

Interim condensed consolidated financial information and review report

Al Mal Investment Company – KPSC and Subsidiaries

Kuwait

30 June 2017 (Unaudited)

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Report on review of interim condensed consolidated financial information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al Mal Investment Company (Kuwaiti Public Shareholding Company) (the “Parent Company”) and its subsidiaries (collectively the “Group”) as of 30 June 2017 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the 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 matters

We draw attention to following:

- a) Note 8 to the interim condensed consolidated financial information, which describes the legal dispute related to the refundable development expenses and the fact that the Group has followed Central Bank of Kuwait requirements with regard to provisioning against such refundable developments expenses.
- b) Note 2b in the interim condensed consolidated financial information, which indicates that the Group’s current liabilities exceeded its current assets by KD483,969 as of 30 June 2017. Though this condition may indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern, the Parent Company’s management has prepared this interim condensed consolidated financial information on a going concern basis due to the reasons specified in Note 2b.

Our conclusion is not modified in respect of these matters.

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

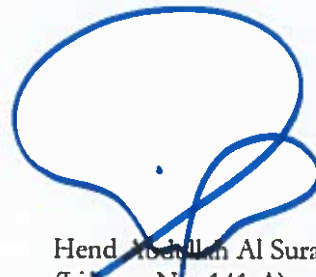
Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the six-month period ended 30 June 2017 that might have had a material effect on the business or financial position of the Group.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the six-month period ended 30 June 2017.



Anwar Y. Al-Qatami, F.C.C.A.
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Kuwait
10 August 2017

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Six months ended	
		30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD
Revenue					
Unrealised gain/(loss) from investments at fair value through profit or loss		21,250	20,252	51,491	(347,472)
Realized gain on disposal of investments at fair value through profit or loss		3,699	24,006	51,331	24,006
Realised gain/(loss) on sale of available for sale investments		1,969	75,555	(24,723)	194,227
Share of results of associates	10	(29,799)	30,391	96,333	128,265
Change in fair value of investment properties	11	(251,068)	(137,036)	(251,068)	(137,036)
Gain on disposal of investment properties		-	-	-	3,512
Dividend income		33,439	67,033	56,907	140,734
Interest income		6,187	1,819	16,219	10,922
Net income from communication services		17,712	15,089	26,267	39,904
Management fees and other income	4	198,944	217,761	366,797	528,568
Foreign exchange loss		(30,269)	(85,879)	(35,960)	(147,130)
		(27,936)	228,991	353,594	438,500
Expenses and other charges					
Finance costs		50,046	59,704	99,345	120,060
Staff costs		270,157	493,515	566,913	765,031
General, administrative and other expenses		206,556	187,782	393,211	379,125
Provision for financing receivables		1,540	-	1,540	-
Provision for refundable development expenses	8.1	-	7,976,282	-	12,768,326
Impairment of goodwill		-	-	-	90,332
Impairment of available for sale investments	9.3	20,788	-	20,788	112,053
		549,087	8,717,283	1,081,797	14,234,927
Loss for the period		(577,023)	(8,488,292)	(728,203)	(13,796,427)
Attributable to :					
Owners of the parent company		(480,557)	(8,432,310)	(626,094)	(13,769,048)
Non-controlling interests		(96,466)	(55,982)	(102,109)	(27,379)
		(577,023)	(8,488,292)	(728,203)	(13,796,427)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY					
	5	(0.72) Fils	(12.59) Fils	(0.94) Fils	(20.56) Fils

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

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

	Three months ended		Six months ended	
	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD
Loss for the period	(577,023)	(8,488,292)	(728,203)	(13,796,427)
Other comprehensive income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising on translation of foreign operations	(69,893)	(24,185)	288,143	(251,600)
Available for sale investments:				
- Net changes in fair value arising during the period	132,816	(240,861)	420,538	(150,052)
- Transferred to consolidated statement of profit or loss on disposal	(1,922)	(33,325)	18,344	(27,660)
- Transferred to consolidated statement of profit or loss on impairment	20,788	-	20,788	112,053
Share of other comprehensive income of associates	-	(1,675)	(128,960)	(29,328)
Total other comprehensive income for the period	81,789	(300,046)	618,853	(346,587)
Total comprehensive income for the period	(495,234)	(8,788,338)	(109,350)	(14,143,014)
Total comprehensive income attributable to:				
Owners of the parent company	(394,614)	(8,741,296)	(10,864)	(14,046,134)
Non-controlling interests	(100,620)	(47,042)	(98,486)	(96,880)
	(495,234)	(8,788,338)	(109,350)	(14,143,014)

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

Interim condensed consolidated statement of financial position

	Note	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Assets				
Cash and cash equivalents	6	3,560,485	4,240,051	4,617,974
Investments at fair value through profit or loss	7	1,370,966	1,466,408	1,639,958
Financing receivables		126,615	-	-
Accounts receivable and other assets	8	5,069,925	5,348,395	5,804,518
Available for sale investments	9	4,900,469	4,283,242	5,083,799
Investment in bonds		100,000	100,000	100,000
Investment in associates	10	5,245,758	5,330,347	9,196,323
Investment properties	11	12,327,763	12,494,394	12,884,137
Property and equipment		112,573	143,309	170,989
Total assets		32,814,554	33,406,146	39,497,698
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		9,933,074	10,434,534	10,109,622
Borrowings	12	3,688,396	3,606,871	4,139,372
Bonds issued	13	900,000	900,000	900,000
Employees' end of service indemnity		435,289	497,596	427,581
Total liabilities		14,956,759	15,439,001	15,576,575
Equity				
Share capital	14	66,954,351	66,954,351	66,954,351
Foreign currency translation reserve		(1,952,429)	(2,107,989)	(1,282,999)
Cumulative changes in fair value		467,368	7,698	330,310
Accumulated losses		(48,531,854)	(47,905,760)	(43,388,043)
Equity attributable to owners of the Parent				
Company		16,937,436	16,948,300	22,613,619
Non-controlling interests		920,359	1,018,845	1,307,504
Total equity		17,857,795	17,967,145	23,921,123
Total liabilities and equity		32,814,554	33,406,146	39,497,698


Abdulkareem Abdullah Al-Mutawa
Chairman


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

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	KD	
Balance as at 1 January 2017 (audited)	66,954,351	(2,107,989)	7,698	(47,905,760)	16,948,300	1,018,845	17,967,145	
Loss for the period	-	-	-	(626,094)	(626,094)	(102,109)	(728,203)	
Other comprehensive income for the period	-	155,560	459,670	-	615,230	3,623	618,853	
Total comprehensive income for the period	-	155,560	459,670	(626,094)	(10,864)	(98,486)	(109,350)	
Balance as at 30 June 2017 (unaudited)	66,954,351	(1,952,429)	467,368	(48,531,854)	16,937,436	920,359	17,857,795	

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to owners of the parent company					Non-controlling interests		Total
	Share capital KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD	Sub- total KD	KD	KD	
Balance as at 1 January 2016 (audited)	66,954,351	(1,087,634)	412,031	(29,618,995)	36,659,753	1,404,384	38,064,137	
Loss for the period	-	-	-	(13,769,048)	(13,769,048)	(27,379)	(13,796,427)	
Other comprehensive income for the period	-	(195,365)	(81,721)	-	(277,086)	(69,501)	(346,587)	
Total comprehensive income for the period	-	(195,365)	(81,721)	(13,769,048)	(14,046,134)	(96,880)	(14,143,014)	
Balance 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	

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

Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2017 (Unaudited) KD	Six months ended 30 June 2016 (Unaudited) KD
OPERATING ACTIVITIES			
Loss for the period		(728,203)	(13,796,427)
Adjustments for:			
Impairment of available for sale investments		20,788	112,053
Impairment of goodwill		-	90,332
Provision for refundable development expenses		-	12,768,326
Provision for financing receivables		1,540	-
Change in fair value of investment properties		251,068	137,036
Realised gain on disposal of investment properties		-	(3,512)
Realised loss/(gain) on sale of available for sale investments		24,723	(194,227)
Dividend income		(56,907)	(140,734)
Share of results of associates		(96,333)	(128,265)
Depreciation		25,790	64,327
Provision for employees end of service indemnity		51,288	35,044
Interest income		(16,219)	(10,922)
Finance costs		99,345	120,060
		(423,120)	(946,909)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		95,442	354,547
Financing receivables		(128,155)	-
Accounts receivable and other assets		278,470	(149,406)
Accounts payable and other liabilities		(180,957)	(131,865)
Cash used in operations		(358,320)	(873,633)
Employees end of service indemnity paid		(113,595)	(35,492)
Net cash used in operating activities		(471,915)	(909,125)
INVESTING ACTIVITIES			
Additions to property and equipment		(2,560)	(67,465)
Proceeds from sale/redemption of available for sale investments		150,858	662,296
Additions to available for sale investments		(353,926)	-
Additions to investment properties		(73,220)	(564,876)
Investment in bonds		-	(100,000)
Proceeds from sale of investment properties		-	25,165
Proceeds from sale of property and equipment		7,506	-
Dividend received from associates		8,385	138,794
Dividend income received		56,907	140,734
Interest income received		16,219	10,922
Net cash (used in)/from investing activities		(189,831)	245,570
FINANCING ACTIVITIES			
Finance costs paid		(17,820)	(20,184)
Net cash used in financing activities		(17,820)	(20,184)
Net decrease in cash and cash equivalents		(679,566)	(683,739)
Cash and cash equivalents at beginning of the period		4,240,051	5,301,713
Cash and cash equivalents at end of the period	6	3,560,485	4,617,974

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

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

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

The principal objectives of the Parent Company are as follows:

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

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

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

The interim condensed consolidated financial information for the six-month period ended 30 June 2017 was authorised for issue by the Parent Company’s board of directors on 10 August 2017.

The annual consolidated financial statements for the year ended 31 December 2016 were authorised for issuance by the board on 27 March 2017 and approved by the shareholders in their Annual General Meeting held on 18 July 2017.

2 Basis of preparation and fundamental accounting concepts

a) Basis of preparation

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2017 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”, except as noted below.

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

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

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

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation and fundamental accounting concepts (continued)

a) Basis of preparation (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 2016.

Operating results for the six-months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2016.

The subsidiaries are consolidated based on the management accounts for the period ended 30 June 2017.

b) Fundamental accounting concept

As of 30 June 2017, the Group's total current assets amounted KD10,001,376 and its total current liabilities amounted to KD10,580,803 (total current liabilities exceeded total current assets by KD483,969). However, the Group's total assets exceeded its total liabilities by KD17,857,795 and though the total current assets of the Group represented only 94.5% of the total current liabilities, a significant amount of the current liabilities amounting to KD4,567,156 are due to related parties and KD5,153,956 are 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. Therefore, the Parent Company's management believes the Group has adequate resources to meet its short-term obligations, and accordingly, this interim condensed consolidated financial information was 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 has been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

Notes to the interim condensed consolidated financial information (continued)

4 Management fees and other income

	Three months ended		Six months ended	
	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD
Management and consultancy fees	51,509	82,580	85,406	191,720
Rental income	145,025	133,075	278,981	256,489
Other income	2,410	2,106	2,410	80,359
	198,944	217,761	366,797	528,568

5 Basic and diluted loss per share

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

	Three months ended		Six months ended	
	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)	30 June 2017 (Unaudited)	30 June 2016 (Unaudited)
Loss for the period attributable to the owners of the parent (KD)	(480,557)	(8,432,310)	(626,094)	(13,769,048)
Weighted average number of shares outstanding during the period (excluding treasury shares)	669,543,510	669,543,510	669,543,510	669,543,510
Basic and diluted loss per share attributable to the owners of the parent company (Fils)	(0.72) Fils	(12.59) Fils	(0.94) Fils	(20.56) Fils

6 Cash and cash equivalents

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Cash and bank balances	3,473,738	2,326,415	4,315,740
Short term deposits	-	1,711,747	-
Cash balances with portfolio managers	86,747	201,889	302,234
Cash and cash equivalents	3,560,485	4,240,051	4,617,974

Short term deposits carried average effective interest rate of Nil (31 December 2016: 1.55% and 30 June 2016: Nil).

7 Investments at fair value through profit or loss

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Designated on initial recognition:			
Local quoted shares	640,794	790,313	808,189
Mutual funds	157,274	157,761	138,620
Unquoted shares	572,898	518,334	693,149
	1,370,966	1,466,408	1,639,958

Notes to the interim condensed consolidated financial information (continued)

8 Accounts receivable and other assets

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Advance payment to purchase investments	1,261,693	1,450,518	1,690,524
Refundable development expenses (8.1)	17,837,055	17,807,038	17,780,892
Due from related parties	281,260	276,675	239,807
Trade receivables	402,885	238,671	306,430
Accrued income	52,681	39,702	47,894
Other assets	1,202,352	1,503,792	1,706,972
	21,037,926	21,316,396	21,772,519
Provision for refundable development expenses (8.1)	(15,968,001)	(15,968,001)	(15,968,001)
	5,069,925	5,348,395	5,804,518

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

Further, during 2016, the Group has filed a legal case against Knowledge Economic City to recover the refundable development expenses. The legal case was filed under the administrative court which is yet to pronounce its decision.

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.

However, in accordance with the Central Bank of Kuwait requirements, the Parent Company recognised a provision up to the extent of the refundable development expenses less certain direct dues related to the project (included under accounts payable and other liabilities as of the reporting date). Accordingly, an amount of KD15,968,001 was provided in previous years.

The outcome of the above litigation is dependent on the future outcome of continuing legal and regulatory processes and consequently any provisions made to date are subject to inherent uncertainty.

- 8.2 Other assets include an amount of KD1,000,000 (31 December 2016: KD1,000,000 and 30 June 2016: KD1,400,000) which represents payments made to investee Companies for potential investments and the investees have informed that these projects will not be executed. Accordingly, the management expects that these amounts will be returned in full within a short period.

Notes to the interim condensed consolidated financial information (continued)

9 Available for sale investments

	30 June 2017 (Unaudited) KD	31 Dec 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Investments in unquoted shares	2,530,108	2,103,393	2,456,323
- Local	2,278,554	1,918,610	2,261,353
- Foreign	251,554	184,783	194,970
Investments in private equity funds	539,355	272,738	299,348
- Foreign	539,355	272,738	299,348
Investments in direct equity funds	676,079	594,544	569,483
- Local	676,079	594,544	569,483
Investments in portfolios managed by others	1,154,927	1,312,567	1,758,645
- Local unquoted	299,903	366,867	403,815
- Foreign unquoted	631,999	629,307	555,479
- Foreign quoted	223,025	316,393	380,712
- Foreign quoted Real Estate Investment Trusts (REIT)	-	-	418,639
	4,900,469	4,283,242	5,083,799

- 9.1 Available for sale investments include investments of KD616,436 (31 December 2016: KD616,436 and 30 June 2016: KD1,209,383), carried at cost less impairment, if any, due to the unpredictable nature of future cash flows and the unavailability of financial information to arrive at a reliable measure of fair value.
- 9.2 Information for investments in private equity funds and direct equity funds is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.
- 9.3 During the period, the Group recognised an impairment loss of KD20,788 (30 June 2016: KD112,053) for certain local and other foreign unquoted investments, based on estimates made by management and the net asset values reported by investment managers.

10 Investment in associates

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

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Opening balance	5,330,347	9,287,632	9,287,632
Share of results	96,333	(3,441,879)	128,265
Group's share of associates change in other comprehensive income	(128,960)	(36,027)	(29,328)
Dividend received	(8,385)	(166,964)	(138,794)
Exchange differences arising on translation of foreign operations	(43,577)	(312,415)	(51,452)
Ending balance	5,245,758	5,330,347	9,196,323

Notes to the interim condensed consolidated financial information (continued)

10 Investment in associates (continued)

The Group has recorded its share of Zone advanced trading Company based on 30 June 2017 financial information and recorded its share of the remaining associates based on 31 March 2017 financial information.

11 Investment properties

11.1 The movement for investment properties is as follows:

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Opening balance	12,494,394	12,469,049	12,469,049
Additions during the period/year	73,220	1,090,931	796,536
Disposals during the period/year	-	(28,869)	(21,653)
Change in fair value	(251,068)	(68,184)	(137,036)
Foreign currency translation adjustment arising on consolidation	11,217	(968,533)	(222,759)
	12,327,763	12,494,394	12,884,137

11.2 Investment properties with a carrying value of KD7,505,675 (31 December 2016: KD7,477,030 and 30 June 2016: KD7,216,725) of a local subsidiary are pledged against Islamic debt instruments of the same subsidiary.

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

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

12 Borrowings

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Islamic debt instruments - Murabaha payables	3,688,396	3,606,871	4,139,372
	3,688,396	3,606,871	4,139,372

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

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

12.3 The effective cost rate of the Islamic debt instruments is 5.25% (31 December 2016: 5.25% and 30 June 2016: 5%).

Notes to the interim condensed consolidated financial information (continued)

13 Bonds issued

- 13.1 In 2014 the management of the Parent Company commenced negotiations with its bondholders to restructure its dues and during the 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 2014 and the 1st quarter of 2015 the Group reached an agreement with bondholders (through a foreign subsidiary) to whom amounts totalling KD11,088,000 was due as of 31 December 2013 to settle 50% of the amounts due in cash and consequently the bondholders have 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 KD5,544,000 during 2014 and the 1st quarter of 2015 and the gain which resulted from the waiver of the principle and interest due amounting to KD2,789,032 was recognised as income during 2014 and the 1st quarter of 2015. 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 those bondholders in settlement of the remaining balance due to them which amounted to KD3,326,400.

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 2017.

- 13.2 On 30 November 2014, the bondholders (referred to in 13.1 above) agreed to extend the due date of the bonds issued to 18 November 2016 and to reduce the interest on fixed interest bearing bonds to 1% fixed interest rate and floating bonds to bear floating interest rate at maximum 1% per annum (previously fixed interest bearing bonds carry interest rate at 8.875% per annum and the floating interest bearing bonds carry interest rate at 5.5% per annum over the Central Bank of Kuwait discount rate). Interest is payable semi-annually in arrears.

On 10 November 2016, the bondholders (referred to in note 13.1 above) met again and agreed to extend the due date of the bonds issued to 18 November 2019 and to reduce the interest on fixed interest bearing bonds to 0.5% fixed interest rate and floating bonds to bear floating interest rate at maximum 0.5% per annum. The bondholders owning the remaining bonds with a carrying value of KD900,000 out of the Bonds issued balance as of 31 December 2013 (representing 7.5% of the bondholders) has filed a legal case against the Parent Company, however the Group's management is confident that the legal case have no basis and is confident that the case will be decided in favour of the Parent Company.

Notes to the interim condensed consolidated financial information (continued)

14 Share capital

The authorized, issued and fully paid up in cash share capital consists of 669,543,510 (31 December 2016 and 30 June 2016: 669,543,510) shares of 100 fils per share.

Subsequent event

The shareholders in their Extraordinary General Meeting held on 18 July 2017 approved the board of directors' proposal to set-off accumulated losses of KD35,929,760 against the share capital of the Parent Company. Accordingly, the share capital of the Parent Company will be reduced to KD31,024,591 distributed among 310,245,910 shares.

15 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the group are principal owners or over which they are able to exercise significant influence or joint control.

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

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Balances in the interim condensed consolidated statement of financial position:			
Due from related parties (see note 8)	281,260	276,675	239,807
Due to related parties (included under accounts payable and other liabilities) (a)	4,567,156	4,882,523	4,699,008
Due to related parties (included within trade payables)	1,443,299	1,443,299	1,481,538

- a) Due to related parties includes interest free advances totalling KD4,276,250 (31 December 2016: KD4,282,625 and 30 June 2016: KD4,161,625) from an associate (KD1,526,250) and another related party (KD2,750,000) with no specific repayment terms, and the management does not anticipate repayment within a year.

	Three months ended		Six months ended	
	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD	30 June 2017 (Unaudited) KD	30 June 2016 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss:				
Management fees	35,509	18,401	69,406	36,219
Key management compensation				
Short term benefits	68,604	264,910	137,205	331,934
Employee end of service indemnity	7,968	7,725	15,937	14,814

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.

Notes to the interim condensed consolidated financial information (continued)

16 Segmental information (continued)

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 2017					
Income	27,913	316,744	16,219	(7,282)	353,594
Expenses and other charges	(306,227)	(641,313)	(3,276)	(130,981)	(1,081,797)
(Loss)/profit for the period	(278,314)	(324,569)	12,943	(138,263)	(728,203)
Total assets	12,567,083	19,342,857	126,615	777,999	32,814,554
Total liabilities	4,247,943	5,171,740	929,686	4,607,390	14,956,759
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
Three months ended 30 June 2017					
Income	(105,814)	115,963	6,187	(44,272)	(27,936)
Expenses and other charges	(151,414)	(314,686)	12,042	(95,029)	(549,087)
Loss for the period	(257,228)	(198,723)	18,229	(139,301)	(577,023)
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)
31 December 2016					
Total assets	14,498,960	18,372,122	-	535,064	33,406,146
Total liabilities	4,288,501	5,262,299	968,992	4,919,209	15,439,001

Notes to the interim condensed consolidated financial information (continued)

17 Financial Instruments

17.1 Categories of financial assets and liabilities

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

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Receivables (at amortised cost):			
• Cash and cash equivalents	3,560,485	4,240,051	4,617,974
• Accounts receivable and other assets	5,069,925	5,348,395	5,804,518
• Financing receivables	126,615	-	-
	8,757,025	9,588,446	10,422,492
Held to maturity investments (at amortised cost):			
• Investment in bonds	100,000	100,000	100,000
	100,000	100,000	100,000
Assets at fair value through profit or loss			
• Investments at fair value through profit or loss - Designated on initial recognition	1,370,966	1,466,408	1,639,958
	1,370,966	1,466,408	1,639,958
Available for sale investments (refer note 9)			
• At fair value	4,284,033	3,666,806	3,874,416
• At cost / cost less impairment	616,436	616,436	1,209,383
	4,900,469	4,283,242	5,083,799
	15,128,460	15,438,096	17,246,249
Other financial liabilities:			
• Accounts payable and other liabilities	9,933,074	10,434,534	10,109,622
• Borrowings	3,688,396	3,606,871	4,139,372
• Bonds	900,000	900,000	900,000
	14,521,470	14,941,405	15,148,994

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 2017 and 31 December 2016 approximate their fair values.

17.2 Fair value hierarchy for financial instruments measured at fair value

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

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

Notes to the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

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

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

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

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
30 June 2017					
Assets at fair value					
Investments at fair value through profit or loss					
- Quoted shares	a	640,794	-	-	640,794
- Mutual funds	b	-	157,274	-	157,274
- Unquoted shares	c	-	-	572,898	572,898
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	2,278,554	2,278,554
o Foreign	c	-	-	238,447	238,447
- Private equity funds	d	-	-	539,355	539,355
- Direct equity funds	d	-	-	306,121	306,121
- Portfolios managed by others					
o Foreign quoted	a	223,025	-	-	223,025
o Local unquoted	e	-	-	66,532	66,532
o Foreign unquoted	e	-	-	631,999	631,999
Total assets		863,819	157,274	4,633,906	5,654,999
31 December 2016					
Assets at fair value					
Investments at fair value through profit or loss					
- Quoted shares	a	790,313	-	-	790,313
- Mutual funds	b	-	157,761	-	157,761
- Unquoted shares	c	-	-	518,334	518,334
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	1,918,610	1,918,610
o Foreign	c	-	-	171,677	171,677
- Private equity funds	d	-	-	272,738	272,738
- Direct equity funds	d	-	-	224,585	224,585
- Portfolios managed by others					
o Foreign quoted	a	316,393	-	-	316,393
o Local unquoted	e	-	-	133,496	133,496
o Foreign unquoted	e	-	-	629,307	629,307
Total assets		1,106,706	157,761	3,868,747	5,133,214

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
30 June 2016					
Assets at fair value					
Investments at fair value through profit or 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

During the six-month period ended 30 June 2017, 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.

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.

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)

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:

	30 June 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 June 2016 (Unaudited) KD
Opening balance	3,868,747	5,648,588	5,648,588
Change in fair value	474,218	(607,790)	(322,888)
Disposals during the period/year	(62,985)	(160,693)	(160,689)
Additions during the period/year	353,926	-	-
Movement between level 3 and carried at cost	-	(314,483)	(1,050,006)
Transferred to level 1 (due to listing)	-	(457,059)	(314,483)
Impairment of level 3 investments	-	(239,816)	(32,308)
Closing balance	4,633,906	3,868,747	3,768,214
Total amount included in profit or loss for unrealised gain on level 3 instruments under investments at fair value through profit or loss	54,564	(373,753)	(198,938)

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

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 2017 amounted to KD50,954,382 (31 December 2016: KD50,480,335 and 30 June 2016: KD48,331,379) of which assets managed on behalf of its related parties amounted to KD Nil (31 December 2016: KD Nil and 30 June 2016: KD10,000,000).

During the period total fees earned by the Group from assets under management amounted to KD24,242 (31 December 2016: KD75,147 and 30 June 2016: KD21,708).

19 Capital commitments

As of 30 June 2017, the Group has capital commitments with regard to its investment properties under development amounting to KD Nil (31 December 2016: KD90,000 and 30 June 2016: KD255,000).

Notes to the interim condensed consolidated financial information (continued)

20 Proposed dividend

The shareholders in their Annual General Meeting held on 18 July 2017 approved the Board of Directors proposal not to distribute any dividend for the year ended 31 December 2016.

21 Subsequent event

Subsequent to the reporting date, the Parent Company lost a court case against an old bondholder who previously owned bonds with a carrying value of KD900,000 out of the bonds issued balance as of 31 December 2013, and who had become a shareholder due to the debt to equity swap (refer note 13.1). The verdict was issued by the court of appeal on 13 July 2017 and it granted the old bondholder the right to the price converted from debt to equity amounting to KD270,000. The 2,700,000 shares previously issued to this bondholder (with a par value of KD270,000) will be transferred back to the Parent Company and recognised as treasury shares and the necessary accounting treatment will be done during the 3rd quarter of the current year.