	32,709,461	

The notes set out on pages 9 to 21 form an integral part of the interim condensed consolidated financial information.

## Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(151,180)	(5,308,135)
Adjustments for:			
Impairment of available for sale investments		-	112,053
Impairment of goodwill		-	90,332
Provision for refundable development expenses		-	4,792,044
Gain on disposal of investment properties		-	(3,512)
Realised loss/(gain) on disposal of available for sale investments		26,692	(118,672)
Dividend income		(23,468)	(73,701)
Share of results of associates		(126,132)	(97,874)
Depreciation		10,209	20,485
Provision for employees end of service benefits		26,254	26,892
Interest income		(10,032)	(9,103)
Finance costs		49,299	60,356
		(198,358)	(508,835)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		60,274	292,628
Accounts receivable and other assets		66,249	(94,820)
Accounts payable and other liabilities		(93,854)	(161,254)
Cash used in operations		(165,689)	(472,281)
Employee end of service benefits paid		(9,323)	(24,527)
<b>Net cash used in operating activities</b>		<b>(175,012)</b>	<b>(496,808)</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment		(2,560)	(43,147)
Additions to available for sale investments		(39,133)	-
Proceeds from sale/redemption of available for sale investments		77,807	250,464
Investment in bonds		-	(100,000)
Additions to investment properties		(51,076)	(202,201)
Proceeds from sale of investment properties		-	25,172
Dividend income received		23,468	73,701
Interest income received		10,032	9,103
<b>Net cash from investing activities</b>		<b>18,538</b>	<b>13,092</b>
<b>FINANCING ACTIVITIES</b>			
Finance costs paid		(17,232)	(10,418)
<b>Net cash used in financing activities</b>		<b>(17,232)</b>	<b>(10,418)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(173,706)</b>	<b>(494,134)</b>
Cash and cash equivalents at beginning of the period		4,240,051	5,301,713
Cash and cash equivalents at end of the period	6	4,066,345	4,807,579

The notes set out on pages 9 to 21 form an integral part of the interim condensed consolidated financial information.

## Notes to the interim condensed consolidated financial information

### 1 Incorporation and activities

Al Mal Investment Company – KPSC, (“the Parent Company”), is a Kuwaiti Public Shareholding Company established on 2 January 1980 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is regulated by the Central Bank of Kuwait and the Capital Markets Authority as an investment company and its shares are listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries are together referred to as “the Group”.

The principal objectives of the Parent Company are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission;

Further, the Parent Company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the Parent Company’s registered office is PO Box 26308, Safat 13124, State of Kuwait.

The interim condensed consolidated financial information for the three-month period ended 31 March 2017 was authorised for issue by the Parent Company’s board of directors on 18 May 2017.

The annual consolidated financial statements for the year ended 31 December 2016 were authorised for issuance by the board on 27 March 2017 and are subject to the approval of shareholders at the forthcoming Annual General Meeting.

### 2 Basis of preparation

The interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2017 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, except as noted below.

The annual consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all IFRS except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait’s requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the Parent Company.

The 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 the Parent Company’s management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

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.

## Notes to the interim condensed consolidated financial information (continued)

### 2 Basis of preparation (continued)

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 2016.

Operating results for the three-months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2016.

The subsidiaries are consolidated based on the management accounts for the period ended 31 March 2017.

### 3 Significant accounting policies

The interim condensed consolidated financial information has been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted new accounting pronouncements which have become effective for the first time in 2017, none of which had any significant impact on the Group's results or financial position. These are:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

### 4 Management fees and other income

	Three months ended 31 March 2017 (Unaudited) KD	Three Months ended 31 March 2016 (Unaudited) KD
Management and consultancy fees	33,897	109,140
Rent income	133,956	123,414
Other Income	-	78,253
	<b>167,853</b>	<b>310,807</b>

### 5 Basic and diluted loss per share

Loss per share is calculated by dividing the loss for the period attributable to the owners of the Parent Company by the weighted average number of ordinary shares outstanding during the period as follows:

	Three months ended 31 March 2017 (Unaudited)	Three months ended 31 March 2016 (Unaudited)
Loss for the period attributable to the owners of the parent (KD)	(145,537)	(5,336,738)
Weighted average number of shares outstanding during the period (excluding treasury shares)	669,543,510	669,543,510
Basic and diluted loss per share attributable to the owners of the parent company (Fils)	(0.22)	(7.97)

## Notes to the interim condensed consolidated financial information (continued)

### 6 Cash and cash equivalents

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Cash and bank balances	2,161,254	2,326,415	2,824,979
Short term deposits	1,711,428	1,711,747	1,671,970
Cash balances with portfolio managers	193,663	201,889	310,630
<b>Cash and cash equivalents</b>	<b>4,066,345</b>	<b>4,240,051</b>	<b>4,807,579</b>

Short term deposits carried average effective interest rate of 1.55% (31 December 2016: 1.55% and 31 March 2016: 1.3%).

### 7 Investments at fair value through profit or loss

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
<b>Designated on initial recognition:</b>			
Local quoted shares	730,521	790,313	874,511
Mutual funds	157,279	157,761	134,217
Unquoted shares	518,334	518,334	693,149
	<b>1,406,134</b>	<b>1,466,408</b>	<b>1,701,877</b>

### 8 Accounts receivable and other assets

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Advance payment to purchase investments	1,397,548	1,450,518	1,599,143
Refundable development expenses (8.1)	17,818,900	17,807,038	17,797,073
Due from related parties	279,041	276,675	239,309
Trade receivables	387,999	238,671	287,455
Accrued income	53,713	39,702	77,199
Other assets	1,312,946	1,503,792	1,717,754
	<b>21,250,147</b>	<b>21,316,396</b>	<b>21,717,933</b>
Provision for refundable development expenses (8.2)	(15,968,001)	(15,968,001)	(7,991,719)
	<b>5,282,146</b>	<b>5,348,395</b>	<b>13,726,214</b>

8.1 Refundable development expenses represent development cost incurred to develop an economic city in the Kingdom of Saudi Arabia jointly with the Saudi authorities. The Parent Company was the main developer for this project.

## Notes to the interim condensed consolidated financial information (continued)

### 8 Accounts receivable and other assets (continued)

During the 3<sup>rd</sup> quarter of the year 2015, Knowledge Economic City (KEC) - Kingdom of Saudi Arabia (the relevant Saudi authority), has announced through different media channels the termination of Al-Mal Investment's Contract (Developer of Prince Faisal Abdul Aziz Bin Musaed economic city – located in Hael) and assigning the development to Governmental parties. The management of the Parent Company has contacted KEC to inquire about this action, since based on the development contract, all contractual and formal procedures must be completed to rectify any breach (if any), before terminating the development contract.

Further, during 2016, the Group has filed a legal case against Knowledge Economic City to recover the refundable development expenses. The legal case was filed under the administrative court and the first hearing was held on 27 September 2016 in which the KEC representative requested a copy of the agreement and a time limit to respond, therefore, the hearing was postponed to 29 November 2016. On 29 November 2016, The Parent Company presented to the court all agreements and documents related to the work performed on the project and KEC representative requested additional time limit to respond, accordingly, the hearing was postponed to 24 January 2017. On 24 January 2017, KEC representative submitted his reply note to the court, and the court gave the Parent Company a time limit to review the reply note and scheduled the next hearing to be held on 21 February 2017. On 21 February 2017, the Parent Company submitted a reply memo in which they emphasized that the key matter is the wrongful termination of the development agreement, the KEC representative requested a time limit to respond to the memo; hence, the hearing was postponed to 7 March 2017 and then 21 March 2017. On 21 March 2017, KEC representative submitted his reply note to the court, and court gave the parent Company a time limit to reply and scheduled the next hearing to be held on 2 May 2017.

Upon consultation with the legal consultants and review of the development contract which stipulates that the total expenses incurred is re-imbursable, the Parent Company's management is confident that the Parent Company has the right to recover the above refundable development expenses in full.

- 8.2 During the 1<sup>st</sup> and 2<sup>nd</sup> quarter of 2016, a provision of KD4,792,044 and KD7,976,282 respectively (KD1,596,804 during the 3<sup>rd</sup> quarter of 2015 and KD1,602,871 during the 4<sup>th</sup> quarter of 2015) was recognised against refundable development expenses in accordance with Central Bank of Kuwait requirements. The management has taken into consideration certain direct dues related to the project (included under accounts payable & other liabilities as of the reporting date), in arriving at the provision for refundable development expenses which amounted to KD 15,968,001 as at 31 December 2016 and 31 March 2017. The outcome of the litigation noted in 8.1 is dependent on the future outcome of continuing legal and regulatory processes and consequently any provisions made to date are subject to inherent uncertainty.
- 8.3 Other assets include an amount of KD1,000,000 (31 December 2016: KD1,000,000 and 31 March 2016: KD1,400,000) which represents payments made to investee Companies for potential investments and the investees have informed that these projects will not be executed. Accordingly, the management expects that these amounts will be returned in full within a short period.

## Notes to the interim condensed consolidated financial information (continued)

### 9 Available for sale investments

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Investments in unquoted shares	2,376,652	2,103,393	2,720,013
- Local	2,169,461	1,918,610	2,538,694
- Foreign	207,191	184,783	181,319
Investments in private equity funds	312,389	272,738	353,459
- Foreign	312,389	272,738	353,459
Investments in direct equity funds	612,221	594,544	710,930
- Local	612,221	594,544	710,930
Investments in portfolios managed by others	1,224,602	1,312,567	1,909,860
- Local unquoted	366,867	366,867	423,167
- Foreign unquoted	630,944	629,307	555,479
- Foreign quoted	226,791	316,393	347,107
- Foreign quoted Real Estate Investment Trusts (REIT)	-	-	584,107
	4,525,864	4,283,242	5,694,262

- 9.1 Available for sale investments include investments of KD616,436 (31 December 2016: KD616,436 and 31 March 2016: KD1,486,281), carried at cost less impairment, if any, due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value.
- 9.2 Information for investments in private equity funds and direct equity funds is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.
- 9.3 During the period, the Group recognised an impairment loss of KD Nil (31 March 2016: KD112,053) for certain local and other foreign unquoted investments, based on estimates made by management and the net asset values reported by investment managers.

### 10 Investment in associates

The movement in associates during the period/year is as follows:

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Opening balance	5,330,347	9,287,632	9,287,632
Share of results	126,132	(3,441,879)	97,874
Group's share of associates change in other comprehensive income	(128,960)	(36,027)	(27,653)
Dividend received	-	(166,964)	-
Exchange differences arising on translation of foreign operations	5,275	(312,415)	(9,686)
Ending balance	5,332,794	5,330,347	9,348,167

## Notes to the interim condensed consolidated financial information (continued)

### 10 Investment in associates (continued)

The Group has recorded its share of Zone advanced trading Company based on 31 March 2017 financial information and recorded its share of the remaining associates based on 31 December 2016 financial information.

### 11 Investment properties

11.1 The movement for investment properties is as follows:

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Opening balance	12,494,394	12,469,049	9,287,632
Additions during the period/year	51,076	1,090,931	97,874
Disposals during the period/year	-	(28,869)	(27,653)
Change in fair value	-	(68,184)	-
Foreign currency translation adjustment arising on consolidation	20,273	(968,533)	(9,686)
	<b>12,565,743</b>	<b>12,494,394</b>	<b>9,348,167</b>

11.2 Investment properties with a carrying value of KD7,505,675 (31 December 2016: KD7,477,030 and 31 March 2016: KD7,114,975) of a local subsidiary are pledged against Islamic debt instruments of the same subsidiary.

11.3 The above properties are located in GCC and other Middle Eastern countries.

11.4 The Group evaluates its investment properties by independent valuers semi-annually.

### 12 Borrowings

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Islamic debt instruments - Murabaha payables	3,638,938	3,606,871	4,089,434
	<b>3,638,938</b>	<b>3,606,871</b>	<b>4,089,434</b>

12.1 The above murabaha payable is to be settled in annual instalments of KD600,000 each (representing the principle and the related profit) with a bullet payment of the remaining balance on 31 October 2019, and the 1<sup>st</sup> instalment was paid during the year 2016.

12.2 Investment properties of a local subsidiary are pledged against Islamic debt instruments of these murabaha payables (note 11).

12.3 The effective cost rate of the Islamic debt instruments is 5.25% (31 December 2016: 5.25% and 31 March 2016: 5%).



## Notes to the interim condensed consolidated financial information (continued)

### 13 Bonds issued

- 13.1 In 2014 the management of the Parent Company commenced negotiations with its bondholders to restructure its dues and during the 3<sup>rd</sup> quarter of 2014, the management of the Parent Company has submitted a proposal to the bondholders to settle 50% of the amounts due in cash and consequently the bondholders to agree to waive 20% of their dues (including interest) and to swap their remaining 30% of the outstanding bonds into an equity stake in the Parent Company. The planned debt to equity swap will result in bonds with a value of KD3,596,400 (30%) being converted into 35,964,000 new shares in the Parent Company's share capital at par value of 100 fils per share.

Consequent to the above proposal, during the 1<sup>st</sup> quarter of 2015, the Group reached an agreement with a bondholder (through a foreign subsidiary) to whom an amount of KD1,350,000 was due as of 31 December 2013 (2014: reached an agreement with bondholders to whom amounts totalling to KD9,738,000 were due as of 31 December 2013) to settle 50% of the amounts due in cash and consequently the bondholder has agreed to waive 20% of the dues and to swap the remaining 30% of the outstanding bonds into an equity stake in the Parent Company.

Consequent to these agreements reached, the Group through its foreign subsidiary settled in cash 50% of the above mentioned dues amounting to KD675,000 during the 1<sup>st</sup> quarter of 2015 (KD4,869,000 during 2014) and the gain which resulted from the waiver of the principle and interest due amounting to KD270,000 was recognised as income during the 1<sup>st</sup> quarter of 2015 (KD2,519,032 was recognised as income in 2014). Accordingly during the 2<sup>nd</sup> quarter of the year 2015, upon completion of the debt to equity swap, the Parent Company issued 33,264,000 new shares to these bondholders in settlement of the remaining balance due to them which amounted to KD3,326,400 as at 31 December 2014 and 31 March 2015.

Consequent to the above the foreign subsidiary of the Group has re-purchased approximately 92.5% of the bonds issued as of 31 December 2013 and the Parent Company's bonds issued balance has decreased to KD900,000 at 31 March 2017.

- 13.2 On 30 November 2014, the bondholders (referred to in 13.1 above) agreed to extend the due date of the bonds issued to 18 November 2016 and to reduce the interest on fixed interest bearing bonds to 1% fixed interest rate and floating bonds to bear floating interest rate at maximum 1% per annum (previously fixed interest bearing bonds carry interest rate at 8.875% per annum and the floating interest bearing bonds carry interest rate at 5.5% per annum over the Central Bank of Kuwait discount rate). Interest is payable semi-annually in arrears. On 10 November 2016, the bondholders (referred to in note 13.1 above) met again and agreed to extend the due date of the bonds issued to 18 November 2019 and to reduce the interest on fixed interest bearing bonds to 0.5% fixed interest rate and floating bonds to bear floating interest rate at maximum 0.5% per annum. The bondholders owning the remaining bonds with a carrying value of KD900,000 out of the Bonds issued balance as of 31 December 2013 (representing 7.5% of the bondholders) has filed a legal case against the Parent Company and further one of the old bondholders (who previously owned bonds with a carrying value of KD900,000 out of the bonds issued balance as of 31 December 2013, representing 7.5% of the bondholders as of that date, and who has now become a shareholder due to the debt to equity swap) has also filed a legal case against the Parent Company. However the Group's management is confident that the legal cases have no basis and is confident that the case will be decided in favour of the Parent Company.

## Notes to the interim condensed consolidated financial information (continued)

### 14 Share capital

	31 March 2017		31 Dec. 2016		31 March 2016	
	Authorised	Issued and paid-up in cash	Authorised	Issued and paid-up in cash	Authorised	Issued and paid-up in cash
Shares of 100 Fils each	669,543,510	669,543,510	669,543,510	669,543,510	669,543,510	669,543,510

Subject to shareholders' approval and the approval of the relevant authorities, the board of directors at their meeting held on 27 March 2017 proposed to set-off accumulated losses of KD35,929,760 against the share capital of the Parent Company. accordingly, the share capital of the Parent Company will be reduced to KD31,024,591 distributed among 310,245,910 shares.

### 15 Related party 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.

Significant transactions and balances with related parties included in the interim condensed consolidated financial information are as follows:

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
<b>Balances in the interim condensed consolidated statement of financial position:</b>			
Due from related parties (see note 8)	279,041	276,675	239,309
Due to related parties ** (included under accounts payable and other liabilities)	4,589,249	4,882,523	4,679,058
Due to related parties (included within trade payables)	1,443,299	1,443,299	1,443,891

\*\* Due to related parties includes interest free advances totalling KD4,276,250 (31 December 2016: KD4,282,625 and 31 March 2016: KD4,161,625) from an associate (KD1,526,250) and another related party (KD2,750,000) with no specific repayment terms, and the management does not anticipate repayment within a year.

	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
<b>Transactions included in the interim condensed consolidated statement of profit or loss:</b>		
Management fees & other income	33,897	17,818
<b>Key management compensation:</b>		
Short term benefits	68,601	67,024
Employees end of service indemnity	7,969	7,089

## Notes to the interim condensed consolidated financial information (continued)

### 16 Segmental information

The Group's activities are concentrated in three main segments: real estate, investment and finance. The segments' results are based on internal management reporting information that is reported to the higher management of the Group.

The following is the segments information, which conforms with the internal reporting presented to management.

	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
<b>Three months ended 31 March 2017</b>					
Income	133,727	200,781	10,032	36,990	381,530
Expenses and other charges	(154,813)	(326,627)	(15,318)	(35,952)	(532,710)
(Loss)/profit for the period	(21,086)	(125,846)	(5,286)	1,038	(151,180)
<b>Total assets</b>	<b>12,566,743</b>	<b>20,572,376</b>	<b>-</b>	<b>276,567</b>	<b>33,414,686</b>
<b>Total liabilities</b>	<b>4,318,654</b>	<b>5,200,271</b>	<b>915,034</b>	<b>4,627,698</b>	<b>15,061,657</b>
<b>Three months ended 31 March 2016</b>					
Income	126,926	(77,477)	9,103	150,957	209,509
Expenses and other charges	(22,103)	(4,994,429)	(60,356)	(440,756)	(5,517,644)
Profit/(loss) for the period	104,823	(5,071,906)	(51,253)	(289,799)	(5,308,135)
<b>Total assets</b>	<b>15,194,688</b>	<b>32,491,164</b>	<b>-</b>	<b>514,523</b>	<b>48,200,375</b>
<b>Total liabilities</b>	<b>4,655,804</b>	<b>5,209,608</b>	<b>915,134</b>	<b>4,710,368</b>	<b>15,490,914</b>

## Notes to the interim condensed consolidated financial information (continued)

### 17 Financial Instruments

#### 17.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Receivables (at amortised cost):			
• Cash and cash equivalents	4,066,345	4,240,051	4,807,579
• Accounts receivable and other assets	5,282,146	5,348,395	13,726,214
	<b>9,348,491</b>	<b>9,588,446</b>	<b>18,533,793</b>
Held to maturity investments (at amortised cost):			
• Investment in bonds	100,000	100,000	100,000
	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
Assets at fair value through profit or loss			
• Investments at fair value through profit or loss			
- Designated on initial recognition	1,406,134	1,466,408	1,701,877
	<b>1,406,134</b>	<b>1,466,408</b>	<b>1,701,877</b>
Available for sale investments (refer note 9)			
• At fair value	3,909,428	3,666,806	4,207,981
• At cost / cost less impairment	616,436	616,436	1,486,281
	<b>4,525,864</b>	<b>4,283,242</b>	<b>5,694,262</b>
	<b>15,380,489</b>	<b>15,438,096</b>	<b>26,029,932</b>
Other financial liabilities:			
• Accounts payable and other liabilities	10,008,192	10,434,534	10,100,469
• Borrowings	3,638,938	3,606,871	4,089,434
• Bonds	900,000	900,000	900,000
	<b>14,547,130</b>	<b>14,941,405</b>	<b>15,089,903</b>

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. In the opinion of the Parent Company's management, except for certain available for sale investments which are carried at cost less impairment for reasons specified in note 9, the carrying amounts of financial assets and liabilities as at 31 March 2017 and 31 December 2016 approximate their fair values.

#### 17.2 Fair value hierarchy for financial instruments measured at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

## Notes to the interim condensed consolidated financial information (continued)

### 17 Financial instruments (continued)

#### 17.2 Fair value hierarchy for financial instruments measured at fair value (continued)

The financial assets and liabilities measured at fair value on a recurring basis in the interim consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
<b>31 March 2017</b>					
<b>Assets at fair value</b>					
Investments at fair value through profit loss					
- Quoted shares	a	730,521	-	-	730,521
- Mutual funds	b	-	157,279	-	157,279
- Unquoted shares	c	-	-	518,334	518,334
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	2,169,461	2,169,461
o Foreign	c	-	-	194,084	194,084
- Private equity funds	d	-	-	312,389	312,389
- Direct equity funds	d	-	-	242,263	242,263
- Portfolios managed by others					
o Foreign quoted	a	226,791	-	-	226,791
o Local unquoted	e	-	-	133,496	133,496
o Foreign unquoted	e	-	-	630,944	630,944
<b>Total assets</b>		<b>957,312</b>	<b>157,279</b>	<b>4,200,971</b>	<b>5,315,562</b>
<b>31 December 2016</b>					
<b>Assets at fair value</b>					
Investments at fair value through profit or loss					
- Quoted shares	a	790,313	-	-	790,313
- Mutual funds	b	-	157,761	-	157,761
- Unquoted shares	c	-	-	518,334	518,334
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	1,918,610	1,918,610
o Foreign	c	-	-	171,677	171,677
- Private equity funds	d	-	-	272,738	272,738
- Direct equity funds	d	-	-	224,585	224,585
- Portfolios managed by others					
o Foreign quoted	a	316,393	-	-	316,393
o Local unquoted	e	-	-	133,496	133,496
o Foreign unquoted	e	-	-	629,307	629,307
<b>Total assets</b>		<b>1,106,706</b>	<b>157,761</b>	<b>3,868,747</b>	<b>5,133,214</b>

During the three-month period ended 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements.

## Notes to the interim condensed consolidated financial information (continued)

### 17 Financial instruments (continued)

#### Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

#### a) Quoted shares/quoted REIT

All quoted 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) Mutual funds

The underlying investments of these funds comprise of quoted securities and the fair value of the investment as of the reporting date is determined based on net asset values reported by the fund manager.

#### c) Unquoted shares

These represent holdings in local and foreign unlisted securities which are measured at fair value. Fair value is estimated based on the net asset value reported in the latest available financial information, discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

#### d) Private and direct equity funds

The underlying investments in these private and direct equity funds mainly represent local and foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

#### e) Portfolios managed by others

The underlying investments in managed portfolios represent quoted and unquoted securities. They are valued based on latest fund managers' reports.

#### Level 3 Fair value measurements

The Group's measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Opening balance	3,868,747	5,648,588	5,648,588
Change in fair value	293,091	(607,790)	(43,472)
Disposals during the period/year	-	(160,693)	(138,781)
Additions during the period/year	39,133	-	-
Movement between level 3 and carried at cost	-	(314,483)	(1,149,628)
Transferred to level 1 (due to listing)	-	(457,059)	(314,483)
Impairment of level 3 investments	-	(239,816)	(32,308)
<b>Closing balance</b>	<b>4,200,971</b>	<b>3,868,747</b>	<b>3,969,916</b>
Total amount included in profit or loss for unrealised gain on level 3 instruments under investments at fair value through profit or loss	-	(373,753)	(198,938)

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

## Notes to the interim condensed consolidated financial information (continued)

### **18 Assets under management**

The Group manages mutual funds, portfolios on behalf of its major shareholders, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 31 March 2017 amounted to KD52,134,168 (31 December 2016: KD50,480,335 and 31 March 2016: KD46,493,257) of which assets managed on behalf of its related parties amounted to KD Nil (31 December 2016: KD Nil and 31 March 2016: KD10,000,000).

During the period total fees earned by the Group from assets under management amounted to KD11,929 (31 December 2016: KD KD75,147 and 31 March 2016: KD10,782).

### **19 Capital commitments**

As of 31 March 2017, the Group has capital commitments with regard to its investment properties under development amounting to KD65,000 (31 December 2016: KD90,000 and 31 March 2016: KD222,000).

### **20 Proposed dividend**

The Board of Directors proposed not to distribute any dividend for the year ended 31 December 2016. This proposal is subject to the approval of the general assembly of the shareholders.