

Interim condensed consolidated financial information and review report

Al Mal Investment Company – KPSC and Subsidiaries

Kuwait

30 September 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 30 September 2015 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 nine-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 10 to the interim condensed consolidated financial information, the latest financial information for a certain foreign associate was not made available to us. 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.

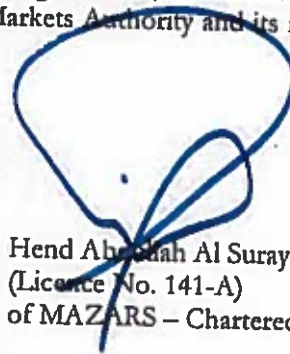
Report on review of other legal and regulatory requirements

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 Memorandum of Incorporation and Articles of Association of the Parent Company's, as amended, have occurred during the nine-month period ended 30 September 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 nine-month period ended 30 September 2015.



Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
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Kuwait
13 January 2016

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD	30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD
Revenue					
Unrealised gain/(loss) from investments at fair value through profit or loss		392,961	-	434,676	(796,942)
Realised (loss)/gain on sale of available for sale investments		-	(986)	71,651	414,748
Realised loss on disposal of investment property	11.3	-	-	-	(17,441,140)
Gain on settlement of borrowings	12	-	-	-	8,220,495
Gain on settlement of bonds	13	-	1,931,311	270,000	1,931,311
Gain on reversal of finance costs due to debt to equity swap	5	-	-	1,095,017	-
Gain on conversion of debt to equity	14.2	-	-	9,323,309	-
Dividend income		53,535	45,216	91,247	318,455
Share of results of associates	10	(1,183,411)	667,140	(1,034,647)	594,748
Change in fair value of investment properties	11	-	-	112,664	151,721
Sukuk & interest income		6,519	4,514	12,925	69,594
Net income from communication services		15,542	36,243	70,958	124,289
Management fees and other income	4	933,467	81,607	1,740,194	758,175
Foreign exchange (loss)/gain		(32,420)	91,797	370,106	49,421
		186,193	2,856,842	12,558,100	(5,605,125)
Expenses and other charges					
Finance costs		42,362	473,010	345,064	1,457,143
Staff costs		188,733	232,621	734,271	768,094
General, administrative and other expenses		197,510	210,353	671,931	570,044
Provision for refundable development expenses	8.2	1,596,804	-	1,596,804	-
Impairment of available for sale investments	9.3	-	42,847	557,002	87,506
		2,025,409	958,831	3,905,072	2,882,787
(Loss)/profit for the period		(1,839,216)	1,898,011	8,653,028	(8,487,912)
Attributable to :					
Owners of the parent company		(1,853,390)	3,961,121	8,566,421	(3,071,982)
Non-controlling interests		14,174	(2,063,110)	86,607	(5,415,930)
		(1,839,216)	1,898,011	8,653,028	(8,487,912)
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY					
	6	(2.77) Fils	7.50 Fils	14.38 Fils	(5.82) Fils

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

	Three months ended		Nine months ended	
	30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD	30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD
(Loss)/profit for the period	(1,839,216)	1,898,011	8,653,028	(8,487,912)
Other comprehensive income:				
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising on translation of foreign operations	(153,971)	110,463	(74,243)	52,990
Available for sale investments:				
- Net changes in fair value arising during the period	(142,746)	(120,393)	409,971	(243,402)
- Transferred to consolidated statement of profit or loss on disposal	-	986	(28,351)	(311,586)
- Transferred to consolidated statement of profit or loss on impairment	-	42,847	557,002	87,506
Share of other comprehensive income of associates	(578,474)	152,840	(517,728)	224,856
Total other comprehensive income for the period	(875,191)	186,743	346,651	(189,636)
Total comprehensive income for the period	(2,714,407)	2,084,754	8,999,679	(8,677,548)
Total comprehensive income attributable to:				
Owners of the parent company	(2,709,669)	4,119,138	8,902,349	(3,311,270)
Non-controlling interests	(4,738)	(2,034,384)	97,330	(5,366,278)
	(2,714,407)	2,084,754	8,999,679	(8,677,548)

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Assets				
Cash and cash equivalents	7	6,937,877	9,575,373	10,448,484
Investments at fair value through profit or loss	17.2	1,883,532	-	-
Accounts receivable and other assets	8	23,791,961	23,528,359	23,184,265
Available for sale investments	9	5,430,662	4,644,283	5,656,186
Investment in sukuk		851,219	891,802	3,662,663
Investment in associates	10	9,657,667	12,452,235	13,259,211
Investment properties	11	11,960,102	11,751,167	10,278,891
Property and equipment		120,039	49,750	55,135
Goodwill		90,332	90,332	90,332
Total assets		60,723,391	62,983,101	66,635,167
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		10,435,820	11,687,748	9,768,947
Borrowings	12	5,083,863	15,685,469	15,918,669
Bonds	13	900,000	5,171,400	7,061,400
Employees' end of service indemnity		368,753	306,125	287,379
Total liabilities		16,788,436	32,850,742	33,036,395
Equity				
Share capital	14	66,954,351	52,828,125	52,828,125
Foreign currency translation reserve		(1,094,386)	(491,804)	(587,190)
Cumulative changes in fair value		416,737	(521,773)	31,950
Accumulated losses		(28,221,429)	(27,464,541)	(25,723,131)
Equity attributable to owners of the Parent		38,055,273	24,350,007	26,549,754
Company		38,055,273	24,350,007	26,549,754
Non-controlling interests		5,879,682	5,782,352	7,049,018
Total equity		43,934,955	30,132,359	33,598,772
Total liabilities and equity		60,723,391	62,983,101	66,635,167


Dherar Mehalhal Al Neseif
Vice Chairman


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

Interim 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		
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
Change of share capital (refer note 14)	14,126,226	-	-	(9,323,309)	4,802,917	-	4,802,917
Net income for the period	-	-	-	8,566,421	8,566,421	86,607	8,653,028
Other comprehensive income for the period	-	(602,582)	938,510	-	335,928	10,723	346,651
Net comprehensive income for the period	-	(602,582)	938,510	8,566,421	8,902,349	97,330	8,999,679
Balance as at 30 September 2015 (unaudited)	66,954,351	(1,094,386)	416,737	(28,221,429)	38,055,273	5,879,682	43,934,955

These figures are 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 (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		
Balance as at 1 January 2014 (audited)	52,828,125	(815,385)	499,433	(22,651,149)	29,861,024	12,415,296	42,276,320
Comprehensive income for the period	-	228,195	(467,483)	(3,071,982)	(3,071,982)	(5,415,930)	(8,487,912)
Comprehensive income for the period	-	228,195	(467,483)	(3,071,982)	(3,311,270)	49,652	(189,636)
Balance as at 30 September 2014 (unaudited)	52,828,125	(587,190)	31,950	(25,723,131)	26,549,754	7,049,018	33,598,772

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	Nine months ended 30 Sept. 2015 (Unaudited) KD	Nine months ended 30 Sept. 2014 (Unaudited) KD
OPERATING ACTIVITIES			
Profit/(loss) for the period		8,653,028	(8,487,912)
Adjustments for:			
Provision for refundable development expenses		1,596,804	-
Impairment of available for sale investments		557,002	87,506
Change in fair value of investment properties		(112,664)	(151,721)
Gain on settlement of borrowings		-	(8,220,495)
Gain on settlement of bonds		(270,000)	(1,931,311)
Net gain on debt to equity swap		(10,418,326)	-
Realised loss on disposal of investment property		-	17,441,140
Realised gain on sale of available for sale investments		(71,651)	(414,748)
Dividend income		(91,247)	(318,455)
Share of results of associates		1,034,647	(594,748)
Depreciation		16,748	4,876
Provision for employees end of service benefits		87,133	53,873
Sukuk & interest income		(12,925)	(69,594)
Finance costs		345,064	1,457,143
		1,313,613	(1,144,446)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		(1,883,532)	796,942
Accounts receivable and other assets		(765,389)	(2,973,996)
Accounts payable and other liabilities		(1,527,018)	(2,222,389)
Cash used in operations		(2,862,326)	(5,543,889)
Employee end of service benefits paid		(24,769)	(117,707)
Net cash used in operating activities		(2,887,095)	(5,661,596)
INVESTING ACTIVITIES			
Net change in investments in sukuk		40,383	235,051
Additions to property and equipment		(87,037)	(22,412)
Proceeds from sale/redemption of available for sale investments		554,136	2,547,333
Additions to available for sale investments		(837,113)	-
Additions to investment properties		(168,739)	(2,741,811)
Proceeds from sale of investment property		16,078	50,042,665
Dividend received from associates		1,302,719	23,796
Dividend income received		91,247	318,455
Sukuk and Interest income received		12,925	69,594
Net cash from Investing activities		924,599	50,472,671
FINANCING ACTIVITIES			
Borrowings paid		-	(34,606,977)
Bonds paid		(675,000)	(3,519,000)
Finance costs paid		-	(1,484,930)
Net cash used in financing activities		(675,000)	(39,610,907)
Net (decrease)/increase in cash and cash equivalents		(2,637,496)	5,200,168
Cash and cash equivalents at beginning of the period		8,975,373	5,248,316
Cash and cash equivalents at end of the period	7	6,337,877	10,448,484

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 nine month period ended 30 September 2015 was authorised for issue by the Parent Company’s board of directors on 13 January 2016.

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 nine-month period ended 30 September 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 nine-months period ended 30 September 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		Nine months ended	
	30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD	30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD
Management and consultancy fees	783,739	(77,768)	889,227	317,151
Rental income	144,143	150,823	441,094	429,614
Gain on settlement of accounts payable	-	-	399,171	-
Other Income	5,585	8,552	10,702	11,410
	933,467	81,607	1,740,194	758,175

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

5 Gain on reversal of finance costs due to debt to equity swap

During the 2nd quarter of the current year, upon completion of the debt to equity swap, the Group reversed the total finance cost accrued on the debt which was swapped into equity (refer note 14) as such finance cost is no longer due.

Notes to the interim condensed consolidated financial information (continued)

6 Basic and diluted (loss)/earnings per share

(Loss)/earnings per share is calculated by dividing the (loss)/profit 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		Nine months ended	
	30 Sept. 2015 (Unaudited)	30 Sept. 2014 (Unaudited)	30 Sept. 2015 (Unaudited)	30 Sept. 2014 (Unaudited)
(Loss)/profit for the period attributable to the owners of the parent (KD)	(1,853,390)	3,961,121	8,566,421	(3,071,982)
Weighted average number of shares outstanding during the period (excluding treasury shares)	669,543,410	528,281,250	595,548,945	528,281,250
Basic and diluted (loss)/earnings per share attributable to the owners of the parent company (Fils)	(2.77) Fils	7.50 Fils	14.38 Fils	(5.82) Fils

7 Cash and cash equivalents

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Cash and bank balances	3,045,704	8,801,823	9,671,063
Short term deposits	3,824,483	754,775	754,597
Cash balances with portfolio managers	67,690	18,775	22,824
Cash and cash equivalent as per interim condensed consolidated statement of financial position	6,937,877	9,575,373	10,448,484
Less: Term deposit maturing after three months	(600,000)	(600,000)	-
Cash and cash equivalents as per interim condensed consolidated statement of cash flow	6,337,877	8,975,373	10,448,484

Short term deposits carry average effective interest rate of 0.85% (31 December 2014: 0.91% and 30 September 2014: 0.91%).

8 Accounts receivable and other assets

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Advance payment to purchase investments	2,903,593	1,730,123	1,743,988
Refundable development expenses (8.1)	17,783,251	17,458,442	17,204,730
Due from related parties	4,055,845	3,922,651	3,860,387
Trade receivables	315,399	294,741	308,858
Accrued income & Dividends receivable	99,295	32,120	11,608
Receivable in relation to proceeds on sale of investments	-	-	12,025
Other assets	231,382	90,282	42,669
	25,388,765	23,528,359	23,184,265
Provision for refundable development expenses (8.2)	(1,596,804)	-	-
	23,791,961	23,528,359	23,184,265

Notes to the interim condensed consolidated financial information (continued)

8 Accounts receivable and other assets (continued)

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.

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.

8.2 During the period, a provision was recognised against refundable development expenses in accordance with Central Bank of Kuwait requirements.

9 Available for sale investments

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Investments in unquoted shares	3,800,644	3,048,281	3,863,556
- Local	2,328,266	1,911,999	2,542,875
- Foreign	1,472,378	1,136,282	1,320,681
Investments in private equity funds	630,020	654,676	666,301
- Foreign	630,020	654,676	666,301
Investments in direct equity funds	719,965	890,751	915,482
- Local	719,965	890,751	915,482
- Foreign	-	-	-
Investments in portfolios managed by others	280,033	50,575	210,847
- Local	266,926	37,468	63,000
- Foreign	13,107	13,107	147,847
	5,430,662	4,644,283	5,656,186

9.1 Available for sale investments include investments of KD103,282 (31 December 2014: KD Nil and 30 September 2014: KD2,260,274), 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 KD557,002 (30 September 2014: KD87,506) 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)

10 Investment in associates

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

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Opening balance	12,452,235	12,487,150	12,487,150
Share of results	(1,034,647)	214,828	594,748
Group's share of associates change in other comprehensive income	(517,728)	357,996	224,856
Dividend received	(1,302,719)	(588,712)	(23,796)
Exchange differences arising on translation of foreign operations	60,526	(19,027)	(23,747)
Ending balance	9,657,667	12,452,235	13,259,211

The Group has accounted for its 20% investment in Falcon Aviation Group Limited (British Virgin Islands) (Falcon) using the audited financial information as at 31 December 2014 which is the latest financial information the management has been able to obtain. The carrying amount of Falcon, included in the total assets of the Group amounted to KD1,624,876 (31 December 2014: KD5,013,809) representing 2.6% of the total assets of the Group. The net loss of Falcon reported by the Group recorded under "share of results of associate" in the interim condensed consolidated statement of profit or loss amounted to KD1,254,238 based on the associates audited financial information as at 31 December 2014

During the previous year on 31 December 2014 the net profit of Falcon reported by the Group recorded under "share of results of associate" in the consolidated statement of profit or loss amounted to 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.

During the period, the Group received dividends of KD1,242,670 from Falcon which have been reduced from the carrying value of the investment.

11 Investment properties

11.1 The movement for investment properties is as follows:

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Opening balance	11,751,167	74,861,147	74,861,147
Additions during the period/year	168,739	4,417,311	2,741,811
Disposals during the period/year	(16,078)	(67,483,805)	(67,483,805)
Change in fair value	112,664	(118,291)	151,721
Foreign currency translation adjustment arising on consolidation	(56,390)	74,805	8,017
	11,960,102	11,751,167	10,278,891

11.2 Investment properties with a carrying value of KD6,847,379 (31 December 2014: KD6,632,532 and 30 September 2014: KD6,640,600) of a local subsidiary are pledged against Islamic debt instruments of the same subsidiary.

Notes to the interim condensed consolidated financial information (continued)

11 Investment properties (continued)

11.3 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.

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

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

12 Borrowings

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Loans	-	7,499,826	7,499,826
Islamic debt instruments			
- Murabaha payables	5,083,863	8,185,643	8,418,843
	5,083,863	15,685,469	15,918,669

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

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Less than 1 year	5,083,863	15,685,469	10,799,826
From 1 year to 5 years	-	-	5,118,843
	5,083,863	15,685,469	15,918,669

12.1 Loans and facilities were granted to the parent company based on negative pledges on the Parent Company's assets.

12.2 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 30 June 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 nine of the lenders to whom amounts totalling to KD36,000,000 were due as of 30 June 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.

Notes to the interim condensed consolidated financial information (continued)

12 Borrowings (continued)

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 of 2014.

During the 2nd quarter of the current year, upon completion of the debt to equity swap, the Parent Company issued 107,998,260 new shares to the lenders in settlement of the remaining balance due to them which amounted to KD10,799,826 as at 31 December 2014 (KD7,499,826 was included under loans and KD3,300,000 included under murabaha payable) (refer note 14).

- 12.3 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 11.3).
- 12.4 Investment properties of a local subsidiary are pledged against the Islamic Debt Instruments of KD5,083,863 (31 December 2014: KD4,885,643 and 30 September 2014: KD6,606,051).
- 12.5 The effective interest rate of loans is Nil (31 December 2014: 6% and 30 September 2014: 6.5%). The effective cost rate of the Islamic debt instruments is 5.5% (31 December 2014: 5.5% and 30 September 2014: 5.95%).

13 Bonds

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Bonds issued	900,000	2,250,000	4,950,000
Payable related to bonds	-	2,921,400	2,111,400
	900,000	5,171,400	7,061,400

- 13.1 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 1st 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 1st 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 1st quarter (KD2,519,032 was recognised as income in 2014). Accordingly during the 2nd quarter of the current year, 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 (refer note 14).

Notes to the interim condensed consolidated financial information (continued)

13 Bonds (continued)

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 30 September 2015.

- 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. 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.

14 Share capital

	30 Sept. 2015		31 Dec 2014		30 Sept. 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	669,543,510	669,543,510	672,243,510	528,281,250	528,281,250	528,281,250

- 14.1 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 12 & 13).

Consequently, the Parent Company's paid up capital will increase to KD66,954,351 distributed on 669,543,510 shares at 100fils per share.

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 KD66,954,351. Further, the shareholders approved to amend the Parent Company's article (5) of the Article of association and

Notes to the interim condensed consolidated financial information (continued)

14 Share capital (continued)

14.2 Consequent to the above, during the 2nd quarter of the current year, the Parent Company issued 141,262,260 new shares at par value of 100 fils each amounting to KD14,126,226 to the above mentioned lenders and bondholders.

In accordance with International Financial Reporting Standards an amount of KD9,323,309 representing the difference between fair value of the equity issued (KD4,802,917) and carrying value of the debt settled to lenders and bondholders (KD14,126,226) - (as noted in the paragraph above), was recognised in the consolidated statement of profit or loss. However, in compliance with the local laws, the new shares were issued at par value, and the difference between the par value and the fair value of the new equity issued amounting to KD9,323,309 has been recorded in accumulated losses in the consolidated statement of changes in equity. Consequently, this transaction has no effect on the net equity attributable to the owners of the Parent Company as of 30 September 2015.

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:

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Balances in the interim condensed consolidated statement of financial position:			
Due from related parties (see note 8)	4,055,845	3,922,651	3,860,387
Due to related parties ** (included under accounts payable and other liabilities)	4,794,183	3,725,444	1,730,125
Due to related parties (included within trade payables)	1,544,317	1,631,229	1,605,763

** Due to related parties includes interest free advances totalling KD4,262,875 (31 December 2014: KD2,750,000 and 30 September 2014: KD2,750,000) from an associate (KD1,512,875) and another related party (KD2,750,000) with no specific repayment terms.

	Three months ended		Nine months ended	
	30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD	30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss:				
Management fees	676,671	(84,556)	695,105	69,790
Key management compensation				
Short term benefits	61,491	70,732	201,177	191,944
Employee end of service indemnity	7,842	8,606	20,284	18,865

Notes to the interim condensed consolidated financial information (continued)

16 Segmental information

The Group's activities are concentrated in nine 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
Nine months ended 30 September 2015					
Income	553,758	452,154	10,431,251	1,120,937	12,558,100
Expenses and other charges	(70,393)	(2,153,806)	(345,064)	(1,335,809)	(3,905,072)
Profit/(loss) for the period	483,365	(1,701,652)	10,086,187	(214,872)	8,653,028
Total assets	11,960,102	36,050,101	7,721,407	4,991,781	60,723,391
Total liabilities	-	7,837,067	5,998,997	2,952,372	16,788,436
Nine months ended 30 September 2014					
Income	(16,859,805)	848,160	10,221,400	185,120	(5,605,125)
Expenses and other charges	(84,859)	(87,506)	(1,457,143)	(1,253,279)	(2,882,787)
(Loss)/profit for the period	(16,944,664)	760,654	8,764,257	(1,068,159)	(8,487,912)
Total assets	10,278,891	47,570,027	4,417,260	4,368,989	66,635,167
Total liabilities	1,330,569	5,739,971	24,230,051	1,735,804	33,036,395
Three months ended 30 September 2015					
Income	144,143	152,312	6,519	(116,781)	186,193
Expenses and other charges	(21,858)	(1,596,804)	(42,362)	(364,385)	(2,025,409)
Profit/(loss) for the period	122,285	(1,444,492)	(35,843)	(481,166)	(1,839,216)
Three months ended 30 September 2014					
Income	150,823	1,028,522	1,935,825	(258,328)	2,856,842
Expenses and other charges	1,488	(42,847)	(473,010)	(444,462)	(958,831)
Profit/(loss) for the period	152,311	985,675	1,462,815	(702,790)	1,898,011

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:

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Receivables (at amortised cost):			
• Cash and cash equivalents	6,937,877	9,575,373	10,448,484
• Accounts receivable and other assets	23,791,961	23,528,359	23,184,265
• Investments in sukuk	851,219	891,602	3,662,663
	31,581,057	33,995,334	37,295,412
Assets at fair value through profit or loss			
• Investments at fair value through profit or loss			
- Designated on initial recognition	1,883,532	-	-
	1,883,532	-	-
Available for sale investments (refer note 9)			
• At fair value	5,327,380	4,644,283	3,395,912
• At cost / cost less impairment	103,282	-	2,260,274
	5,430,662	4,644,283	5,656,186
	38,895,251	38,639,617	42,951,598
Other financial liabilities:			
• Accounts payable and other liabilities	10,435,820	11,687,748	9,768,947
• Borrowings	5,083,863	15,685,469	15,918,669
• Bonds	900,000	5,171,400	7,061,400
	16,419,683	32,544,617	32,749,016

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 30 September 2015 and 31 December 2014 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 nine Levels of a fair value hierarchy. The nine 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
30 September 2015					
Assets at fair value					
Investments at fair value through profit loss:					
- Quoted shares	a	844,990	-	-	844,990
- Mutual funds	b	-	146,455	-	146,455
- Unquoted shares	c	-	-	892,087	892,087
		844,990	146,455	892,087	1,883,532
Available for sale investments:					
- Unquoted shares	c	-	-	3,734,830	3,734,830
- Private equity funds	d	-	-	630,020	630,020
- Direct equity funds	e	-	-	719,965	719,965
- Portfolios managed by others	e	-	-	242,565	242,565
		-	-	5,327,380	5,327,380
Total assets		844,990	146,455	6,219,467	7,210,912
31 December 2014					
Assets at fair value					
Available for sale investments:					
- Unquoted shares	c	-	-	3,048,281	3,048,281
- Private equity funds	d	-	-	654,676	654,676
- Direct equity funds	d	-	-	890,751	890,751
- Portfolios managed by others	e	-	-	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:

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Opening balance	4,644,283	4,226,685	4,226,685
Change in fair value	1,380,839	(709,823)	(155,896)
Disposals during the period/year	(482,484)	(2,731,207)	(952,527)
Additions during the period/year	1,337,113	274,879	274,879
Movement between level 3 and carried at cost	(103,282)	4,117,074	90,277
Impairment of level 3 investments	(557,002)	(533,325)	(87,506)
Closing balance	6,219,467	4,644,283	3,395,912

Total amount included in profit or loss for unrealised gain on level 3 instruments under investments at fair value through profit or loss

392,087

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)

Fair value measurements (continued)

During the nine-month period ended 30 September 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.

Measurement at fair value

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

a) Quoted shares

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.

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 30 September 2015 amounted to KD63,815,034 (31 December 2014: KD66,493,257 and 30 September 2014: KD74,894,161) of which assets managed on behalf of its related parties amounted to KD10,000,000 (31 December 2014: KD10,000,000 and 30 September 2014: KD10,000,000).

19 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.