Interim condensed consolidated financial information and review report

Al Mal Investment Company – KPSC and Subsidiaries

Kuwait

30 June 2016 (Unaudited)

Contents

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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 June 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 six-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
We draw attention to the following:

a) 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.

b) Note 2(b) to the interim condensed consolidated financial information, where the Group's total current liabilities exceeded its total current assets by KD2,186,544. Though this condition may indicate the existence of a material uncertainty which may cast significant doubt about the Groups ability to continue as a going concern, the Parent company's management has prepared these interim condensed consolidated financial information on a going concern basis due to the reasons specified in note 2(b).

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

Report on review of other legal and regulatory requirements
Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and the Executive Regulations of Law No. 25 of 2012, as amended, or Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the six-month period ended 30 June 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 six-month period ended 30 June 2016.

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

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

Kuwait
24 August 2016

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 June 2016 (Unaudited) KD	Three months ended 30 June 2015 (Unaudited) KD	Six months ended 30 June 2016 (Unaudited) KD	Six months ended 30 June 2015 (Unaudited) KD
Revenue					
Unrealised gain/(loss) from investments at fair value through profit or loss		**20,252**	41,715	**(347,472)**	41,715
Realized gain on disposal of investments at fair value through profit or loss		**24,006**	-	**24,006**	-
Realised gain on sale of available for sale investments		**75,555**	46,802	**194,227**	71,651
Share of results of associates	10	**30,391**	74,710	**128,265**	148,764
Change in fair value of investment properties	11	**(137,036)**	112,664	**(137,036)**	112,664
Gain on disposal of investment properties		**-**	-	**3,512**	-
Gain on settlement of bonds	13	**-**	-	**-**	270,000
Net gain on debt to equity swap		**-**	10,418,326	**-**	10,418,326
Dividend income		**67,033**	37,712	**140,734**	37,712
Interest income		**1,819**	2,363	**10,922**	6,406
Net income from communication services		**15,089**	33,044	**39,904**	55,416
Management fees and other income	4	**217,761**	208,202	**528,568**	806,727
Foreign exchange (loss)/gain		**(85,879)**	231,801	**(147,130)**	402,526
		228,991	11,207,339	**438,500**	12,371,907
Expenses and other charges					
Finance costs		**59,704**	112,910	**120,060**	302,702
Staff costs		**493,515**	233,503	**765,031**	545,538
General, administrative and other expenses		**187,782**	295,640	**379,125**	474,421
Provision for refundable development expenses	8.2	**7,976,282**	-	**12,768,326**	-
Impairment of goodwill		**-**	-	**90,332**	-
Impairment of available for sale investments	9.4	**-**	241,086	**112,053**	557,002
		8,717,283	883,139	**14,234,927**	1,879,663
(Loss)/profit for the period		**(8,488,292)**	10,324,200	**(13,796,427)**	10,492,244
Attributable to :					
Owners of the parent company		**(8,432,310)**	10,282,344	**(13,769,048)**	10,419,811
Non-controlling interests		**(55,982)**	41,856	**(27,379)**	72,433
		(8,488,292)	10,324,200	**(13,796,427)**	10,492,244
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY	5	**(12.59) Fils**	17.54 Fils	**(20.56) Fils**	18.70 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		Six months ended	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)	**30 June 2016 (Unaudited)**	30 June 2015 (Unaudited)
	KD	KD	**KD**	KD
(Loss)/profit for the period	**(8,488,292)**	10,324,200	**(13,796,427)**	10,492,244
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences arising on translation of foreign operations	**(24,185)**	78,100	**(251,600)**	(25,122)
Available for sale investments:				
- Net changes in fair value arising during the period	**(240,861)**	668,637	**(150,052)**	552,717
- Transferred to consolidated statement of profit or loss on disposal	**(33,325)**	(3,502)	**(27,660)**	(28,351)
- Transferred to consolidated statement of profit or loss on impairment	**-**	241,086	**112,053**	557,002
Share of other comprehensive income of associates	**(1,675)**	31,542	**(29,328)**	165,596
Total other comprehensive income for the period	**(300,046)**	1,015,863	**(346,587)**	1,221,842
Total comprehensive income for the period	**(8,788,338)**	11,340,063	**(14,143,014)**	11,714,086
Total comprehensive income attributable to:				
Owners of the parent company	**(8,741,296)**	11,230,982	**(14,046,134)**	11,612,018
Non-controlling interests	**(47,042)**	109,081	**(96,880)**	102,068
	(8,788,338)	11,340,063	**(14,143,014)**	11,714,086

Interim condensed consolidated statement of financial position

	Note	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Assets				
Cash and cash equivalents	6	**4,617,974**	5,301,713	7,846,574
Investments at fair value through profit or loss	7	**1,639,958**	1,994,505	711,091
Accounts receivable and other assets	8	**5,804,518**	18,423,438	25,720,732
Available for sale investments	9	**5,083,799**	5,961,240	5,377,999
Investment in bonds		**100,000**	-	
Investment in sukuk		**-**	-	846,098
Investment in associates	10	**9,196,323**	9,287,632	11,524,622
Investment properties	11	**12,884,137**	12,469,049	11,889,428
Property and equipment		**170,989**	138,568	72,561
Goodwill		**-**	90,332	90,332
Total assets		**39,497,698**	53,666,477	64,079,437
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		**10,109,622**	10,264,198	11,164,719
Borrowings	12	**4,139,372**	4,039,496	5,017,064
Bonds issued	13	**900,000**	900,000	900,000
Employees' end of service indemnity		**427,581**	398,646	348,292
Total liabilities		**15,576,575**	15,602,340	17,430,075
Equity				
Share capital	14	**66,954,351**	66,954,351	66,954,351
Foreign currency translation reserve		**(1,282,999)**	(1,087,634)	(380,965)
Cumulative changes in fair value		**330,310**	412,031	559,595
Accumulated losses		**(43,388,043)**	(29,618,995)	(26,368,039)
Equity attributable to owners of the Parent Company		**22,613,619**	36,659,753	40,764,942
Non-controlling interests		**1,307,504**	1,404,384	5,884,420
Total equity		**23,921,123**	38,064,137	46,649,362
Total liabilities and equity		**39,497,698**	53,666,477	64,079,437

Dherar Muhalhel Al Nisf
Vice 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.

erim condensed consolidated statement of changes in equity

	Equity attributable to owners of the parent company					Non-controlling interests	Total
	Share capital	Foreign currency translation reserve	Cumulative changes in fair value	Accumulated losses	Sub-total		
	KD	KD	KD	KD	KD	KD	KD
lance 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
ss for the period	-	-	-	(13,769,048)	(13,769,048)	(27,379)	(13,796,427)
her comprehensive income for the period	-	(195,365)	(81,721)	-	(277,086)	(69,501)	(346,587)
tal comprehensive income for the period	-	(195,365)	(81,721)	(13,769,048)	(14,046,134)	(96,880)	(14,143,014)
lance as at 30 June 2016 (unaudited)	**66,954,351**	**(1,282,999)**	**330,310**	**(43,388,043)**	**22,613,619**	**1,307,504**	**23,921,123**

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

erim condensed consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent company					Non-controlling interests	Total
	Share capital KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD	Sub-total KD	KD	KD
nce 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
of share capital (refer note 14)	14,126,226	-	-	(9,323,309)	4,802,917	-	4,802,917
for the period	-	-	-	10,419,811	10,419,811	72,433	10,492,244
comprehensive income for the period	-	110,839	1,081,368	-	1,192,207	29,635	1,221,842
comprehensive income for the period	-	110,839	1,081,368	10,419,811	11,612,018	102,068	11,714,086
nce as at 30 June 2015 (unaudited)	**66,954,351**	**(380,965)**	**559,595**	**(26,368,039)**	**40,764,942**	**5,884,420**	**46,649,362**

otes 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	Six months ended 30 June 2016 (Unaudited) KD	Six months ended 30 June 2015 (Unaudited) KD
OPERATING ACTIVITIES			
(Loss)/profit for the period		(13,796,427)	10,492,244
Adjustments for:			
Impairment of available for sale investments		112,053	557,002
Impairment of goodwill		90,332	-
Provision for refundable development expenses		12,768,326	-
Change in fair value of investment properties		137,036	(112,664)
Gain on settlement of bonds		-	(270,000)
Net gain on debt to equity swap		-	(10,418,326)
Realised gain on disposal of investment properties		(3,512)	-
Realised gain on sale of available for sale investments		(194,227)	(71,651)
Dividend income		(140,734)	(37,712)
Share of results of associates		(128,265)	(148,764)
Depreciation		64,327	11,116
Provision for employees end of service benefits		35,044	63,343
Interest income		(10,922)	(6,406)
Finance costs		120,060	302,702
		(946,909)	360,884
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		354,547	(711,091)
Accounts receivable and other assets		(149,406)	(965,935)
Accounts payable and other liabilities		(131,865)	(988,662)
Cash used in operations		(873,633)	(2,304,804)
Employees end of service benefits paid		(35,492)	(21,176)
Net cash used in operating activities		(909,125)	(2,325,980)
INVESTING ACTIVITIES			
Net change in investment in sukuk		-	45,504
Additions to property and equipment		(67,465)	(33,927)
Proceeds from sale/redemption of available for sale investments		662,296	554,136
Additions to available for sale investments		-	(603,742)
Additions to investment properties		(564,876)	(36,627)
Investment in bonds		(100,000)	-
Proceeds from sale of investment properties		25,165	-
Dividend received from associates		138,794	1,302,719
Dividend income received		140,734	37,712
Interest income received		10,922	6,406
Net cash from investing activities		245,570	1,272,181
FINANCING ACTIVITIES			
Bonds paid		-	(675,000)
Finance costs paid		(20,184)	-
Net cash used in financing activities		(20,184)	(675,000)
Net decrease in cash and cash equivalents		(683,739)	(1,728,799)
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	4,617,974	7,246,574

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 six month period ended 30 June 2016 was authorised for issue by the Parent Company's board of directors on 24 August 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 fundamental accounting concept

a) Basis of preparation and presentation

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 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.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation and fundamental accounting concepts (continued)

a) Basis of preparation and 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 2015.

Operating results for the six-months period ended 30 June 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 30 June 2016.

b) Fundamental accounting concept

As of 30 June 2016, the Group's total current assets amounted KD14,248,994 and its total current liabilities amounted to KD12,062,450 (total current liabilities exceeded total current assets by KD2,186,544). However, the Group's total assets exceeded its total liabilities by KD23,921,123 and though the total current assets of the Group represented only 84.65% of the total current liabilities, a significant amount of the current liabilities amounting to KD4,699,008 are due to related parties and KD4,537,786 and due to trade creditors and others which are related to the project which is referred to in note 8.1 and the management doesn't expect such liabilities to be called upon until the Group is able to recover its dues from the project. Further, the Parent Company's management is also evaluating various strategies to improve the operating performance, financial position and adequacy of financial resources of the Group to enable to meet its future obligations on due dates. Accordingly, the Parent Company's management believes the Group has adequate resources to meet its short-term obligations, and accordingly, these interim condensed consolidated financial information were prepared under a going concern basis.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts or to the amount of liabilities to reflect the fact that the Group may be required to realize its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the interim condensed consolidated financial information.

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:

Standard or Interpretation	*Effective for annual periods beginning*
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 38 Clarification of Acceptable Methods of Depreciation and Amortisation - 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		Six months ended	
	30 June 2016 (Unaudited) KD	30 June 2015 (Unaudited) KD	30 June 2016 (Unaudited) KD	30 June 2015 (Unaudited) KD
Management and consultancy fees	82,580	60,276	191,720	105,488
Rental income	133,075	146,803	256,489	296,951
Gain on settlement of accounts payable *	-	-	-	399,171
Other Income	2,106	1,123	80,359	5,117
	217,761	208,202	528,568	806,727

* During the first quarter of 2015, 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		Six months ended	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)
(Loss)/profit for the period attributable to the owners of the parent (KD)	(8,432,310)	10,282,344	(13,769,048)	10,419,811
Weighted average number of shares outstanding during the period (excluding treasury shares)	669,543,510	586,355,693	669,543,510	557,318,472
Basic and diluted (loss)/earnings per share attributable to the owners of the parent company (Fils)	(12.59) Fils	17.54 Fils	(20.56) Fils	18.70 Fils

6 Cash and cash equivalents

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Cash and bank balances	4,315,740	2,055,681	5,109,918
Short term deposits	-	3,244,739	2,662,375
Cash balances with portfolio managers	302,234	1,293	74,281
Cash and cash equivalent as per interim condensed consolidated statement of financial position	4,617,974	5,301,713	7,846,574
Less: Term deposit maturing after six months	-	-	(600,000)
Cash and cash equivalents as per interim condensed consolidated statement of cash flow	4,617,974	5,301,713	7,246,574

Short term deposits carried average effective interest rate of Nil (31 December 2015: 0.75% and 30 June 2015: 0.77%).

Notes to the interim condensed consolidated financial information (continued)

7 Investments at fair value through profit or loss

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Designated on initial recognition:			
Local quoted shares	**808,189**	950,575	-
Mutual funds	**138,620**	151,843	-
Unquoted shares	**693,149**	892,087	-
	1,639,958	1,994,505	-

8 Accounts receivable and other assets

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Advance payment to purchase investments	**1,690,524**	1,525,495	3,325,199
Refundable development expenses (8.1)	**17,780,892**	17,821,035	17,758,688
Due from related parties	**239,807**	270,204	4,055,134
Trade receivables	**306,430**	311,483	320,356
Accrued income & Dividends receivable	**47,894**	60,152	32,457
Other assets	**1,706,972**	1,634,744	228,898
	21,772,519	21,623,113	25,720,732
Provision for refundable development expenses (8.2)	**(15,968,001)**	(3,199,675)	-
	5,804,518	18,423,438	25,720,732

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.

Subsequent event

Subsequent to the reporting date, the Group has filed a legal case against Knowledge Economic City to recover the refundable development expenses. The legal case was filed under the administrative court and the court has scheduled the first hearing on 27 September 2016. Upon consultation with the legal consultants and review of the development contract which stipulates that the total expenses incurred is re-imbursable, the Parent Company's management is confident that the Parent Company has the right to recover the above refundable development expenses in full.

8.2 During the 1st and 2nd quarter of the current period, a provision of KD4,792,044 and KD7,976,282 respectively (KD1,596,804 during the 3rd quarter of 2015 and KD1,602,871 during the 4th quarter of 2015)) 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 30 June 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

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Investments in unquoted shares	**2,456,323**	2,641,318	3,987,512
- Local	**2,261,353**	2,327,466	2,419,072
- Foreign	**194,970**	313,852	1,568,440
Investments in private equity funds	**299,348**	444,549	620,422
- Foreign	**299,348**	444,549	620,422
Investments in direct equity funds	**569,483**	714,152	719,490
- Local	**569,483**	714,152	719,490
Investments in portfolios managed by others	**1,758,645**	2,161,221	50,575
- Local unquoted	**403,815**	423,166	37,468
- Foreign unquoted	**555,479**	869,968	13,107
- Foreign quoted	**380,712**	119,791	-
- Foreign quoted Real Estate Investment Trusts (REIT)	**418,639**	748,296	-
	5,083,799	5,961,240	5,377,999

9.1 Available for sale investments include investments of KD1,209,383 (31 December 2015: KD336,652 and 30 June 2015: KD103,282), 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 proceed 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 period the company disposed shares with a carrying value of KD389,425 realising a net gain of KD2,557 in the consolidated statement of profit or loss. The agreed minimum amount approximates the carrying value as of 31 December 2015 and 30 June 2016.

9.4 During the period, the Group recognised an impairment loss of KD112,053 (30 June 2015: KD557,002) 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 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Opening balance	**9,287,632**	12,452,235	12,452,235
Share of results	**128,265**	(1,421,522)	148,764
Group's share of associates change in other comprehensive income	**(29,328)**	(492,512)	165,596
Dividend received	**(138,794)**	(1,302,719)	(1,302,719)
Exchange differences arising on translation of foreign operations	**(51,452)**	52,150	60,746
Ending balance	**9,196,323**	9,287,632	11,524,622

The Group has recorded its share of Zone advanced trading Company based on 30 June 2016 financial information and recorded its share of the remaining associates based on 31 March 2016 financial information.

11 Investment properties

11.1 The movement for investment properties is as follows:

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Opening balance	**12,469,049**	11,751,167	11,751,167
Additions during the period/year	**796,536**	412,868	36,627
Disposals during the period/year	**(21,653)**	(25,202)	-
Change in fair value	**(137,036)**	366,239	112,664
Foreign currency translation adjustment arising on consolidation	**(222,759)**	(36,023)	(11,030)
	12,884,137	12,469,049	11,889,428

11.2 Investment properties with a carrying value of KD7,216,725 (31 December 2015: KD7,124,189 and 30 June 2015: KD6,761,211) 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

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Islamic debt instruments - Murabaha payables	**4,139,372**	4,039,496	5,017,064
Total – due within one year	**4,139,372**	4,039,496	5,017,064

12.1 Investment properties of a local subsidiary are pledged against the Islamic Debt Instruments of KD4,139,372 (31 December 2015: KD4,039,496 and 30 June 2015: KD5,017,064).

12.2 The effective cost rate of the Islamic debt instruments is 5% (31 December 2015: 5% and 30 June 2015: 5.5%).

13 Bonds issued

13.1 In 2014 the management of the Parent Company commenced negotiations with its bondholders to restructure its dues and during the 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 100fils 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 30 June 2015 (refer note 14).

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 June 2016.

Notes to the interim condensed consolidated financial information (continued)

13 Bonds (continued)

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 June 2016		31 Dec 2015		30 June 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	669,543,510	669,543,510

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)

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Balances in the interim condensed consolidated statement of financial position:			
Due from related parties (see note 8)	**239,807**	270,204	-
Due to related parties ** (included under accounts payable and other liabilities)	**4,699,008**	4,720,474	4,055,134
Due to related parties (included within trade payables)	**1,481,538**	1,451,075	5,395,300
Purchase of non controlling interests in a subsidiary	-	3,570,742	1,683,504

** Due to related parties includes interest free advances totalling KD4,161,625 (31 December 2015: KD4,269,875 and 30 June 2015: KD4,262,375) from an associate (KD1,511,625) and another related party (KD2,650,000) with no specific repayment terms.

	Three months ended		Six months ended	
	30 June 2016 (Unaudited) KD	30 June 2015 (Unaudited) KD	30 June 2016 (Unaudited) KD	30 June 2015 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss:				
Management fees	**18,401**	-	**36,219**	18,434
Key management compensation				
Short term benefits	**264,910**	59,546	**331,934**	139,686
Employee end of service indemnity	**7,725**	6,750	**14,814**	12,442

16 Segmental information

The Group's activities are concentrated in six 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
Six months ended 30 June 2016					
Income	**122,998**	**331,479**	**10,888**	**(26,865)**	**438,500**
Expenses and other charges	**(329,750)**	**(13,749,586)**	**(20,185)**	**(135,406)**	**(14,234,927)**
Loss for the period	**(206,752)**	**(13,418,107)**	**(9,297)**	**(162,271)**	**(13,796,427)**
Total assets	**15,262,968**	**23,710,042**	-	**524,688**	**39,497,698**
Total liabilities	**4,720,481**	**5,178,981**	**945,104**	**4,732,009**	**15,576,575**
Six months ended 30 June 2015					
Income	409,615	299,842	10,424,732	1,237,718	12,371,907
Expenses and other charges	(48,535)	(557,002)	(302,702)	(971,424)	(1,879,663)
(Loss)/profit for the period	361,080	(257,160)	10,122,030	266,294	10,492,244
Total assets	13,511,394	49,918,603	-	649,440	64,079,437
Total liabilities	5,595,744	5,470,346	944,310	5,419,675	17,430,075

Notes to the interim condensed consolidated financial information (continued)

16 Segmental information (continued)

	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Three months ended 30 June 2016					
Income	**(3,962)**	**299,818**	**1,819**	**(68,684)**	**228,991**
Expenses and other charges	**(164,434)**	**(8,475,845)**	**(9,767)**	**(67,237)**	**(8,717,283)**
Loss for the period	**(168,396)**	**(8,176,027)**	**(7,948)**	**(135,921)**	**(8,488,292)**
Three months ended 30 June 2016					
Income	259,467	155,727	10,150,689	641,456	11,207,339
Expenses and other charges	16,103	(241,086)	(112,910)	(545,246)	(883,139)
Profit/(loss) for the period	275,570	(85,359)	10,037,779	96,210	10,324,200

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 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Receivables (at amortised cost):			
• Cash and cash equivalents	**4,617,974**	5,301,713	7,846,574
• Accounts receivable and other assets	**5,804,518**	18,423,438	25,720,732
• Investments in sukuk	**-**	-	846,098
	10,422,492	23,725,151	34,413,404
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	**1,639,958**	1,994,505	711,091
	1,639,958	1,994,505	711,091
Available for sale investments (refer note 9)			
• At fair value	**3,874,416**	5,624,588	5,274,717
• At cost / cost less impairment	**1,209,383**	336,652	103,282
	5,083,799	5,961,240	5,377,999
	17,146,249	31,680,896	40,502,494
Other financial liabilities:			
• Accounts payable and other liabilities	**10,109,622**	10,264,198	11,164,719
• Borrowings	**4,139,372**	4,039,496	5,017,064
• Bonds	**900,000**	900,000	900,000
	15,148,994	15,203,694	17,081,783

Notes to the interim condensed consolidated financial information (continued)

17 Financial Instruments (continued)

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 June 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 six 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:

		Level 1	Level 2	Level 3	Total Balance
	Note	KD	KD	KD	KD
30 June 2016					
Assets at fair value					
Investments at fair value through profit loss					
- Quoted shares	a	808,189	-	-	808,189
- Mutual funds	b	-	138,620	-	138,620
- Unquoted shares	c	-	-	693,149	693,149
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	2,261,353	2,261,353
o Foreign	c	-	-	181,863	181,863
- Private equity funds	d	-	-	299,348	299,348
- Direct equity funds	d	-	-	199,525	199,525
- Portfolios managed by others					
o Foreign quoted Real Estate Investment Trust (REIT)	a	418,639	-	-	418,639
o Foreign quoted	a	380,712	-	-	380,712
o Local unquoted	e	-	-	132,976	132,976
Total assets		1,607,540	138,620	3,768,214	5,514,374

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 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 six-month period ended 30 June 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

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.

Notes to the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

Measurement at fair value (continued)

d) Private and direct equity funds

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

e) Portfolios managed by others

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

Level 3 Fair value measurements

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

	30 June 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	30 June 2015 (Unaudited) KD
Opening balance	**5,648,588**	4,,644,283	4,644,283
Change in fair value	**(322,888)**	1,443,545	1,169,458
Disposals during the period/year	**(160,689)**	(733,956)	(482,482)
Additions during the period/year	**-**	955,000	603,742
Movement between level 3 and carried at cost	**(1,050,006)**	(103,282)	(103,282)
Transferred to level 1 (due to listing)	**(314,483)**	-	-
Impairment of level 3 investments	**(32,308)**	(557,002)	(557,002)
Closing balance	**3,768,214**	5,648,588	5,274,717
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.

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 June 2016 amounted to KD48,331,379 (31 December 2015: KD66,493,257 and 30 June 2015: KD65,291,618) of which assets managed on behalf of its related parties amounted to KD10,000,000 (31 December 2015: KD10,000,000 and 30 June 2015: KD10,000,000).

19 Capital commitments

As of 30 June 2016, the Group has capital commitments with regard to its investment properties under development amounting to KD255,000 (31 December 2015: KD520,000 and 30 June 2015: KD Nil).