

Interim condensed consolidated financial information and review report

Al Mal Investment Company – KPSC and Subsidiaries

Kuwait

31 March 2016 (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 2016 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note (2). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of matter

Without qualifying our conclusion we draw attention to note 8 to the interim condensed consolidated financial information, where the Group is following Central Bank of Kuwait requirements with regard to provisioning against refundable developments expenses.

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016, and the Executive Regulations of Law No. 25 of 2012, as amended, 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 2016 that might have had a material effect on the business or financial position of the Group.

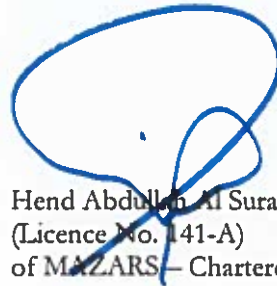
Report on review of interim condensed consolidated financial information of Al Mal Investment Company – KPSC (continued)

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

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 2016.



Abdullatif M. Al-Aiban (CPA)
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of Grant Thornton – Al-Qatami, Al-Aiban & Partners



Hend Abdulla Al Surayea
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Kuwait
19 May 2016

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
Income			
Unrealised loss from investments at fair value through profit or loss		(367,724)	-
Realised gain on disposal of available for sale investments		118,672	24,849
Gain on disposal of investment properties		3,512	-
Dividend income		73,701	-
Gain on settlement of bonds	13	-	270,000
Share of results of associates	10	97,874	74,054
Interest income		9,103	4,043
Net income from communication services		24,815	22,372
Management fees and other income	4	310,807	598,525
Foreign exchange (loss)/gain		(61,251)	170,725
		209,509	1,164,568
Expenses and other charges			
Finance costs		60,356	189,792
Staff costs		271,516	312,035
General, administrative and other expenses		191,343	178,781
Provision for refundable development expenses	8.2	4,792,044	-
Impairment of goodwill		90,332	-
Impairment of available for sale investments	9.4	112,053	315,916
		5,517,644	996,524
(Loss)/profit for the period		(5,308,135)	168,044
Attributable to :			
Owners of the parent company		(5,336,738)	137,467
Non-controlling interests		28,603	30,577
		(5,308,135)	168,044
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	5	(7.97) Fils	0.26 Fils

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

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

	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
(Loss)/profit for the period	(5,308,135)	168,044
Other comprehensive income:		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	(227,415)	(103,222)
Available for sale investments:		
- Net changes in fair value arising during the period	90,809	(115,920)
- Transferred to consolidated statement of profit or loss on disposal	5,665	(24,849)
- Transferred to consolidated statement of profit or loss on impairment	112,053	315,916
Share of other comprehensive income of associates	(27,653)	134,054
Total other comprehensive income for the period	(46,541)	205,979
Total comprehensive income for the period	(5,354,676)	374,023
Total comprehensive income attributable to:		
Owners of the parent company	(5,304,838)	381,036
Non-controlling interests	(49,838)	(7,013)
	(5,354,676)	374,023

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

Interim condensed consolidated statement of financial position

	Note	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Assets				
Cash and cash equivalents	6	4,807,579	5,301,713	5,765,140
Investments at fair value through profit or loss	7	1,701,877	1,994,505	150,363
Accounts receivable and other assets	8	13,726,214	18,423,438	26,623,365
Available for sale investments	9	5,694,262	5,961,240	4,368,122
Investment in bonds		100,000	-	-
Investment in sukuk		-	-	811,469
Investment in associates	10	9,348,167	9,287,632	12,089,092
Investment properties	11	12,661,046	12,469,049	11,732,878
Property and equipment		161,230	138,568	49,072
Goodwill		-	90,332	90,332
Total assets		48,200,375	53,666,477	61,679,833
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		10,100,469	10,264,198	10,862,203
Borrowings	12	4,089,434	4,039,496	15,750,816
Bonds	13	900,000	900,000	4,226,400
Employees' end of service indemnity		401,011	398,646	334,032
Total liabilities		15,490,914	15,602,340	31,173,451
Equity				
Share capital	14	66,954,351	66,954,351	52,828,125
Foreign currency translation reserve		(1,239,485)	(1,087,634)	(423,382)
Cumulative changes in fair value		595,782	412,031	(346,626)
Accumulated losses		(34,955,733)	(29,618,995)	(27,327,074)
Equity attributable to owners of the Parent Company		31,354,915	36,659,753	24,731,043
Non-controlling interests		1,354,546	1,404,384	5,775,339
Total equity		32,709,461	38,064,137	30,506,382
Total liabilities and equity		48,200,375	53,666,477	61,679,833

Abdulkareem Abdullah Al-Muttawa
Chairman

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

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

Interim condensed consolidated statement of changes in equity

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

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

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent company					Non- controlling interests	Total
	Share capital KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD	Sub- total KD		
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

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

Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
OPERATING ACTIVITIES			
(Loss)/profit for the period		(5,308,135)	168,044
Adjustments for:			
Impairment of available for sale investments		112,053	315,916
Impairment of goodwill		90,332	-
Provision for refundable development expenses		4,792,044	-
Gain on disposal of investment properties		(3,512)	-
Realised gain on disposal of available for sale investments		(118,672)	(24,849)
Dividend income		(73,701)	-
Gain on settlement of bonds		-	(270,000)
Share of results of associates		(97,874)	(74,054)
Depreciation		20,485	5,508
Provision for employees end of service benefits		26,892	39,435
Interest income		(9,103)	(4,043)
Finance costs		60,356	189,792
		(508,835)	345,749
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		292,628	(150,363)
Accounts receivable and other assets		(94,820)	(3,095,006)
Accounts payable and other liabilities		(161,254)	(952,362)
Cash used in operations		(472,281)	(3,851,982)
Employee end of service benefits paid		(24,527)	(11,528)
Net cash used in operating activities		(496,808)	(3,863,510)
INVESTING ACTIVITIES			
Increase in deposits maturing after three months		-	(500,000)
Net changes in investment in sukuk		-	80,133
Additions to property and equipment		(43,147)	(4,830)
Proceeds from sale/redemption of available for sale investments		250,464	160,241
Investment in bonds		(100,000)	-
Additions to investment properties		(202,201)	(12,290)
Proceeds from sale of investment properties		25,172	-
Dividend received from associates		-	500,980
Dividend income received		73,701	-
Interest income received		9,103	4,043
Net cash from investing activities		13,092	228,277
FINANCING ACTIVITIES			
Finance costs paid		(10,418)	-
Repayment of bonds		-	(675,000)
Net cash used in financing activities		(10,418)	(675,000)
Net decrease in cash and cash equivalents		(494,134)	(4,310,233)
Cash and cash equivalents at beginning of the period		5,301,713	8,975,373
Cash and cash equivalents at end of the period	6	4,807,579	4,665,140

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

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

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

The principal objectives of the Parent Company are as follows:

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

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

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

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and published in the Official Gazette on 1 February 2016 in which they have cancelled Law No. 25 of 2012 and its amendments thereto, as stipulated in article (5) thereto. The new Law will be effective retrospectively from 26 November 2012 and the executive regulations of Law No. 25 of 2012 will remain effective pending the issuance of the new Executive Regulations.

The interim condensed consolidated financial information for the three month period ended 31 March 2016 was authorised for issue by the Parent Company’s board of directors on 19 May 2016.

The annual consolidated financial statements for the year ended 31 December 2015 were authorised for issuance by the board on 29 March 2016 and approved by the shareholders at the Annual General Meeting held on 16 May 2016.

2 Basis of preparation and significant accounting policies

Basis of preparation and presentation

The interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2016 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, except as noted below.

The annual consolidated financial statements for the year ended 31 December 2015 were prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all IFRS except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait’s requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

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

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company’s management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

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.

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 2015.

Operating results for the three-months period ended 31 March 2016 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 consolidated financial statements and its related disclosures for the year ended 31 December 2015.

The subsidiaries are consolidated based on the management accounts for the period ended 31 March 2016.

3 Significant 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 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted new accounting pronouncements which have become effective for the first time in 2016, non of which had any significant impact on the Group's results or financial position. These are:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

Notes to the interim condensed consolidated financial information (continued)

4 Management fees and other income

	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
Management and consultancy fees	109,140	45,212
Rent income	123,414	150,148
Gain on settlement of accounts payable*	-	399,171
Other Income	78,253	3,994
	310,807	598,525

* During the previous 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 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 31 March 2016 (Unaudited)	Three months ended 31 March 2015 (Unaudited)
(Loss)/profit for the period attributable to the owners of the parent (KD)	(5,336,738)	137,467
Weighted average number of shares outstanding during the period (excluding treasury shares)	669,543,510	528,281,250
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company (Fils)	(7.97)	0.26

6 Cash and cash equivalents

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Cash and bank balances	2,824,979	2,055,681	2,988,619
Short term deposits	1,671,970	3,244,739	2,758,563
Cash balances with portfolio managers	310,630	1,293	17,958
Cash and cash equivalent as per interim condensed consolidated statement of financial position	4,807,579	5,301,713	5,765,140
Less: Term deposit maturing after three months	-	-	(1,100,000)
Cash and cash equivalents as per interim condensed consolidated statement of cash flow	4,807,579	5,301,713	4,665,140

Short term deposits carry average effective interest rate of 1.3% (31 December 2015: 0.75% and 31 March 2015: 0.77%).

Notes to the interim condensed consolidated financial information (continued)

7 Investments at fair value through profit or loss

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Designated on initial recognition:			
Local quoted shares	874,511	950,575	-
Mutual funds	134,217	151,843	-
Unquoted shares	693,149	892,087	-
	1,701,877	1,994,505	-

8 Accounts receivable and other assets

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Advance payment to purchase investments	1,599,143	1,525,495	2,759,630
Refundable development expenses (8.1)	17,797,073	17,821,035	17,912,812
Due from related parties	239,309	270,204	5,395,852
Trade receivables	287,455	311,483	358,232
Accrued income & Dividends receivable	77,199	60,152	50,895
Other assets	1,717,754	1,634,744	145,944
	21,717,933	21,623,113	26,623,365
Provision for refundable development expenses (8.2)	(7,991,719)	(3,199,675)	-
	13,726,214	18,423,438	26,623,365

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 year 2014, Knowledge Economic City (KEC) - Kingdom of Saudi Arabia (the relevant Saudi authority), has announced through different media channels the termination of Al-Mal Investment's Contract (Developer of Prince Faisal Abdul Aziz Bin Musaed economic city – located in Hael) and assigning the development to Governmental parties. The management of the Parent Company has contacted KEC to inquire about this action, since based on the development contract, all contractual and formal procedures must be completed to rectify any breach (if any), before terminating the development contract.

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 current quarter and the 3rd and 4th quarters of the year 2015, a provision of KD4,792,044 , KD1,596,804 and KD1,602,871 respectively, was recognised against refundable development expenses in accordance with Central Bank of Kuwait requirements.

8.3 Other assets includes an amount of KD1,400,000(31 December 2015: KD1,400,000 and 31 March 2015: KD400,000) which represents payments made to investees Companies for potential investments and the investees have informed that these projects will not be executed. Accordingly, the management expects that these amounts will be returned in full within a short period.

Notes to the interim condensed consolidated financial information (continued)

9 Available for sale investments

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Investments in unquoted shares	2,720,013	2,641,318	2,963,935
- Local	2,538,694	2,327,466	1,837,641
- Foreign	181,319	313,852	1,126,294
Investments in private equity funds	353,459	444,550	625,173
- Foreign	353,459	444,550	625,173
Investments in direct equity funds	710,930	714,152	728,439
- Local	710,930	714,152	728,439
Investments in portfolios managed by others	1,909,860	2,161,221	50,575
- Local unquoted	423,167	423,166	37,468
- Foreign unquoted	555,479	869,968	-
- Foreign quoted	347,107	119,791	13,107
- Foreign quoted Real Estate Investment Trusts (REIT)	584,107	748,296	-
	5,694,262	5,961,240	4,368,122

- 9.1 Available for sale investments include investments of KD1,486,281 (31 December 2015: KD336,652 and 31 March 2015: KD333,807), 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 year 2015, the Group acquired the foreign quoted REIT's as part of the consideration due on disposal of the Sukuk investments to a foreign buyer. The Group has agreed with the foreign buyer to keep the securities in a fiduciary account and have also agreed to certain restrictions on the sale of those shares. However, the Group expects the shares to be fully disposed by 15 January 2017, and the foreign party has guaranteed a minimum proceeds from the sale of those securities if the total proceeds don't reach the agreed minimum amount no later than 15 January 2017. During the current quarter the company disposed shares with a carrying value of KD219,006 realising a net loss of KD2,882 in the consolidated statement of profit or loss. The agreed minimum amount approximates the carrying value as of 31 December 2015 and 31 March 2016.
- 9.4 During the period, the Group recognised an impairment loss of KD112,053 (31 March 2015: KD315,916) 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:

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Opening balance	9,287,632	12,452,235	12,452,235
Share of results	97,874	(1,421,522)	74,054
Group's share of associates change in other comprehensive income	(27,653)	(492,512)	134,054
Dividend received	-	(1,302,719)	(500,980)
Exchange differences arising on translation of foreign operations	(9,686)	52,150	(70,271)
Ending balance	9,348,167	9,287,632	12,089,092

The Group has recorded its share of Zone advanced trading Company based on 31 March 2016 financial information and recorded its share of the remaining associates based on 31 December 2015 financial information.

11 Investment properties

11.1 The movement for investment properties is as follows:

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Opening balance	12,469,049	11,751,167	11,751,167
Additions during the period/year	433,861	412,868	12,290
Disposals during the period/year	(21,660)	(25,202)	-
Change in fair value	-	366,239	-
Foreign currency translation adjustment arising on consolidation	(220,204)	(36,023)	(30,579)
	12,661,046	12,469,049	11,732,878

11.2 Investment properties with a carrying value of KD7,114,975 (31 December 2015: KD7,124,189 and 31 March 2015: KD6,672,943) of a local subsidiary are pledged against Islamic debt instruments of the same subsidiary.

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

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

Notes to the interim condensed consolidated financial information (continued)

12 Borrowings

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Loans	-	-	7,499,826
Islamic debt instruments - Murabaha payables	4,089,434	4,039,496	8,250,990
Total – due within one year	4,089,434	4,039,496	15,750,816

12.1 Investment properties of a local subsidiary are pledged against the Islamic Debt Instruments of KD4,089,434 (31 December 2015: KD4,039,496 and 31 March 2015: KD6,672,943).

12.2 The effective interest rate of loans is Nil (31 December 2015: Nil and 31 March 2015: 6%). The effective cost rate of the Islamic debt instruments is 5% (31 December 2015: 5% and 31 March 2015: 5.5%).

13 Bonds

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Bonds issued	900,000	900,000	900,000
Payable related to bonds	-	-	3,326,400
	900,000	900,000	4,226,400

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

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

Consequent to these agreements reached, the Group through its foreign subsidiary settled in cash 50% of the above mentioned dues amounting to KD675,000 during the 1st quarter of 2015 (KD4,869,000 during 2014) and the gain which resulted from the waiver of the principle and interest due amounting to KD270,000 was recognised as income during the 1st quarter of 2015 (KD2,519,032 was recognised as income in 2014). Accordingly during the 2nd quarter of the year 2015, upon completion of the debt to equity swap, the Parent Company issued 33,264,000 new shares to these bondholders in settlement of the remaining balance due to them which amounted to KD3,326,400 as at 31 December 2014 and 31 March 2015 (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 31 March 2016.

- 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

	31 March 2016		31 Dec 2015		31 March 2015	
	Authorised	Issued and paid-up in cash	Authorised	Issued and paid-up in cash	Authorised	Issued and paid-up in cash
Shares of 100 Fils each	669,543,510	669,543,510	669,543,510	669,543,510	672,243,510	528,281,250

- 14.1 Consequent to the debt to equity swap carried out during the year 2014/2015, during the 2nd quarter of the year 2015, the Parent Company issued 141,262,260 new shares at par value of 100 fils each amounting to KD14,126,226 to lenders and certain 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) was recognised in the consolidated statement of profit or loss during the 2nd quarter of 2015. 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 during the same period. Consequently, this transaction had no effect on the net equity attributable to the owners of the Parent Company as of 31 December 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:

Notes to the interim condensed consolidated financial information (continued)

15 Related party transactions (continued)

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Balances in the interim condensed consolidated statement of financial position:			
Due from related parties (see note 8)	239,309	270,204	5,395,852
Due to related parties ** (included under accounts payable and other liabilities)	4,679,058	4,720,474	5,649,634
Due to related parties (included within trade payables)	1,443,891	1,451,075	-
Purchase of non controlling interests in a subsidiary	-	3,570,742	-

** Due to related parties includes interest free advances totalling KD4,161,625 (31 December 2015: KD4,269,875 and 31 March 2015: KD4,253,625) from an associate (KD1,511,625) and another related party (KD2,650,000) with no specific repayment terms.

	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss:		
Management fees & other income	17,818	18,434
Key management compensation:		
Short term benefits	67,024	64,873
Employees end of service indemnity	7,089	5,692

16 Segmental information

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

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

	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Three months ended 31 March 2016					
Income	126,926	(77,477)	9,103	150,957	209,509
Expenses and other charges	(22,103)	(4,994,429)	(60,356)	(440,756)	(5,517,644)
Profit/(loss) for the period	104,823	(5,071,906)	(51,253)	(289,799)	(5,308,135)
Total assets	15,194,688	32,491,164	-	514,523	48,200,375
Total liabilities	4,655,804	5,209,608	915,134	4,710,368	15,490,914
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)
(Loss)/profit for the period	85,510	(171,801)	84,251	170,084	168,044
Total assets	13,170,814	46,968,536	811,469	729,014	61,679,833
Total liabilities	5,574,052	3,820,130	16,099,393	5,679,876	31,173,451

Notes to the interim condensed consolidated financial information (continued)

17 Financial Instruments

17.1 Categories of financial assets and liabilities

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

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Receivables (at amortised cost):			
• Cash and cash equivalents	4,807,579	5,301,713	5,765,140
• Accounts receivable and other assets	13,726,214	18,423,438	26,623,365
• Investments in sukuk	-	-	811,469
	18,533,793	23,725,151	33,199,974
Held to maturity investments (at amortised cost):			
• Investment in bonds	100,000	-	-
	100,000	-	-
Assets at fair value through profit or loss			
• Investments at fair value through profit or loss			
Designated on initial recognition	1,701,877	1,994,505	150,363
	1,701,877	1,994,505	150,363
Available for sale investments (refer note 9)			
• At fair value	4,207,981	5,624,588	4,034,315
• At cost / cost less impairment	1,486,281	336,652	333,807
	5,694,262	5,961,240	4,368,122
	26,029,932	31,680,896	37,718,459
Other financial liabilities:			
• Accounts payable and other liabilities	10,100,469	10,264,198	10,862,203
• Borrowings	4,089,434	4,039,496	15,750,816
• Bonds	900,000	900,000	4,226,400
	15,089,903	15,203,694	30,839,419

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the Parent Company's management, except for certain available for sale investments which are carried at cost less impairment for reasons specified in note 9, the carrying amounts of financial assets and liabilities as at 31 March 2016 and 31 December 2015 approximate their fair values.

17.2 Fair value hierarchy for financial instruments measured at fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

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

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:

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)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
31 March 2016					
Assets at fair value					
Investments at fair value through profit loss					
- Quoted shares	a	874,511	-	-	874,511
- Mutual funds	b	-	134,217	-	134,217
- Unquoted shares	c	-	-	693,149	693,149
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	2,538,694	2,538,694
o Foreign	c	-	-	168,211	168,211
- Private equity funds	d	-	-	353,459	353,459
- Direct equity funds	d	-	-	216,403	216,403
- Portfolios managed by others					
o Foreign quoted Real Estate Investment Trust (REIT)	a	584,107	-	-	584,107
o Foreign quoted	a	347,107	-	-	347,107
Total assets		1,805,725	134,217	3,969,916	5,909,858
31 December 2015					
Assets at fair value					
Investments at fair value through profit loss					
- Quoted shares	a	950,575	-	-	950,575
- Mutual funds	b	-	151,843	-	151,843
- Unquoted shares	c	-	-	892,087	892,087
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	2,327,465	2,327,465
o Foreign	c	-	-	248,038	248,038
- Private equity funds	d	-	-	444,550	444,550
- Direct equity funds	d	-	-	714,152	714,152
- Portfolios managed by others					
o Foreign quoted Real Estate Investment Trust (REIT)	a	748,296	-	-	748,296
o Foreign quoted	a	119,791	-	-	119,791
o Local unquoted	e	-	-	152,328	152,328
o Foreign unquoted	e	-	-	869,968	869,968
Total assets		1,818,662	151,843	5,648,588	7,619,093

During the three-month period ended 31 March 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

Notes to the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

17.2 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) Quoted shares/quoted REIT

All quoted equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Mutual funds

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

c) Unquoted shares

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

d) Private and direct equity funds

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

e) Portfolios managed by others

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

Level 3 Fair value measurements

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

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Opening balance	5,648,588	4,644,283	4,644,283
Change in fair value	(43,472)	1,443,545	(115,920)
Disposals during the period/year	(138,781)	(733,956)	(160,241)
Additions during the period/year	-	955,000	-
Movement between level 3 and carried at cost	(1,149,628)	(103,282)	(333,807)
Transferred to level 1 (due to listing)	(314,483)	-	-
Impairment of level 3 investments	(32,308)	(557,002)	-
Closing balance	3,969,916	5,648,588	4,034,315
Total amount included in profit or loss for unrealised gain on level 3 instruments under investments at fair value through profit or loss	(198,938)	392,087	-

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

Notes to the interim condensed consolidated financial information (continued)

18 Assets under management

The Group manages mutual funds, portfolios on behalf of its major shareholders, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 31 March 2016 amounted to KD46,844,304 (31 December 2015: KD66,493,257 and 31 March 2015: KD74,894,161) of which assets managed on behalf of its related parties amounted to KD10,000,000 (31 December 2015: KD10,000,000 and 31 March 2015: KD10,000,000).

19 Capital commitments

As of 31 March 2016, the Group has capital commitments with regard to its investment properties under development amounting to KD222,000 (31 December 2015: KD520,000 and 31 March 2015: KD Nil).