

Interim condensed consolidated financial information and review report
Al Mal Investment Company – KPSC and Subsidiaries
Kuwait

31 March 2015 (Unaudited)

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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 2015 and the related interim condensed consolidated statements of profit or loss, 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.

Basis for Qualified Conclusion

As more fully explained in note 9 to the interim condensed consolidated financial information, the Group has not been able to obtain latest financial information for a certain foreign associate. There were no practicable review procedures available to us to ascertain the impact on this interim condensed consolidated financial information as a result of the non-availability of the latest financial information relating to this foreign associate.

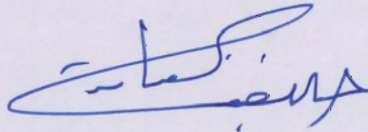
Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion 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.

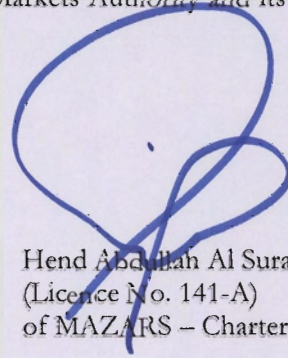
Report on review of other legal and regulatory requirements

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. 25 of 2012 and its Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2015 that might have had a material effect on the business or financial position of the Group.

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 2015.



Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners



Hend Abdulla Al Surayea
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of MAZARS – Chartered Accountants

Kuwait
13 May 2015

Interim condensed consolidated statement of profit or loss

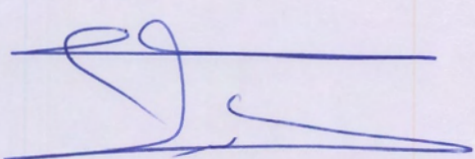
	Note	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Income			
Realised gain/(loss) on disposal of available for sale investments		24,849	(113,788)
Realised loss on disposal of investment property	10	-	(17,441,140)
Dividend income		-	114,548
Gain on settlement of bonds	12	270,000	-
Share of results of associates	9	74,054	23,883
Interest income		4,043	16,291
Net income from communication services		22,372	32,571
Management fees and other income	4	598,525	281,062
Foreign exchange gain		170,725	33,072
		1,164,568	(17,053,501)
Expenses and other charges			
Finance costs		189,792	762,246
Staff costs		312,035	263,882
General, administrative and other expenses		178,781	163,519
Impairment of available for sale investments	8.3	315,916	40,911
		996,524	1,230,558
Profit/(loss) for the period		168,044	(18,284,059)
Attributable to :			
Owners of the parent company		137,467	(14,896,316)
Non-controlling interests		30,577	(3,387,743)
		168,044	(18,284,059)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY			
	5	0.26 Fils	(28.20) Fils

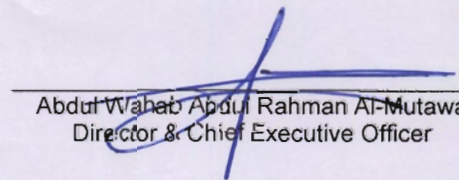
Interim condensed consolidated statement of comprehensive income

	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Profit/(loss) for the period	168,044	(18,284,059)
Other comprehensive income:		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	(103,222)	40,103
Available for sale investments:		
- Net changes in fair value arising during the period	(115,920)	(7,610)
- Transferred to consolidated statement of profit or loss on disposal	(24,849)	156,749
- Transferred to consolidated statement of profit or loss on impairment	315,916	40,911
Share of other comprehensive income of associates	134,054	25,881
Total other comprehensive income for the period	205,979	256,034
Total comprehensive income for the period	374,023	(18,028,025)
Total comprehensive income attributable to:		
Owners of the parent company	381,036	(14,673,750)
Non-controlling interests	(7,013)	(3,354,275)
	374,023	(18,028,025)

Interim condensed consolidated statement of financial position

	Note	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Assets				
Cash and cash equivalents	6	5,765,140	9,575,373	40,540,256
Investments at fair value through profit or loss		150,363	-	796,955
Accounts receivable and other assets	7	26,623,365	23,528,359	21,787,278
Available for sale investments	8	4,368,122	4,644,283	8,047,137
Investment in sukuk		811,469	891,602	3,878,792
Investment in associates	9	12,089,092	12,452,235	12,551,879
Investment properties	10	11,732,878	11,751,167	8,532,644
Property and equipment		49,072	49,750	33,338
Goodwill		90,332	90,332	90,332
Total assets		61,679,833	62,983,101	96,258,611
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		10,862,203	11,687,748	13,663,226
Borrowings	11	15,750,816	15,685,469	46,050,589
Bonds	12	4,226,400	5,171,400	11,988,000
Employees' end of service indemnity		334,032	306,125	308,501
Total liabilities		31,173,451	32,850,742	72,010,316
Equity				
Share capital	13	52,828,125	52,828,125	52,828,125
Foreign currency translation reserve		(423,382)	(491,804)	(782,869)
Cumulative changes in fair value		(346,626)	(521,773)	689,483
Accumulated losses		(27,327,074)	(27,464,541)	(37,547,465)
Equity attributable to owners of the parent		24,731,043	24,350,007	15,187,274
Company		24,731,043	24,350,007	15,187,274
Non-controlling interests		5,775,339	5,782,352	9,061,021
Total equity		30,506,382	30,132,359	24,248,295
Total liabilities and equity		61,679,833	62,983,101	96,258,611


Abdulkareem Abdullah Al-Muttawa
Chairman


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

erim condensed consolidated statement of changes in equity (Unaudited)

	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 2015 (audited)	52,828,125	(491,804)	(521,773)	(27,464,541)	24,350,007	5,782,352	30,132,359	
Profit for the period	-	-	-	137,467	137,467	30,577	168,044	
Other comprehensive income for the period	-	68,422	175,147	-	243,569	(37,590)	205,979	
Total comprehensive income for the period	-	68,422	175,147	137,467	381,036	(7,013)	374,023	
Balance as at 31 March 2015 (unaudited)	52,828,125	(423,382)	(346,626)	(27,327,074)	24,731,043	5,775,339	30,506,382	

notes set out on pages 9 to 20 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited) (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 2014	52,828,125	(815,385)	499,433	(22,651,149)	29,861,024	12,415,296	42,276,320	
Net income for the period	-	-	-	(14,896,316)	(14,896,316)	(3,387,743)	(18,284,059)	
Other comprehensive income for the period	-	32,516	190,050	-	222,566	33,468	256,034	
Total comprehensive income for the period	-	32,516	190,050	(14,896,316)	(14,673,750)	(3,354,275)	(18,028,025)	
Balance as at 31 March 2014	52,828,125	(782,869)	689,483	(37,547,465)	15,187,274	9,061,021	24,248,295	

Notes set out on pages 9 to 20 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
OPERATING ACTIVITIES			
Profit/(loss) for the period		168,044	(18,284,059)
Adjustments for:			
Impairment of available for sale investments		315,916	40,911
Realised (gain)/ loss on disposal of available for sale investments		(24,849)	113,788
Realised loss on disposal of investment property		-	17,441,140
Dividend income		-	(114,548)
Gain on settlement of bonds		(270,000)	-
Share of results of associates		(74,054)	(23,883)
Depreciation		5,508	4,876
Provision for employees end of service benefits		39,435	22,464
interest income		(4,043)	(16,291)
Finance costs		189,792	762,246
		345,749	(53,356)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		(150,363)	(13)
Accounts receivable and other assets		(3,095,006)	(1,600,805)
Accounts payable and other liabilities		(952,362)	895,231
Cash used in operations		(3,851,982)	(758,943)
Employee end of service benefits paid		(11,528)	-
Net cash used in operating activities		(3,863,510)	(758,943)
INVESTING ACTIVITIES			
Increase in deposits maturing after three months		(500,000)	-
Net changes in investment in sukuk		80,133	18,922
Additions to property and equipment		(4,830)	-
Proceeds from sale/redemption of available for sale investments		160,241	331,974
Additions to investment properties		(12,290)	(1,169,311)
Proceeds from sale of investment property		-	50,042,665
Dividend received from associates		500,980	-
Dividend income received		-	114,548
Interest income received		4,043	16,291
Net cash from investing activities		228,277	49,355,089
FINANCING ACTIVITIES			
Finance costs paid		-	(842,299)
Repayment of bonds		(675,000)	(12,461,907)
Net cash used in financing activities		(675,000)	(13,304,206)
Net (decrease)/increase in cash and cash equivalents		(4,310,233)	35,291,940
Cash and cash equivalents at beginning of the period		8,975,373	5,248,316
Cash and cash equivalents at end of the period	6	4,665,140	40,540,256

The notes set out on pages 9 to 20 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 2015 was authorised for issue by the Parent Company’s board of directors on 13 May 2015.

The annual consolidated financial statements for the year ended 31 December 2014 were authorised for issuance by the board on 16 March 2015 and approved by the shareholders at the Annual General Meeting held on 15 April 2015.

2 Basis of presentation

This interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2015 has been prepared in accordance with IAS 34, Interim Financial Reporting, except as noted below.

The annual consolidated financial statements for the year ended 31 December 2014 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (“CBK”). These regulations require adoption of all International Financial Reporting Standards (“IFRS”) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK’s requirement for a minimum general provision made on all applicable credit facilities (Net of certain categories of collateral) that are not provided for specifically.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars (“KD”) which is the functional and presentation currency of the parent company.

This interim condensed consolidated financial information does not contain all the information and disclosures required for complete financial statements prepared in accordance with 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 presentation (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 2014.

Operating results for the three-months period ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For further details, refer to the annual consolidated financial statements and its related disclosures for the year ended 31 December 2014.

3 Changes to accounting policies

The interim condensed consolidated financial information have 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 2014. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although there are certain new standards and amendments which apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statement of the Group or the interim condensed consolidated financial information of the Group.

4 Management fees and other income

	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Management and consultancy fees	45,212	142,549
Rent income	150,148	138,151
Gain on settlement of accounts payable	399,171	-
Other Income	3,994	362
	598,525	281,062

During the current quarter, one of the Group's subsidiaries has settled certain accounts payable and the creditor has waived and amount of KD399,171 which has been recognised as income in the interim financial information.

5 Basic and diluted earnings/(loss) per share

Earnings/(loss) per share is calculated by dividing the profit/(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 2015 (Unaudited)	Three months ended 31 March 2014 (Unaudited)
Profit/(loss) for the period attributable to the owners of the parent (KD)	137,467	(14,896,316)
Weighted average number of shares outstanding during the period (excluding treasury shares)	528,281,250	528,281,250
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company (Fils)	0.26	(28.20)

Notes to the interim condensed consolidated financial information (continued)

5 Basic and diluted profit/(loss) per share (continued)

The following potential shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share:

	Three months ended 31 March 2015 (Unaudited)	Three months ended 31 March 2014 (Unaudited)
Conversion of potential ordinary shares outstanding at the end of the reporting period into ordinary shares (refer note 13)		
- Debt to equity swap related to borrowings	107,998,260	-
- Debt to equity swap related to bonds	33,264,000	-
	141,262,260	-

6 Cash and cash equivalents

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Cash and bank balances	2,988,619	8,801,823	8,633,962
Short term deposits	2,758,563	754,775	31,898,805
Cash balances with portfolio managers	17,958	18,775	7,489
Cash and cash equivalent as per interim condensed consolidated statement of financial position	5,765,140	9,575,373	40,540,256
Less: Term deposit maturing after three months	(1,100,000)	(600,000)	-
Cash and cash equivalents as per interim condensed consolidated statement of cash flow	4,665,140	8,975,373	40,540,256

Short term deposits carry average effective interest rate of 0.77% (31 December 2014: 0.91% and 31 March 2014: 0.98%).

7 Accounts receivable and other assets

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Advance payment to purchase investments	2,759,630	1,730,123	2,049,760
Refundable development expenses (7.1)	17,912,812	17,458,442	16,932,541
Due from related parties	5,395,852	3,922,651	1,752,085
Trade receivables	358,232	294,741	224,742
Accrued income & Dividends receivable	50,895	32,120	340,194
Receivable in relation to proceeds on sale of investments	-	-	462,025
Other assets	145,944	90,282	25,931
	26,623,365	23,528,359	21,787,278

Notes to the interim condensed consolidated financial information (continued)

7 Accounts receivable and other assets (continued)

- 7.1 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.

During the 3rd quarter of the previous year, Knowledge Economic City (KEC) - Kingdom of Saudi Arabia (the relevant Saudi authority), has announced through different media channels the termination of Al-Mal Investment Contract (Developer of Prince Abdul Aziz Bin Musaed economic city – located in Hael) and assigning the development to Governmental parties. The management of the Parent Company is currently contacting 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.

Accordingly based on the discussions to date with the relevant Saudi authorities and upon consultations 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 above refundable development expenses is recoverable in full.

8 Available for sale investments

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Investments in unquoted shares	2,963,935	3,048,281	5,643,921
- Local	1,837,641	1,911,999	2,527,244
- Foreign	1,126,294	1,136,282	3,116,677
Investments in private equity funds	625,173	654,676	1,244,575
- Foreign	625,173	654,676	1,244,575
Investments in direct equity funds	728,439	890,751	946,171
- Local	728,439	890,751	903,346
- Foreign	-	-	42,825
Investments in portfolios managed by others	50,575	50,575	212,470
- Local	37,468	37,468	64,623
- Foreign	13,107	13,107	147,847
	4,368,122	4,644,283	8,047,137

- 8.1 Available for sale investments include investments of KD333,807 (31 December 2014: KD Nil and 31 March 2014: KD2,475,097), 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.
- 8.2 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.
- 8.3 During the period, the Group recognised an impairment loss of KD315,916 (31 March 2014: KD40,911) for certain local and other foreign unquoted investments, based on estimates made by management and the net asset values reported by investment managers.

Notes to the interim condensed consolidated financial information (continued)

9 Investment in associates

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

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Opening balance	12,452,235	12,487,150	12,487,150
Share of results	74,054	214,828	23,883
Groups share of associates change in other comprehensive income	134,054	357,996	25,881
Dividend received	(500,980)	(588,712)	-
Exchange differences arising on translation of foreign operations	(70,271)	(19,027)	14,965
Ending balance	12,089,092	12,452,235	12,551,879

The Group has accounted for its 20% investment in Falcon Aviation Group Limited (British Virgin Islands) using the financial information as at 30 September 2014 adjusted for effects of significant transactions/events that have occurred between 30 September 2014 and 31 December 2014. Management has been unable to obtain the latest financial information. The carrying amount of the foreign associate included in the total assets of the Group as of 31 March 2015 is KD4,173,971 (31 December 2014: KD4,674,952) representing 6.8% of the total assets of the Group. The net profit of this associate reported by the Group for the year ended 31 December 2014, was KD2,424,990. based on the associates financial information as of 30 September 2014, adjusted for effects of significant transactions/events that have occurred between 30 September 2014 and 31 December 2014. The Group received dividends of KD500,980 during the current quarter which has been reduced from the carrying value of the investment.

10 Investment properties

10.1 The movement for investment properties is as follows:

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Opening balance	11,751,167	74,861,147	74,861,147
Additions during the period/year	12,290	4,417,311	1,169,311
Disposals during the period/year	-	(67,483,805)	(67,483,805)
Change in fair value	-	(118,291)	-
Foreign currency translation adjustment arising on consolidation	(30,579)	74,805	(14,009)
	11,732,878	11,751,167	8,532,644

10.2 Investment properties with a carrying value of KD6,672,943 (31 December 2014: KD6,632,532 and 31 March 2014: KD6,192,558) of a local subsidiary are pledged against Islamic debt instruments of the same subsidiary.

10.3 During the 1st quarter of the previous year, the Group disposed the investment property which was subject to an Ijara financing facility, with a carrying value of KD67,483,805, for a net consideration of KD50,042,665 resulting in a net loss of KD17,441,140.

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

Notes to the interim condensed consolidated financial information (continued)

11 Borrowings

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Loans	7,499,826	7,499,826	28,401,583
Islamic debt instruments - Murabaha payables	8,250,990	8,185,643	17,649,006
	15,750,816	15,685,469	46,050,589

The following is the maturity analysis of loans and Islamic debt instruments:

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Less than 1 year	15,750,816	15,685,469	43,459,371
From 1 year to 5 years	-	-	2,591,218
	15,570,816	15,685,469	46,050,589

11.1 Loans and facilities have been granted to the parent company based on negative pledges on the Parent Company's assets.

11.2 During the year 2013 the management of the Parent Company commenced negotiations with all its lenders to restructure its dues and successfully reached the following agreements with its lenders:

- a) reached an agreement with a local bank to whom a principle amount of KD3,401,583 plus interest was due as at 31 March 2014. As per the agreement the Parent Company settled in cash an amount of KD2,500,000 and the bank waived off the remaining principal and interest thereon. This has resulted in a gain of approximately KD1,020,610 (including interest) being recognised as income during the 2nd quarter of 2014.
- b) has also reached an agreement with three of the lenders to whom amounts totalling to KD36,000,000 were due as of 31 March 2014 to settle 50% of the amounts due in cash and consequently the lenders have agreed to waive 20% of the dues (including waiver of part of the interest dues) and to swap the remaining 30% of the debt into an equity stake in the Parent Company.

Consequent to these agreements reached, the Parent Company settled in cash 50% of the above mentioned dues amounting to KD18,000,174 during the 2nd quarter of 2014 and the gain which resulted from the waiver of the principal and interest amounting to KD7,199,885 was recognized as income during the 2nd quarter. The details of the debt to equity swap for the remaining balance due of KD 10,799,826 (KD7,499,826 included under loans and KD3,300,000 included under murabaha payable) are disclosed in note 13.

11.3 During the 3rd quarter of the 2013, a local subsidiary obtained Ijara financing from a Qatari financial institution for a total amount of KD12,263,490 which was fully settled during the 1st quarter of 2014 from the proceeds on sale of an investment property (refer note 10.3).

11.4 Investment properties of a local subsidiary are pledged against the Islamic Debt Instruments of KD4,950,990 (31 December 2014: KD4,885,643 and 31 March 2014: KD6,192,558).

11.5 The effective interest rate of loans is 6% (31 December 2014: 6% and 31 March 2014: 6.606%). The effective cost rate of the Islamic debt instruments is 5.5% (31 December 2014: 5.5% and 31 March 2014: 5.57%).

Notes to the interim condensed consolidated financial information (continued)

12 Bonds

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Bonds issued	900,000	2,250,000	11,988,000
Payable related to bonds	3,326,400	2,921,400	-
	4,226,400	5,171,400	11,988,000

12.1 In 2014 the management of the Parent Company commenced negotiations with its bondholders to restructure its dues and during the 3rd quarter of the previous year, 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 current quarter, 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 current quarter (KD4,869,000 during the previous year) and the gain which resulted from the waiver of the principle and interest due amounting to KD270,000 was recognised as income during the current quarter (KD2,519,032 was recognised as income in 2014). The balance of KD3,326,400 (31 December 2014: KD2,921,400 and 31 March 2014: KD Nil) due to the previous bondholders and which is to be converted to shares in the Parent Company have been included above as payable related to bonds. 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 2015.

The details of the debt to equity swap are disclosed in note 13.

12.2 On 30 November 2014, the bondholders (referred to in 12.1 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. One of the bondholders owning 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. However the Group's management is confident that the legal case has 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)

13 Share capital

	31 March 2015		31 Dec 2014		31 March 2014	
	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	672,243,510	528,281,250	672,243,510	528,281,250	528,281,250	528,281,250

On 13 August 2014, the board of directors of the Parent Company's proposed to increase the Parent Company's share capital by KD14,396,226 distributed on 143,962,260 shares at par value of 100fils to be issued to the Parent Company's Lenders (banks and bondholders) by converting part of their debt into capital contribution along with waiving off the current shareholders right in subscribing in the capital increase.

Subsequently, on 25 September 2014, the Parent Company received the relevant authority's approval on the proposed capital increase and, the shareholders of the Parent Company at the Extraordinary General Assembly held on 25 November 2014, approved the board of director's proposal to increase the capital. On 8 December 2014, the Parent Company's Article of Association has been amended and recorded in the register of Ministry of Commerce to incorporate the revised authorised share capital of KD67,224,351 (consisting of 672,243,510 shares of 100 Fils each).

Subsequently, lenders and bondholders to whom an amount of KD10,799,826 and KD3,326,400 were due as at 31 December 2014, respectively, have subscribed in the capital increase and accordingly their debt will be swapped into equity contribution in the Parent Company's share capital once the share certificates are issued (refer note 11 & 12).

Consequently, the Parent Company's paid up capital will increase to KD66,954,351 distributed on 669,543,510 shares at 100fils per share and the management of the Parent Company expects the share register to be updated and all legal formalities to be completed during the 2nd quarter of 2015.

Subsequent Event

At the Extraordinary General Assembly held on 4 May 2015, the shareholders of the Parent Company approved to decrease the authorised shares capital from KD67,224,351 to 66,954,351. Further, the shareholders approved to amend the Parent Company's article (5) of the Article of association and Article (4) of the Memorandum of Incorporation related to the Company's objectives.

14 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 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Balances in the interim condensed consolidated statement of financial position:			
Due from related parties (see note 7)	5,395,852	3,922,651	1,752,085
Due to related parties ** (included under accounts payable and other liabilities)	5,649,634	3,725,444	3,751,379
Due to related parties (included within trade payables)	-	1,631,229	1,570,380

** Due to related parties includes an interest free advance of KD4,253,625 (31 December 2014: KD2,750,000 and 31 March 2014: KD2,750,000) from an associate (KD1,503,625) and another related party (KD2,750,000) with no specific repayment terms.

Notes to the interim condensed consolidated financial information (continued)

14 Related party transactions (continued)

	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss:		
Management fees	18,434	21,514
Key management compensation:		
Short term benefits	64,873	80,140
Employees end of service indemnity	5,692	29,273

15 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
Three months ended 31 March 2015					
Income	150,148	144,115	274,043	596,262	1,164,568
Expenses and other charges	(64,638)	(315,916)	(189,792)	(426,178)	(996,524)
Profit/(loss) for the period	85,510	(171,801)	84,251	170,084	168,044
Total assets	11,732,877	37,884,492	3,570,032	8,492,432	61,679,833
Total liabilities	-	6,437,462	21,050,383	3,685,606	31,173,451
Three months ended 31 March 2014					
Income	(17,302,989)	24,642	16,291	208,555	(17,053,501)
Expenses and other charges	(86,347)	(40,911)	(762,246)	(341,054)	(1,230,558)
Loss for the period	(17,389,336)	(16,269)	(745,955)	(132,499)	(18,284,059)
Total assets	8,532,643	40,963,799	36,590,859	10,171,310	96,258,611
Total liabilities	1,330,569	7,629,795	58,290,799	4,759,153	72,010,316

Notes to the interim condensed consolidated financial information (continued)

16 Financial Instruments

16.1 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 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Receivables (at amortised cost):			
• Cash and cash equivalents	5,765,140	9,575,373	40,540,256
• Accounts receivable and other assets	26,623,365	23,528,359	21,787,278
• Investments in sukuk	811,469	891,602	3,878,792
	33,199,974	33,995,334	66,206,326
Assets at fair value through profit or loss			
• Investments at fair value through profit or loss			
- Designated on initial recognition	150,363	-	796,955
	150,363	-	796,955
Available for sale investments (refer note 8)			
• At fair value	4,034,315	4,644,283	5,572,040
• At cost / cost less impairment	333,807	-	2,475,097
	4,368,122	4,644,283	8,047,137
	37,718,459	38,639,617	75,050,418
Other financial liabilities:			
• Accounts payable and other liabilities	10,862,203	11,687,748	13,663,226
• Borrowings	15,750,816	15,685,469	46,050,589
• Bonds	4,226,400	5,171,400	11,988,000
	30,839,419	32,544,617	71,701,815

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 and investments at fair value through profit or loss which are carried at cost less impairment for reasons specified below and in note 10, the carrying amounts of financial assets and liabilities as at 31 March 2015 and 31 December 2014 approximate their fair values.

Based on the latest information available, the Group's management is of the view that the foreign unquoted investments which are classified under investment at fair value through profit or loss are irrecoverable and has decided to carry the investments at KD Nil (31 December 2014: KD Nil and 31 March 2014: KD796,955).

16.2 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).

Notes to the interim condensed consolidated financial information (continued)

16 Financial instruments (continued)

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

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.

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
31 March 2015					
Assets at fair value					
Investments at fair value through profit loss					
- Mutual funds	a	-	150,363	-	150,363
Available for sale investments:					
- Unquoted shares	b	-	-	2,630,128	2,630,128
- Private equity funds	c	-	-	625,173	625,173
- Direct equity funds	c	-	-	728,439	728,439
- Portfolios managed by others	d	-	-	50,575	50,575
Total assets		-	150,363	4,034,315	4,184,678
31 December 2014					
Assets at fair value					
Available for sale investments:					
- Unquoted shares	b	-	-	3,048,281	3,048,281
- Private equity funds	c	-	-	654,676	654,676
- Direct equity funds	c	-	-	890,751	890,751
- Portfolios managed by others	d	-	-	50,575	50,575
Total assets		-	-	4,644,283	4,644,283

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 data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Opening balance	4,644,283	4,226,685	4,226,685
Change in fair value	(115,920)	(709,823)	(7,610)
Disposals during the period/year	(160,241)	(2,731,207)	(563,528)
Additions during the period/year	-	274,879	274,879
Movement between level 3 and carried at cost	(333,807)	4,117,074	1,682,525
Impairment of level 3 investments	-	(533,325)	(40,911)
Closing balance	4,034,315	4,644,283	5,572,400

During the three-month period ended 31 March 2015, there were no transfers between Level 1 and Level 2 fair value measurements. 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)

16 Financial instruments (continued)

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

Measurement at fair value

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

a) 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.

b) 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.

c) 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.

d) Portfolios managed by others

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

17 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 2015 amounted to KD66,628,377 (31 December 2014: KD66,493,257 and 31 March 2014: KD73,078,067) of which assets managed on behalf of its related parties amounted to KD10,000,000 (31 December 2014: KD10,000,000 and 31 March 2014: KD10,000,000).

18 Dividend

The general assembly of the shareholders held on 15 April 2015 has approved the Board of Directors' proposal not to distribute any dividend for the year ended 31 December 2014.