Interim condensed consolidated financial information and review report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

30 June 2016 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

To the Board of Directors of
Kuwait Financial Centre – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Financial Centre – KPSC ("the parent company") and its subsidiaries ("the group") as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for three month and six month period then ended and, 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 preparation 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 preparation set out in Note 2.

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the parent company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association of the parent company or 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 provision of Law No.7 of 2010, concerning the Capital Markets Authority and its related executive regulations have occurred during the six month period ended 30 June 2016 that might have had a material effect on the business or financial position of the parent company.

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Kuwait
15 August 2016

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 30 June 2016 (Unaudited) KD '000	Three months ended 30 June 2015 (Unaudited) KD '000	Six months ended 30 June 2016 (Unaudited) KD '000	Six months ended 30 June 2015 (Unaudited) KD '000
Revenue					
Interest income		**164**	191	**346**	438
Dividend income		**273**	252	**600**	486
Management fees and commission		**2,329**	1,892	**3,817**	3,395
(Loss)/gain from investments at fair value through profit or loss	6	**(289)**	833	**(1,742)**	635
Gain on redemption/sale of available for sale investments		**1,143**	1,514	**1,159**	2,848
Share of results of associate and joint venture		**(186)**	11	**(170)**	52
Gain on sale of investment properties	11	**356**	279	**489**	478
Net rental income		**44**	45	**65**	85
Foreign currency exchange gain		**115**	122	**154**	605
Other income		**15**	2	**15**	3
		3,964	5,141	**4,733**	9,025
Expenses and other charges					
General and administrative expenses		**(2,019)**	(2,033)	**(3,491)**	(3,761)
Impairment of available for sale investments	10	**(37)**	(4)	**(46)**	(43)
Reversal of provisions/(charge of provisions)		**-**	(21)	**3**	(198)
Other expenses		**(27)**	(162)	**(42)**	(227)
Finance costs		**(312)**	(308)	**(619)**	(606)
		(2,395)	(2,528)	**(4,195)**	(4,835)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		**1,569**	2,613	**538**	4,190
Provision for contribution to KFAS		**(8)**	(23)	**(8)**	(35)
Provision for NLST		**(23)**	(64)	**(23)**	(104)
Provision for Zakat		**(9)**	(25)	**(9)**	(41)
Profit for the period		**1,529**	2,501	**498**	4,010
Profit for the period attributable to:					
Owners of the parent company		**1,493**	2,432	**810**	3,737
Non-controlling interests		**36**	69	**(312)**	273
Profit for the period		**1,529**	2,501	**498**	4,010
Basic and diluted earnings per share attributable to the owners of the parent company	7	**3 Fils**	5 Fils	**2 Fils**	8 Fils

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

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

	Three months ended		Six months ended	
	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	**30 June 2016 (Unaudited) KD '000**	30 June 2015 (Unaudited) KD '000
Profit for the period	**1,529**	2,501	**498**	4,010
Other comprehensive (loss)/income:				
Items that will be reclassified subsequently to statement of profit or loss				
Available for sale investments:				
- Net change in fair value arising during the period	**(221)**	852	**(1,017)**	2,580
- Transferred to interim condensed consolidated statement of profit or loss on redemption/sale	**(1,143)**	(1,514)	**(1,159)**	(2,848)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	**37**	4	**46**	43
Foreign currency translation:				
- Exchange differences arising on translation of foreign operations	**(53)**	285	**(227)**	606
Share of other comprehensive income/(loss) of associate and joint venture	**1**	(23)	**(2)**	(10)
Total other comprehensive (loss)/income	**(1,379)**	(396)	**(2,359)**	371
Total comprehensive income/(loss) for the period	**150**	2,105	**(1,861)**	4,381
Total comprehensive income/(loss) attributable to:				
Owners of the parent company	**113**	2,160	**(1,521)**	4,094
Non-controlling interests	**37**	(55)	**(340)**	287
	150	2,105	**(1,861)**	4,381

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	**30 June 2016 (Unaudited)**	31 Dec. 2015 (Audited)	30 June 2015 (Unaudited)
		KD '000	KD '000	KD '000
Assets				
Cash and bank balances	8	**9,552**	7,977	9,255
Time deposits	8	**5,036**	7,321	730
Investments at fair value through profit or loss	9	**39,664**	41,100	44,783
Accounts receivable and other assets		**5,049**	5,084	5,320
Loans to customers		**434**	436	620
Available for sale investments	10	**49,292**	53,788	59,914
Investment in associate and joint venture		**2,866**	3,090	3,035
Investment properties	11	**31,513**	29,167	27,172
Property and equipment		**380**	288	343
Total assets		**143,786**	148,251	151,172
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		**5,982**	6,363	6,169
Term loans	12	**7,834**	7,685	9,253
Bonds issued		**22,000**	22,000	22,000
Total liabilities		**35,816**	36,048	37,422
Equity				
Share capital	13	**48,080**	53,130	53,130
Share premium		**7,902**	7,902	7,902
Legal reserve		**14,847**	14,847	14,544
Voluntary reserve	13	**13,202**	14,793	14,490
Treasury shares	13	**-**	(16,342)	(16,342)
Treasury shares reserve	13	**-**	7,973	7,973
Other components of equity	14	**5,394**	7,725	10,060
Retained earnings		**760**	4,132	5,474
Equity attributable to the owners of the parent company		**90,185**	94,160	97,231
Non-controlling interests		**17,785**	18,043	16,519
Total equity		**107,970**	112,203	113,750
Total liabilities and equity		**143,786**	148,251	151,172

Diraar Yusuf Alghanim
Chairman

Ali H. Khalil
Chief Operating Officer

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)

	Equity attributable to the owners of the parent company									Non-controlling interests	Total
	Share capital KD '000	Share premium KD '000	Legal reserve KD '000	Voluntary reserve KD '000	Treasury shares KD '000	Treasury shares reserve KD '000	Other components of equity (note 14) KD '000	Retained earnings KD '000	Sub Total KD '000	KD '000	KD '000
Balance at 1 January 2016	53,130	7,902	14,847	14,793	(16,342)	7,973	7,725	4,132	94,160	18,043	112,203
Cancellation of treasury shares (note 13)	(5,050)	-	-	-	5,050	-	-	-	-	-	-
Loss on cancellation of treasury shares (note 13)	-	-	-	-	11,292	(7,973)	-	(3,319)	-	-	-
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	32	32
Effect of change in ownership percentage of subsidiaries (note 5)	-	-	-	-	-	-	-	(50)	(50)	50	-
Payment of cash dividend (note 13)	-	-	-	(1,591)	-	-	-	(813)	(2,404)	-	(2,404)
Transactions with owners	(5,050)	-	-	(1,591)	16,342	(7,973)	-	(4,182)	(2,454)	82	(2,372)
Profit /(loss) for the period	-	-	-	-	-	-	-	810	810	(312)	498
Total other comprehensive loss	-	-	-	-	-	-	(2,331)	-	(2,331)	(28)	(2,359)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(2,331)	810	(1,521)	(340)	(1,861)
Balance at 30 June 2016	**48,080**	**7,902**	**14,847**	**13,202**	-	-	**5,394**	**760**	**90,185**	**17,785**	**107,970**

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited) (continued)

	Equity attributable to the owners of the parent company									Non-controlling interests	Total
	Share capital KD '000	Share premium KD '000	Legal reserve KD '000	Voluntary reserve KD '000	Treasury shares KD '000	Treasury shares reserve KD '000	Other components of equity (note 14) KD '000	Retained earnings KD '000	Sub Total KD '000	KD '000	KD '000
Balance at 1 January 2015	53,130	7,902	14,544	14,490	(16,342)	7,973	9,703	5,601	97,001	12,946	109,947
Purchase of non-controlling interests in a subsidiary	-	-	-	-	-	-	-	(1,167)	(1,167)	(2,031)	(3,198)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	5,505	5,505
Effect of change in ownership percentage of subsidiaries (note 5)	-	-	-	-	-	-	-	188	188	(188)	-
Payment of cash dividend	-	-	-	-	-	-	-	(2,885)	(2,885)	-	(2,885)
Transactions with owners	-	-	-	-	-	-	-	(3,864)	(3,864)	3,286	(578)
Profit for the period	-	-	-	-	-	-	-	3,737	3,737	273	4,010
Total other comprehensive income	-	-	-	-	-	-	357	-	357	14	371
Total comprehensive income for the period	-	-	-	-	-	-	357	3,737	4,094	287	4,381
Balance at 30 June 2015	53,130	7,902	14,544	14,490	(16,342)	7,973	10,060	5,474	97,231	16,519	113,750

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Six months ended 30 June 2016 (Unaudited) KD '000	Six months ended 30 June 2015 (Unaudited) KD '000
OPERATING ACTIVITIES			
Profit for the period		498	4,010
Adjustments for:			
Interest income		(346)	(438)
Dividend income		(600)	(486)
Depreciation		88	115
Gain on redemption/sale of available for sale investments		(1,159)	(2,848)
Share of results of associate and joint venture		170	(52)
Gain on sale of investment properties		(489)	(478)
Impairment of available for sale investments		46	43
(Reversal of provisions)/ charge of provisions		(3)	198
Finance costs		619	606
		(1,176)	670
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		1,436	(6,588)
Accounts receivable and other assets		24	438
Loans to customers		3	3,207
Accounts payable and other liabilities		(488)	(2,560)
Net cash used in operating activities		(201)	(4,833)
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		(1,375)	(601)
Purchase of property and equipment		(161)	(90)
Proceeds from sale of available for sale investments		8,798	13,374
Purchase of available for sale investments		(5,320)	(8,873)
Purchase of investment properties		(3,322)	(4,336)
Proceeds from sale of investment properties		1,279	1,801
Increase in investment in associate and joint venture		(34)	-
Purchase of non-controlling interests in a subsidiary		-	(3,198)
Dividend received from associate		86	-
Dividend income received		600	486
Interest income received		359	447
Net cash from/(used in) investing activities		910	(990)
FINANCING ACTIVITIES			
Dividend paid		(2,299)	(2,827)
Proceeds from term loans		149	4,590
Finance costs paid		(615)	(590)
Net change in non-controlling interests		32	5,505
Net cash (used in)/from financing activities		(2,733)	6,678
(Decrease)/increase in cash and cash equivalents		(2,024)	855
Foreign currency adjustments		(61)	606
Cash and cash equivalents at the beginning of the period	8	15,201	7,848
Cash and cash equivalents at the end of the period	8	13,116	9,309

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

Kuwait Financial Centre – KPSC ("the parent company") was incorporated in 1974 in accordance with the Commercial Companies Law in the State of Kuwait. The parent company is listed on the Kuwait Stock Exchange and is governed under the directives of the Central Bank of Kuwait and Capital Market Authority of Kuwait.

The principal activities of the parent company and its subsidiaries ("the group") are as follows:

- Funding import and export operations, whether by direct credit or accepting drafts drawn on the company for short terms, as well as brokerage in securing the banking facilities for clients in Kuwait and abroad.

- Undertake the job of broker between the public of borrowers and lenders, undertake approved agency works for the payment processes arising from issuing medium and long term securities, in addition to keeping securities on behalf of the clients.

- Dealing and trading in the foreign currencies and the precious metal markets inside and outside Kuwait.

- Undertake investment works and evaluation of projects on behalf o clients, as well as provide technical and financial advice to them before taking the decisions related to funding projects.

- Undertake all the services which assist to extend and support the money and capital market capacity in Kuwait and fulfill its needs within the limits of the law and the procedures or instructions issued by the Central Bank of Kuwait. The company may have an interest or participate in any manner with the bodies practicing business similar to its business or which may assist it to achieve its objectives inside or outside Kuwait and it may acquire such bodies or append them to itself.

- Offering personal, commercial and consumer loans, undertake finance operations on the basis of margin related to investment operations in the local and international markets, trading currencies, as well as the finance operations related to pledging investment portfolios and securities, and undertaking finance and brokerage in international and local commercial operations.

- Practicing all types of relevant financial and brokerage operations.

- Investment in the various economic sectors such as the industrial, real estate, agricultural, services and other sectors, whether directly or by contribution through existing companies or incorporating these companies related to the said activity or acquire projects which fulfill such objective.

- Undertake securities trading, including the selling and purchase of stocks, bonds, companies, government bodies in this field according to the conserved investment principle and diversification of its investment portfolios.

- Undertake the functions of investment trustees and investment portfolio management for the account of third parties with the required loaning and borrowing operations.

- Setting up and managing investment funds.

- Providing investment consultations related to securities against commission (investment advisory).

- Offering or selling securities for their issuer or his ally or acquiring securities from the issuer or his ally for re-marketing (issuance management).

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities (continued)

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

The address of the parent company's registered office is PO Box 23444, Safat 13095, State of Kuwait.

This interim condensed consolidated financial information for the six month period ended 30 June 2016 was authorized for issue by the parent company's board of directors on 15 August 2016.

2 Basis of preparation

This interim condensed consolidated financial information of the group for the six-month period ended 30 June 2016 has been prepared in accordance with IAS 34, Interim Financial Reporting, except as noted below.

The annual consolidated financial statements for the year ended 31 December 2015 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision as described below.

The impairment provision for loans and advances complies in all material respects with the specific provision requirements of the CBK and IFRS. In this respect, the CBK requires general provisions of 1% for cash facilities and 0.5% for non-cash facilities, for which no specific provision has been made.

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

Operating results for the six months ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. For more details refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2015.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the parent company.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the most recent annual financial statements of the group for the year ended 31 December 2015 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies

3.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2016. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 1 'Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements.* The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The amendments did not have any material impact to the group's interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the group (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

The amendments did not have any material impact to the group's interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the group (continued)

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances.
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendments did not have any material impact to the group's interim condensed consolidated financial information.

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The amendments did not have any material impact to the group's interim condensed consolidated financial information.

Annual Improvements to IFRSs 2012–2014 Cycle

(i) *Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in interim condensed financial information.

(ii) *Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

The annual improvements did not have any material impact to the group's interim condensed consolidated financial information.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this consolidated interim financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's interim condensed consolidated financial information is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

IFRS 9 Financial Instruments: Classification and Measurement

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on the group's trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the group makes an irrevocable designation to present them in other comprehensive income.
- if the group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the group's own credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including –
  - o non-cash consideration and asset exchanges
  - o contract costs
  - o rights of return and other customer options
  - o supplier repurchase options
  - o warranties
  - o principal versus agent
  - o licencing
  - o breakage
  - o non-refundable upfront fees, and
  - o consignment and bill-and-hold arrangements.

The group's management has yet to assess the impact of this new standard on the group's interim condensed consolidated financial information.

IFRS 16 Leases

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high value equipment. For many other businesses, however, exemptions for short-term leases and leases of low value assets will reduce the impact.

The group's management has yet to assess the impact of this new standard on the group's interim condensed consolidated financial information.

4 Judgment and estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, 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 judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2015.

Notes to the interim condensed consolidated financial information (continued)

5 Group's subsidiaries

During the period, the group's ownership in the following subsidiaries has changed as follow:

Name	Country of incorporation	Voting capital Held 30 June. 2016 (Unaudited)	31 Dec. 2015 (Audited)	30 June. 2015 (Unaudited)	Purpose
Markaz Fixed Income Fund	Kuwait	**81.21%**	82.50%	82.50%	Investment Fund
Mawazeen International Fund	Kuwait	**58.20%**	56.53%	57.30%	Investment Fund
Markaz Arabian Fund	Kingdome of Bahrain	**57.69%**	57.89%	58.76%	Investment Fund

5.1 The changes in ownership of Markaz Fixed Income Fund decreased by 1.29%, Mawazeen International Fund increased by 1.67% and Markaz Arabian Fund decreased by 0.20% due to changes in units held by non controlling interest holders as a result of addition and redemption of the fund's units. These changes in the ownership resulted in a net loss of KD50 thousand. Since, the parent company continues to control these subsidiaries, the changes resulting from deemed ownership changes in these subsidiaries has been recognised in equity (effect of change in ownership percentage of subsidiaries during the six months ended 30 June 2015 was a profit of KD188 thousand).

6 (Loss)/ gain from investments at fair value through profit or loss

	Three months ended		Six months ended	
	30 June 2016 (Unaudited) KD '000	30 June 2015 (Unaudited) KD '000	**30 June 2016 (Unaudited) KD '000**	30 June 2015 (Unaudited) KD '000
Gain/(loss) on sale of investments at fair value through profit or loss	**2**	343	**(758)**	562
Change in fair value of investments at fair value through profit or loss	**(291)**	490	**(984)**	73
	(289)	833	**(1,742)**	635

7 Basic and diluted earnings per share attributable to the owners of the parent company

Basic and diluted earnings per share attributable to the owners of the parent company is calculated by dividing the profit for the period attributable to the owners of the parent company by the weighted average number of shares in issue excluding treasury shares.

	Three months ended		Six months ended	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)	**30 June 2016 (Unaudited)**	30 June 2015 (Unaudited)
Profit for the period attributable to the owners of the parent company (KD '000)	**1,493**	2,432	**810**	3,737
Weighted average number of shares in issue during the period (excluding treasury shares) (000's)	**480,802**	480,802	**480,802**	480,802
Basic and diluted earnings per share attributable to the owners of the parent company	**3 Fils**	5 Fils	**2 Fils**	8 Fils

Notes to the interim condensed consolidated financial information (continued)

8 Cash and cash equivalents

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows comprise of the following accounts:

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Cash and bank balances	9,552	7,977	9,255
Time deposits with banks and other financial institutions	5,036	7,321	730
	14,588	15,298	9,985
Less: Time deposits maturing after three months	(1,472)	(97)	(676)
Cash and cash equivalent for interim condensed consolidated statement of cash flows	13,116	15,201	9,309

The group's time deposits carry an effective interest rate of 1.31% (31 December 2015: 0.67% and 30 June 2015: 3.50%) per annum.

9 Investments at fair value through profit or loss

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Trading :			
Local quoted shares	-	-	585
Foreign quoted shares	12,448	15,138	20,792
	12,448	15,138	21,377
Designated on initial recognition:			
Local managed funds	23,579	24,406	21,117
Foreign quoted securities	2,370	131	846
Fixed income securities	1,267	1,425	1,443
	27,216	25,962	23,406
	39,664	41,100	44,783

The investments in local managed funds are carried at net asset value provided by the respective fund managers due to the nature of those investments. Management believes the net asset value provided by the fund managers represents the best estimate of fair value available for these investments.

The interest rates on fixed income securities range from 2.50% to 9.00% (31 December 2015: 2.50% to 9.00% and 30 June 2015: 6.25% to 9.00%) per annum.

Notes to the interim condensed consolidated financial information (continued)

10 Available for sale investments

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Quoted shares	**4,715**	6,870	7,789
Unquoted securities	**797**	807	780
Managed funds	**24,516**	26,239	31,027
Equity participation	**13,051**	13,662	15,310
Debt instruments	**6,213**	6,210	5,008
	49,292	53,788	59,914

The investments in managed funds are carried at net asset value provided by the respective fund managers due to the nature of those investments. Management believes the net asset value provided by the fund managers represents the best estimate of fair value available for these investments.

Fair value of investments in equity participation are determined mostly based on net assets value provided by the investment managers as this represents the best estimate of fair value available for these investments.

Investment in debt instrument amounting to KD1,195 thousand (31 December 2015: KD1,186 thousand and 30 June 2015: KD2,687 thousand) are secured by charges over real estate properties and carry average interest rate of 4.43% (31 December 2015: 5.44% and 30 June 2015: 4.39%) per annum.

Debt instruments include a syndicated murabaha for KD4,991 thousand (31 December 2015: KD4,997 thousand and 30 June 2015: KD4,974 thousand) provided to a local Kuwait Company with an option to convert this facility into equity securities of another Kuwaiti listed company at an agreed price in the event of default or on maturity, whichever is earlier. The effective profit rate is 4.25% (31 December 2015: 4.25% and 30 June 2015: 4%) per annum.

During the period, the group recognised an impairment loss of KD46 thousand (30 June 2015: KD43 thousand) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

11 Investment properties

The movement in investment properties is as follows:

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Carrying value at the beginning of the period/year	**29,167**	24,201	24,201
Additions	**3,322**	8,440	4,336
Gain on sale	**489**	1,850	478
Proceeds from sale	**(1,279)**	(5,712)	(1,801)
Impairment	**-**	(274)	-
Depreciation	**(19)**	(62)	(42)
Foreign currency translation adjustment	**(167)**	724	-
	31,513	29,167	27,172

Notes to the interim condensed consolidated financial information (continued)

12 Bank borrowings

These represent unsecured loan facilities amounting to KD 26.42 million obtained from local commercial banks and carry interest rate ranging from 2% to 2.50% above Central Bank of Kuwait discount rate. As at 30 June 2016, an amount of KD 2.85 million (31 December 2015: KD 2.7 million and 30 June 2015: KD 9.25 million) was drawn against these facilities.

Bank borrowings also include a murabaha facility obtained from a local Islamic bank amounting to KD4.99 million (31 December 2015: KD 5 million and 30 June 2015: Nil) carrying a profit rate of 1.5% above Central Bank of Kuwait discount rate and maturing in September 2016.

13 Annual general assembly of the shareholders

The Annual general assembly of the shareholders held on 9 May 2016 approved the consolidated financial statements of the group for the year ended 31 December 2015 and approved cash dividend of 5 Fils (2014: 6 Fils) per share amounting to KD2,404 thousand (2014: KD2,885 thousand) for the year ended 31 December 2015 through utilization an amount of KD813 thousand from the retained earnings and an amount of KD1,591 thousand from the voluntary reserve as of 31 December 2015. Dividends were paid following the approval of the general assembly of the shareholders.

The Extraordinary General Assembly Meeting of the Shareholders ("EGAM") held on the same date approved the reduction of share capital by KD5,050 thousand by cancellation of 50,498,253 treasury shares at nominal value of 100 Fils each. The loss on cancellation of treasury shares amounting to KD11,292 thousand was first adjusted against treasury shares reserve amounting to KD7,973 thousand and the balance amount of KD3,319 thousand adjusted against retained earnings.

As a result of above transaction the authorised share capital of the parent company is 480,801,747 shares (531,300,000 shares at 31 December 2015 and 30 June 2015) and issued and fully paid is KD48,080 thousand (KD53,130 thousand at 31 December 2015 and 30 June 2015) at nominal value of 100 fils for each share.

The amendments to the articles of association of the parent company to reflect this decision were recorded in Kuwait Commercial Register on 27 June 2016.

14 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2016	**6,988**	**737**	**7,725**
Available for sale investments :			
- Net change in fair value arising during the period	(1,040)	-	(1,040)
- Transferred to interim condensed consolidated statement of profit or loss on sale	(1,159)	-	(1,159)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	46	-	46
Exchange differences arising on translation of foreign operations	-	(176)	(176)
Share of other comprehensive loss of associate and joint venture	-	(2)	(2)
Total other comprehensive loss	(2,153)	(178)	(2,331)
Balance at 30 June 2016	**4,835**	**559**	**5,394**

Notes to the interim condensed consolidated financial information (continued)

14 Other components of equity (continued)

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2015	9,386	317	9,703
Available for sale investments :			
- Net change in fair value arising during the period	2,563	-	2,563
- Transferred to interim condensed consolidated statement of profit or loss on sale	(2,856)	-	(2,856)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	43	-	43
Exchange differences arising on translation of foreign operations	-	617	617
Share of other comprehensive loss of associate	-	(10)	(10)
Total other comprehensive (loss)/income	(250)	607	357
Balance at 30 June 2015	9,136	924	10,060

15 Related party transactions

Related parties represent associate, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

During the period, the group entities entered into the following transactions with related parties that are not members of the group:

	Three months ended		Six months ended	
	30 June 2016 (Unaudited)	30 June 2015 (Unaudited)	**30 June 2016 (Unaudited)**	30 June 2015 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Transactions included in the interim condensed consolidated statement of profit or loss:				
Interest income on loans and short term financing	**1**	1	**2**	1
Management fees and commission	**1,027**	1,357	**2,181**	2,434
Key management compensation:				
Salaries and other short term benefits	**255**	267	**482**	505
End of service benefits	**30**	44	**54**	109
	285	311	**536**	614

Notes to the interim condensed consolidated financial information (continued)

15 Related party transactions (continued)

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position:			
Loans to customers	**87**	94	47
Accounts receivable and other assets	**578**	631	540
Accounts payable and other liabilities	**1,308**	1,207	1,140

16 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to group profit or loss. The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its annual consolidated financial statements.

The revenues and profits generated by the group from business segments are summarised as follows:

	Asset Management (Unaudited)		Investment Banking (Unaudited)		Total (Unaudited)	
	30 June 2016 KD'000	30 June 2015 KD'000	**30 June 2016 KD'000**	30 June 2015 KD'000	**30 June 2016 KD'000**	30 June 2015 KD'000
Segment revenue	**3,454**	8,044	**1,279**	981	**4,733**	9,025
Segment result	**616**	4,604	**(78)**	(414)	**538**	4,190
KFAS, NLST and Zakat	**(40)**	(180)	**-**	-	**(40)**	(180)
Profit/(loss) for the period	**576**	4,424	**(78)**	(414)	**498**	4,010
Total assets	**120,482**	130,252	**23,304**	20,920	**143,786**	151,172

17 Fiduciary accounts

The group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 June 2016 amounted to KD943,133 thousand (31 December 2015: KD1,026,808 thousand and 30 June 2015: KD1,102,972 thousand). The group earned management fee of KD2,739 thousand (30 June 2015: KD2,980 thousand) from the asset management activities.

Notes to the interim condensed consolidated financial information (continued)

18 Commitments

	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Commitments for purchase of investments	4,080	4,166	4,456
Letters of guarantee	822	825	822
Corporate guarantee	2,793	-	-
	7,695	4,991	5,278

Corporate guarantee represents guarantee given by the parent company towards loan taken by its subsidiaries.

19 Derivative financial instruments

The contractual amounts of out-standing derivative instruments together with the fair value are as follows:

	30 June 2016 (Unaudited)		31 Dec. 2015 (Audited)		30 June 2015 (Unaudited)	
	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000
Held for trading:						
Forward foreign exchange contracts	7,569	14	7,653	(18)	8,365	(104)

20 Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2015.

21 Fair value measurement

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.

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

The level within which the financial 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 condensed consolidated financial position are grouped into the fair value hierarchy as follows:

30 June 2016 (Unaudited)	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	14,813	-	-	14,813
Managed funds-GCC	-	23,584	-	23,584
Fixed income securities	922	-	-	922
	15,735	23,584	-	39,319
Derivative				
Forward foreign currency contracts held for trading	-	14	-	14
Available for sale investments				
Quoted securities	4,715	-	-	4,715
Managed funds				
- GCC	-	13,337	-	13,337
- Foreign	-	11,179	-	11,179
Debt instruments	-	-	6,213	6,213
Equity participations	-	13,051	-	13,051
Unquoted securities	-	-	797	797
	4,715	37,567	7,010	49,292
	20,450	61,165	7,010	88,625

31 December 2015 (Audited)	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	15,269	-	-	15,269
Managed funds				
- GCC	-	24,401	-	24,401
- Foreign	-	5	-	5
Fixed income securities	1,080	-	-	1,080
	16,349	24,406	-	40,755
Derivative				
Forward foreign currency contracts held for trading	-	(18)	-	(18)
Available for sale investments				
Quoted securities	6,870	-	-	6,870
Managed funds				
- GCC	-	13,876	-	13,876
- Foreign	-	12,363	-	13,363
Debt instruments	-	-	6,210	6,210
Equity participations	-	13,662	-	13,662
Unquoted securities	-	-	807	807
	6,870	39,901	7,017	53,788
	23,219	64,289	7,017	94,525

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

30 June 2015 (Unaudited)

	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	22,223	-	-	22,223
Managed funds-GCC	-	21,117	-	21,117
Fixed income securities	1,098	-	-	1,098
	23,321	21,117	-	44,438
Derivative				
Forward foreign currency contracts held for trading	-	(104)	-	(104)
Available for sale investments				
Quoted securities	8,405	-	-	8,405
Managed funds				
- GCC	-	15,297	-	15,297
- Foreign	-	12,418	-	12,418
Debt instruments	-	-	7,695	7,695
Equity participations	-	15,319	-	15,319
Unquoted securities	-	-	780	780
	8,405	43,034	8,475	59,914
	31,726	64,047	8,475	104,248

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Level 3 fair value measurements

The group's financial assets and liabilities classified in level 3 uses valuation techniques based on significant 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:

	Available for sale Investments		
	30 June 2016 (Unaudited) KD '000	31 Dec. 2015 (Audited) KD '000	30 June 2015 (Unaudited) KD '000
Opening balance	**7,017**	8,455	8,455
Redemption	**(8)**	(1,839)	(128)
Gains or losses recognised in:			
-Other comprehensive income	**1**	401	148
Closing balance	**7,010**	7,017	8,475

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

Level 3 fair value measurements (continued)

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

For financial instruments carried at amrotised cost, fair values are not materially different from their carrying values and are used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counter parties.

The impact on interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.