

Interim condensed consolidated financial information and review report

**Al Mal Investment Company – KPSC and Subsidiaries**

**Kuwait**

30 September 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 September 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 nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note (2). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

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

### *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 relating 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 to the interim condensed consolidated financial information, which indicates that the Group incurred a loss of KD1,453,943 for the nine-month period ended 30 September 2017 and, as of that date, the Group’s current liabilities exceeded its current assets by KD1,051,945. These events or conditions 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 for 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)

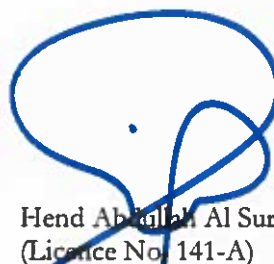
### Report on review of other legal and regulatory requirements

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 nine-month period ended 30 September 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 nine-month period ended 30 September 2017.



Anwar Y. Al-Qatami, F.C.C.A.  
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Kuwait  
23 October 2017

## Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2017 (Unaudited) KD	30 Sept 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept 2016 (Unaudited) KD
<b>Revenue</b>					
Unrealised gain/(loss) from investments at fair value through profit or loss		27,124	(70,378)	78,615	(417,850)
Realized gain on disposal of investments at fair value through profit or loss		2,294	-	53,625	24,006
Realised (loss)/gain on sale of available for sale investments		(13,328)	11,618	(38,051)	205,845
Share of results of associates	10	(26,374)	(65,648)	69,959	62,617
Change in fair value of investment properties	11	-	-	(251,068)	(137,036)
Gain on disposal of investment properties		-	2,183	-	5,695
Dividend income		49,378	182,228	106,285	322,962
Interest income		6,154	9,461	22,373	20,383
Net income from communication services		942	9,083	27,209	48,987
Management fees and other income	4	202,671	148,643	569,468	677,211
Foreign exchange loss		(7,646)	(26,050)	(43,606)	(173,180)
		241,215	201,140	594,809	639,640
<b>Expenses and other charges</b>					
Finance costs		50,574	37,244	149,919	157,304
Staff costs		428,787	279,528	995,700	1,044,559
General, administrative and other expenses		487,429	213,460	880,640	592,585
Provision for financing receivables		165	-	1,705	-
Provision for refundable development expenses	8.1	-	-	-	12,768,326
Impairment of goodwill		-	-	-	90,332
Impairment of available for sale investments	9.3	-	-	20,788	112,053
		966,955	530,232	2,048,752	14,765,159
<b>Loss for the period</b>		<b>(725,740)</b>	<b>(329,092)</b>	<b>(1,453,943)</b>	<b>(14,125,519)</b>
Attributable to:					
Owners of the Parent Company		(738,273)	(346,626)	(1,364,367)	(14,115,674)
Non-controlling interests		12,533	17,534	(89,576)	(9,845)
		(725,740)	(329,092)	(1,453,943)	(14,125,519)
<b>BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY</b>					
	5	(1.61) Fils	(0.52) Fils	(2.28) Fils	(21.08) 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		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept 2016 (Unaudited) KD
Loss for the period	<b>(725,740)</b>	<b>(329,092)</b>	<b>(1,453,943)</b>	<b>(14,125,519)</b>
<b>Other comprehensive income/(loss):</b> <i>Items that will be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising on translation of foreign operations	13,715	4,986	301,858	(246,614)
Available for sale investments:				
- Net changes in fair value arising during the period	(99,056)	50,158	321,482	(99,894)
- Transferred to consolidated statement of profit or loss on disposal	13,328	-	31,672	(27,660)
- Transferred to consolidated statement of profit or loss on impairment	-	-	20,788	112,053
Share of other comprehensive loss of associates	-	(6,701)	(128,960)	(36,029)
Total other comprehensive (loss)/income for the period	<b>(72,013)</b>	<b>48,443</b>	<b>546,840</b>	<b>(298,144)</b>
Total comprehensive loss for the period	<b>(797,753)</b>	<b>(280,649)</b>	<b>(907,103)</b>	<b>(14,423,663)</b>
Total comprehensive (loss)/income attributable to:				
Owners of the Parent Company	<b>(817,958)</b>	<b>(286,702)</b>	<b>(828,822)</b>	<b>(14,332,836)</b>
Non-controlling interests	<b>20,205</b>	<b>6,053</b>	<b>(78,281)</b>	<b>(90,827)</b>
	<b>(797,753)</b>	<b>(280,649)</b>	<b>(907,103)</b>	<b>(14,423,663)</b>

*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 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
<b>Assets</b>				
Cash and cash equivalents	6	3,027,156	4,240,051	4,765,107
Investments at fair value through profit or loss	7	1,430,455	1,466,408	1,569,580
Financing receivables		143,459	-	-
Accounts receivable and other assets	8	5,072,046	5,348,395	5,772,374
Available for sale investments	9	4,812,768	4,283,242	4,789,094
Investment in bonds		100,000	100,000	100,000
Investment in associates	10	5,211,851	5,330,347	9,096,439
Investment properties	11	12,349,967	12,494,394	13,063,482
Property and equipment		103,957	143,309	156,833
<b>Total assets</b>		<b>32,251,659</b>	<b>33,406,146</b>	<b>39,312,909</b>
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
Accounts payable and other liabilities		10,089,019	10,434,534	10,090,683
Borrowings	12	3,738,398	3,606,871	4,206,871
Bonds issued	13	900,000	900,000	900,000
Employees' end of service indemnity		464,200	497,596	474,881
<b>Total liabilities</b>		<b>15,191,617</b>	<b>15,439,001</b>	<b>15,672,435</b>
<b>Equity</b>				
Share capital	14	31,024,591	66,954,351	66,954,351
Foreign currency translation reserve		(1,946,386)	(2,107,989)	(1,283,470)
Cumulative changes in fair value		381,640	7,698	390,705
Accumulated losses		(13,340,367)	(47,905,760)	(43,734,669)
<b>Equity attributable to owners of the Parent</b>				
Company		16,119,478	16,948,300	22,326,917
Non-controlling interests		940,564	1,018,845	1,313,557
<b>Total equity</b>		<b>17,060,042</b>	<b>17,967,145</b>	<b>23,640,474</b>
<b>Total liabilities and equity</b>		<b>32,251,659</b>	<b>33,406,146</b>	<b>39,312,909</b>



Abdulkareem Abdullah Al-Mutawa  
Chairman



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

*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 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	
Set-off accumulated losses (note 14)	(35,929,760)	-	-	35,929,760	-	-	-	
Loss for the period	-	-	-	(1,364,367)	(1,364,367)	(89,576)	(1,453,943)	
Other comprehensive income for the period	-	161,603	373,942	-	535,545	11,295	546,840	
Total comprehensive income/(loss) for the period	-	161,603	373,942	(1,364,367)	(828,822)	(78,281)	(907,103)	
Balance as at 30 September 2017 (unaudited)	31,024,591	(1,946,386)	381,640	(13,340,367)	16,119,478	940,564	17,060,042	



## 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	
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	-	-	-	(14,115,674)	(14,115,674)	(9,845)	(14,125,519)
Other comprehensive loss for the period	-	(195,836)	(21,326)	-	(217,162)	(80,982)	(298,144)
Total comprehensive loss for the period	-	(195,836)	(21,326)	(14,115,674)	(14,332,836)	(90,827)	(14,423,663)
Balance as at 30 September 2016 (unaudited)	66,954,351	(1,283,470)	390,705	(43,734,669)	22,326,917	1,313,557	23,640,474

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	Nine months ended 30 Sept. 2017 (Unaudited) KD	Nine months ended 30 Sept. 2016 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(1,453,943)	(14,125,519)
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		1,705	-
Change in fair value of investment properties		251,068	137,036
Realised gain on disposal of investment property		-	(5,695)
Realised loss/(gain) on sale of available for sale investments		38,051	(205,845)
Dividend income		(106,285)	(322,962)
Share of results of associates		(69,959)	(62,617)
Depreciation		27,512	36,195
Provision for employees' end of service indemnity		109,567	36,116
Interest income		(22,373)	(20,383)
Finance costs		149,919	157,304
		<b>(1,053,950)</b>	<b>(1,405,659)</b>
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		35,953	424,925
Financing receivables		(145,164)	-
Accounts receivable and other assets		276,349	(117,262)
Accounts payable and other liabilities		(25,968)	(80,761)
Cash used in operations		(912,780)	(1,178,757)
Employee end of service benefits paid		(142,963)	(24,528)
<b>Net cash used in operating activities</b>		<b>(1,055,743)</b>	<b>(1,203,285)</b>
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment		(2,560)	(55,604)
Proceeds from sale/redemption of available for sale investments		150,858	1,018,777
Purchase of available for sale investments		(365,281)	-
Purchase of investment properties		(73,220)	(763,811)
Investment in bonds		-	(100,000)
Proceeds from sale of investment property		-	46,938
Proceeds from sale of property and equipment		14,400	-
Dividend received from associates		8,385	166,963
Dividend income received		106,285	322,962
Interest income received		22,373	20,383
<b>Net cash (used in)/from investing activities</b>		<b>(138,760)</b>	<b>656,608</b>
<b>FINANCING ACTIVITIES</b>			
Finance costs paid		(18,392)	10,071
<b>Net cash (used in)/from financing activities</b>		<b>(18,392)</b>	<b>10,071</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,212,895)</b>	<b>(536,606)</b>
Cash and cash equivalents at beginning of the period		4,240,051	5,301,713
<b>Cash and cash equivalents at end of the period</b>	6	<b>3,027,156</b>	<b>4,765,107</b>

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 nine-month period ended 30 September 2017 was authorised for issue by the Parent Company’s board of directors on 23 October 2017.

### 2 Basis of preparation and fundamental accounting concept

#### a) Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 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 have been replaced by the Central Bank of Kuwait’s requirements 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 concept (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 nine-months period ended 30 September 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 September 2017.

#### b) Fundamental accounting concept

As of 30 September 2017, the Group's total current assets amounted KD9,589,345 and its total current liabilities amounted to KD10,641,290 (total current liabilities exceeded total current assets by KD1,051,945). However, the Group's total assets exceeded its total liabilities by KD17,060,042 and though the total current assets of the Group represented only 90.1% of the total current liabilities, a significant amount of the current liabilities amounting to KD4,549,343 are due to related parties and KD5,049,302 are due to trade creditors and others which are related to the project which is referred to in note 8.1 and management does not 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 has been 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		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
Management and consultancy fees	28,176	14,699	115,992	206,419
Rental income	174,343	133,307	453,324	389,796
Other Income	152	637	152	80,996
	202,671	148,643	569,468	677,211

### 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		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
Loss for the period attributable to the owners of the parent (KD)	(738,273)	(346,626)	(1,364,367)	(14,115,674)
Weighted average number of shares outstanding during the period (excluding treasury shares)	458,651,440	669,543,510	598,473,655	669,543,510
Basic and diluted loss per share attributable to the owners of the parent company	(1.61) Fils	(0.52) Fils	(2.28) Fils	(21.08) Fils

### 6 Cash and cash equivalents

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Cash and bank balances	2,973,727	2,326,415	2,798,505
Short term deposits	-	1,711,747	1,678,822
Cash balances with portfolio managers	53,429	201,889	287,780
Cash and cash equivalents	3,027,156	4,240,051	4,765,107

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

### 7 Investments at fair value through profit or loss

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Designated on initial recognition:			
Local quoted shares	759,965	790,313	745,493
Mutual funds	131,464	157,761	130,938
Unquoted shares	539,026	518,334	693,149
	1,430,455	1,466,408	1,569,580

## Notes to the interim condensed consolidated financial information (continued)

### 8 Accounts receivable and other assets

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Advance payment for purchase of investments	1,257,885	1,450,518	1,481,520
Refundable development expenses (8.1)	17,849,755	17,807,038	17,796,565
Due from related parties	281,002	276,675	240,431
Trade receivables	394,146	238,671	467,911
Accrued income & dividends receivable	60,281	39,702	17,981
Receivable on sale of available for sale investments	-	-	396,050
Other assets	1,196,978	1,503,792	1,339,917
	<b>21,040,047</b>	<b>21,316,396</b>	<b>21,740,375</b>
Provision for refundable development expenses (8.1)	(15,968,001)	(15,968,001)	(15,968,001)
	<b>5,072,046</b>	<b>5,348,395</b>	<b>5,772,374</b>

- 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 third 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 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 September 2016: KD1,000,000) which represents payments made to an investee for potential investment project which has now been abandoned as the investee has informed that this projects will not be executed. Accordingly, management expects that this amount will be returned in full.

## Notes to the interim condensed consolidated financial information (continued)

### 9 Available for sale investments

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Investments in unquoted shares	2,449,992	2,103,393	2,555,304
- Local	2,159,737	1,918,610	2,340,643
- Foreign	290,255	184,783	214,661
Investments in private equity funds	530,624	272,738	288,457
- Foreign	530,624	272,738	288,457
Investments in direct equity funds	689,193	594,544	581,715
- Local	689,193	594,544	581,715
Investments in portfolios managed by others	1,142,959	1,312,567	1,363,618
- Local unquoted	299,903	366,867	403,766
- Foreign unquoted	623,828	629,307	555,479
- Foreign quoted	219,228	316,393	356,306
- Foreign quoted Real Estate Investment Trusts (REIT)	-	-	48,067
	4,812,768	4,283,242	4,789,094

- 9.1 Available for sale investments include investments of KD616,436 (31 December 2016: KD616,436 and 30 September 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 September 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 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Opening balance	5,330,347	9,287,632	9,287,632
Share of results	69,959	(3,441,879)	62,617
Group's share of associates' other comprehensive loss	(128,960)	(36,027)	(36,029)
Dividend received	(8,385)	(166,964)	(166,963)
Exchange differences arising on translation of foreign operations	(51,110)	(312,415)	(50,818)
Ending balance	5,211,851	5,330,347	9,096,439

## 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 and Falcon Aviation Group Limited based on 30 September 2017 financial information and recorded its share of the remaining associates based on 30 June 2017 financial information.

### 11 Investment properties

11.1 The movement for investment properties is as follows:

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Opening balance	12,494,394	12,469,049	12,469,049
Purchase during the period/year	73,220	1,090,931	995,471
Sale during the period/year	-	(28,869)	(41,243)
Change in fair value	(251,068)	(68,184)	(137,036)
Foreign currency translation adjustment arising on consolidation	33,421	(968,533)	(222,759)
	<b>12,349,967</b>	<b>12,494,394</b>	<b>13,063,482</b>

11.2 Investment properties with a carrying value of KD7,350,000 (31 December 2016: KD7,477,030 and 30 September 2016: KD7,557,246) 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 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Islamic debt instruments - Murabaha payables	3,738,398	3,606,871	4,206,871
	<b>3,738,398</b>	<b>3,606,871</b>	<b>4,206,871</b>

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 first instalment was paid during 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 September 2016: 5%).



## Notes to the interim condensed consolidated financial information (continued)

### 13 Bonds issued

- 13.1 In 2014, management of the Parent Company commenced negotiations with its bondholders to restructure its dues and during the third quarter of 2014, it submitted a proposal to the bondholders to settle 50% of the amounts due in cash provided the bondholders 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 first 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.

Consequent to these agreements, the Group through its foreign subsidiary settled in cash 50% of the above mentioned dues amounting to KD5,544,000 during 2014 and the first 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 first quarter of 2015. Accordingly, during the second quarter of the year 2015, upon completion of the debt to equity swap, the Parent Company issued 33,264,000 new shares to the 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 September 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 to recover the full face value of the bond. However, the Group's management is confident that the legal case has no basis and that the case will be decided in favour of the Parent Company.

- 13.3 During the period, the Parent Company lost a court case against an old bondholder who previously owned bonds with a carrying value of KD900,000 and became 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 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. As of the reporting date, the shares were not transferred. However, during the period, the Group recognized a provision of KD270,000 against this liability.

## Notes to the interim condensed consolidated financial information (continued)

### 14 Share capital

The authorised, issued and fully paid share capital is as follows:

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Shares of KD0.100 each	31,024,591	66,954,351	66,954,351

The Parent Company's shareholders at the 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, which was approved by the relevant authorities and recorded in the commercial register of the Ministry of Commerce on 8 August 2017.

### 15 Related party transactions

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

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

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
<b>Balances in the interim condensed consolidated statement of financial position:</b>			
Due from related parties (see note 8)	281,002	276,675	240,431
Due to related parties (included under accounts payable and other liabilities) (a)	4,549,343	4,882,523	4,669,807
Due to related parties (included within trade payables)	1,443,299	1,443,299	1,446,523

- a) Due to related parties includes interest free advances totalling KD4,260,750 (31 December 2016: KD4,282,625 and 30 September 2016: KD4,159,125) from an associate (KD1,510,750) 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		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
<b>Transactions included in the interim condensed consolidated statement of profit or loss:</b>				
Management fees	46,586	18,309	115,992	54,528
<b>Key management compensation</b>				
Short term benefits	153,576	71,378	290,781	403,312
Employee end of service indemnity	38,497	6,883	54,434	21,697

## Notes to the interim condensed consolidated financial information (continued)

### 16 Segmental information

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

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

	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
<b>Nine months ended 30 September 2017</b>					
Income	257,330	331,309	22,373	(16,203)	594,809
Expenses and other charges	(484,545)	(1,383,393)	(2,309)	(178,505)	(2,048,752)
(Loss)/profit for the period	(227,215)	(1,052,084)	20,064	(194,708)	(1,453,943)
<b>Total assets</b>	<b>12,349,967</b>	<b>18,974,551</b>	<b>143,459</b>	<b>783,682</b>	<b>32,251,659</b>
<b>Total liabilities</b>	<b>4,302,626</b>	<b>5,282,557</b>	<b>915,034</b>	<b>4,691,400</b>	<b>15,191,617</b>
<b>Nine months ended 30 September 2016</b>					
Income	258,488	404,000	20,350	(43,198)	639,640
Expenses and other charges	(476,290)	(14,096,924)	(6,942)	(185,003)	(14,765,159)
(Loss)/profit for the period	(217,802)	(13,692,924)	13,408	(228,201)	(14,125,519)
<b>Total assets</b>	<b>15,755,102</b>	<b>23,007,771</b>	<b>-</b>	<b>550,036</b>	<b>39,312,909</b>
<b>Total liabilities</b>	<b>4,831,965</b>	<b>5,220,043</b>	<b>915,791</b>	<b>4,704,636</b>	<b>15,672,435</b>
<b>Three months ended 30 September 2017</b>					
Income	229,417	14,565	6,154	(8,921)	241,215
Expenses and other charges	(178,318)	(742,080)	967	(47,524)	(966,955)
Profit/(loss) for the period	51,099	(727,515)	7,121	(56,445)	(725,740)
<b>Three months ended 30 September 2016</b>					
Income	135,490	72,521	9,462	(16,333)	201,140
Expenses and other charges	(146,540)	(347,338)	13,243	(49,597)	(530,232)
(Loss)/profit for the period	(11,050)	(274,817)	22,705	(65,930)	(329,092)
<b>31 December 2016</b>					
<b>Total assets</b>	<b>14,498,960</b>	<b>18,372,122</b>	<b>-</b>	<b>535,064</b>	<b>33,406,146</b>
<b>Total liabilities</b>	<b>4,288,501</b>	<b>5,262,299</b>	<b>968,992</b>	<b>4,919,209</b>	<b>15,439,001</b>

## Notes to the interim condensed consolidated financial information (continued)

### 17 Financial Instruments

#### 17.1 Categories of financial assets and liabilities

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

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Receivables (at amortised cost):			
• Cash and cash equivalents	3,027,156	4,240,051	4,765,107
• Accounts receivable and other assets	5,072,046	5,348,395	5,772,374
• Financing receivables	143,459	-	-
	<b>8,242,661</b>	<b>9,588,446</b>	<b>10,537,481</b>
Held to maturity investments (at amortised cost):			
• Investment in bonds	100,000	100,000	100,000
	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
Assets at fair value through profit or loss			
• Investments at fair value through profit or loss – Designated on initial recognition	1,430,455	1,466,408	1,569,580
	<b>1,430,455</b>	<b>1,466,408</b>	<b>1,569,580</b>
Available for sale investments (refer note 9)			
• At fair value	4,196,332	3,666,806	3,579,711
• At cost / cost less impairment	616,436	616,436	1,209,383
	<b>4,812,768</b>	<b>4,283,242</b>	<b>4,789,094</b>
	<b>14,585,884</b>	<b>15,438,096</b>	<b>16,996,155</b>
Other financial liabilities:			
• Accounts payable and other liabilities	10,089,019	10,434,534	10,090,683
• Borrowings	3,738,398	3,606,871	4,206,871
• Bonds issued	900,000	900,000	900,000
	<b>14,727,417</b>	<b>14,941,405</b>	<b>15,197,554</b>

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the Parent Company's management, except for certain available for sale investments which are carried at cost less impairment for reasons specified in note 9, the carrying amounts of financial assets and liabilities as at 30 September 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
<b>30 September 2017</b>					
<b>Assets at fair value</b>					
Investments at fair value through profit or loss					
- Quoted shares	a	759,965	-	-	759,965
- Mutual funds	b	-	131,464	-	131,464
- Unquoted shares	c	-	-	539,026	539,026
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	2,159,737	2,159,737
o Foreign	c	-	-	277,148	277,148
- Private equity funds	d	-	-	530,624	530,624
- Direct equity funds	d	-	-	319,235	319,235
- Portfolios managed by others					
o Foreign quoted	a	219,228	-	-	219,228
o Local unquoted	e	-	-	66,532	66,532
o Foreign unquoted	e	-	-	623,828	623,828
<b>Total assets</b>		<b>979,193</b>	<b>131,464</b>	<b>4,516,130</b>	<b>5,626,787</b>
<b>31 December 2016</b>					
<b>Assets at fair value</b>					
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
<b>Total assets</b>		<b>1,106,706</b>	<b>157,761</b>	<b>3,868,747</b>	<b>5,133,214</b>

## 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
<b>30 September 2016</b>					
<b>Assets at fair value</b>					
<b>Investments at fair value through profit loss</b>					
- Quoted shares	a	745,493	-	-	745,493
- Mutual funds	b	-	130,938	-	130,938
- Unquoted shares	c	-	-	693,149	693,149
<b>Available for sale investments:</b>					
- Investment in unquoted shares					
o Local	c	-	-	2,340,643	2,340,643
o Foreign	c	-	-	201,554	201,554
- Private equity funds	d	-	-	288,457	288,457
- Direct equity funds	d	-	-	211,757	211,757
- Portfolios managed by others					
o Foreign quoted Real Estate Investment Trust (REIT)	a	48,067	-	-	48,067
o Foreign quoted	a	356,306	-	-	356,306
o Local unquoted	e	-	-	132,927	132,927
<b>Total assets</b>		<b>1,149,866</b>	<b>130,938</b>	<b>3,868,487</b>	<b>5,149,291</b>

During the nine-month period ended 30 September 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 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Opening balance	3,868,747	5,648,588	5,648,588
Change in fair value	345,087	(607,790)	(222,614)
Disposals during the period/year	(62,985)	(160,693)	(160,690)
Additions during the period/year	365,281	-	-
Movement between level 3 and carried at cost	-	(457,059)	(1,050,006)
Transferred to level 1 (due to listing)	-	(314,483)	(314,483)
Impairment of level 3 investments	-	(239,816)	(32,308)
<b>Closing balance</b>	<b>4,516,130</b>	<b>3,868,747</b>	<b>3,868,487</b>
Total amount included in profit or loss for unrealised gain on level 3 instruments under investments at fair value through profit or loss	20,692	(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 September 2017 amounted to KD49,137,007 (31 December 2016: KD50,480,335 and 30 September 2016: KD46,766,888) of which assets managed on behalf of its related parties amounted to KD Nil (31 December 2016: KD Nil and 30 September 2016: KD Nil).

During the period total fees earned by the Group from assets under management amounted to KD39,141 (31 December 2016: KD75,147 and 30 September 2016: KD 54,528).

### 19 Capital commitments

As of 30 September 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 September 2016: KD150,000).

## Notes to the interim condensed consolidated financial information (continued)

### **20 Annual general assembly**

The shareholders in the Annual General Assembly of the Parent Company for the year ended 31 December 2016 held on 18 July 2017 approved the consolidated financial statements for the year ended 31 December 2016 without any dividends.