

**Kuwait Financial Centre – K.P.S.C and Subsidiaries
Kuwait**

**Consolidated interim financial information and review report
31 March 2016 (Unaudited)**

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INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Kuwait Financial Centre K.P.S.C ("the Parent Company") and its subsidiaries (collectively called "the Group") as at 31 March 2016 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the three-month period then ended, and the changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the 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 consolidated interim 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

Furthermore, based on our review, the consolidated interim financial information is in agreement with the accounting records and to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 1 of 2016 and the Executive Regulations or 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 provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 2016 that might have had a material effect on the business or financial position of the Parent Company.

Talal Y. Al-Muzaini
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Kuwait
09 May 2016

Anwar Y. Al-Qatami, F.C.C.A.
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Condensed Consolidated Statement of Profit or Loss
Three months ended 31 March 2016

		KD '000	
		Three months ended 31 March	
		2016	2015
Notes		(Unaudited)	(Unaudited)
Revenue			
	Interest income	182	247
	Dividend income	327	234
	Management fees and commission	1,488	1,503
	Loss on investments at fair value through profit or loss	(1,453)	(198)
	Gain on redemption/sale of available for sale investments	16	1,334
	Share of results of associate and joint venture	16	41
	Gain on sale of investment properties	133	199
	Net rental income	21	40
	Foreign exchange gain	39	483
	Other income	-	1
		<u>769</u>	<u>3,884</u>
Expenses and other charges			
	General and administrative expenses	(1,472)	(1,728)
	Impairment of available for sale investments	(9)	(39)
	Reversal/(charge) of provisions	3	(177)
	Other expenses	(15)	(65)
	Finance costs	(307)	(298)
		<u>(1,800)</u>	<u>(2,307)</u>
	(Loss)/profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax	(1,031)	1,577
	Provision for contribution to KFAS	-	(12)
	Provision for NLST	-	(40)
	Provision for Zakat	-	(16)
	(Loss)/profit for the period	(1,031)	1,509
(Loss)/profit for the period attributable to:			
	Owners of the Parent Company	(683)	1,305
	Non-controlling interests	(348)	204
		<u>(1,031)</u>	<u>1,509</u>
	Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company	5	3
		1 Fils	3 Fils

The accompanying notes are an integral part of this consolidated interim financial information.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
Three months ended 31 March 2016

	KD '000	
	Three months ended 31 March	
	2016 (Unaudited)	2015 (Unaudited)
(Loss)/profit for the period	(1,031)	1,509
Other comprehensive income:		
<i>Items that will be reclassified subsequently to statement of profit or loss:</i>		
<i>Available for sale investments:</i>		
- Net change in fair value arising during the period	(796)	1,728
- Transferred to condensed consolidated statement of profit or loss on sale	(16)	(1,334)
- Transferred to condensed consolidated statement of profit or loss on impairment	9	39
<i>Foreign currency translation:</i>		
- Exchange differences arising on translation of foreign operations	(174)	321
- Share of other comprehensive (loss)/income of associate and joint venture	(3)	13
Total other comprehensive (loss)/income	<u>(980)</u>	<u>767</u>
Total comprehensive (loss)/income for the period	<u>(2,011)</u>	<u>2,276</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Parent Company	(1,634)	1,934
Non-controlling interests	(377)	342
	<u>(2,011)</u>	<u>2,276</u>

The accompanying notes are an integral part of this consolidated interim financial information.

Condensed Consolidated Statement of Financial Position – As at 31 March 2016

	Notes	KD '000		
		31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Assets				
Cash and bank balances	6	7,802	7,977	9,798
Time deposits	6	7,807	7,321	732
Investments at fair value through profit or loss	7	41,901	41,100	39,949
Accounts receivable and other assets	8	3,859	5,084	4,028
Loans to customers	9	450	436	792
Available for sale investments	10	50,983	53,788	61,973
Investment in associate and joint venture		3,137	3,090	3,047
Investment properties		30,256	29,167	24,974
Property and equipment		380	288	360
Total assets		146,575	148,251	145,653
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		6,575	6,363	9,336
Bank borrowings	11	7,645	7,685	2,753
Bonds issued		22,000	22,000	22,000
Total liabilities		36,220	36,048	34,089
Equity				
Share capital		53,130	53,130	53,130
Share premium		7,902	7,902	7,902
Legal reserve		14,847	14,847	14,544
Voluntary reserve		14,793	14,793	14,490
Treasury shares	12	(16,342)	(16,342)	(16,342)
Treasury shares reserve	12	7,973	7,973	7,973
Other components of equity	13	6,774	7,725	10,332
Retained earnings		3,404	4,132	4,246
Equity attributable to the owners of the Parent Company		92,481	94,160	96,275
Non-controlling interests		17,874	18,043	15,289
Total equity		110,355	112,203	111,564
Total liabilities and equity		146,575	148,251	145,653


Diraar Yusuf Alghannim
Chairman


Manaf AbdulAziz Alhajeri
Chief Executive Officer

The accompanying notes are an integral part of this consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity - Period ended 31 March 2016

	KD 000										
	Share capital	Share premium	Legal reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Other components of equity (Note 13)	Retained earnings	Sub Total	Non-controlling interests	Total equity
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
Net changes in non-controlling interests	-	-	-	-	-	-	-	-	-	163	163
Effect of change in ownership percentage of subsidiaries(Note1)	-	-	-	-	-	-	-	(45)	(45)	45	-
Transactions with owners	-	-	-	-	-	-	-	(45)	(45)	208	163
Loss for the period	-	-	-	-	-	-	-	(683)	(683)	(348)	(1,031)
Other comprehensive loss for the period	-	-	-	-	-	-	(951)	-	(951)	(29)	(980)
Total comprehensive loss for the period	-	-	-	-	-	-	(951)	(683)	(1,634)	(377)	(2,011)
Balance at 31 March 2016	53,130	7,902	14,847	14,793	(16,342)	7,973	6,774	3,404	92,481	17,874	110,355
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
Net changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,226	2,226
Effect of change in ownership percentage of subsidiaries(Note1)	-	-	-	-	-	-	-	225	225	(225)	-
Cash dividend	-	-	-	-	-	-	-	(2,885)	(2,885)	-	(2,885)
Transactions with owners	-	-	-	-	-	-	-	(2,660)	(2,660)	2,001	(659)
Profit for the period	-	-	-	-	-	-	-	1,305	1,305	204	1,509
Other comprehensive income for the period	-	-	-	-	-	-	629	-	629	138	767
Total comprehensive income for the period	-	-	-	-	-	-	629	1,305	1,934	342	2,276
Balance at 31 March 2015	53,130	7,902	14,544	14,490	(16,342)	7,973	10,332	4,246	96,275	15,289	111,564

The accompanying notes are an integral part of this consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows- 31 March 2016

	KD'000	
	Three months ended 30 March	
Note	2016 (Unaudited)	2015 (Unaudited)
Operating Activities		
(Loss) / Profit for the period	(1,031)	1,509
<i>Adjustments for:</i>		
Interest income	(182)	(247)
Dividend income	(327)	(234)
Depreciation	44	58
Gain on redemption/sale of available for sale investments	(16)	(1,334)
Share of results of associate and joint venture	(16)	(41)
Gain on sale of investments properties	(133)	(199)
Impairment of available for sale investments	9	39
Reversal / Charge of provisions	(3)	177
Finance costs	307	298
	(1,348)	26
<i>Changes in operating assets and liabilities:</i>		
Investments at fair value through statement profit or loss	(801)	(1,754)
Accounts receivable and other assets	1,232	1,723
Loans to customers	(13)	3,056
Accounts payable and other liabilities	(45)	(2,463)
Net cash (used in)/from operating activities	(975)	588
Investing Activities		
Term deposits maturing after three months	(660)	(657)
Purchase of property and equipment	(126)	(72)
Proceeds from redemption/sale of available for sale investments	5,700	6,290
Purchase of available for sale investments	(3,691)	(4,700)
Purchase of associate and joint venture	(34)	-
Purchase of investment properties	(1,575)	(1,263)
Proceeds from sale of investment properties	452	669
Dividend income received	327	234
Interest income received	175	263
Net cash from investing activities	568	764
Financing Activities		
Cash dividends paid	(6)	(10)
Proceeds from borrowings	-	594
Repayment of borrowings	(40)	(2,504)
Finance costs paid	(42)	(29)
Net change in non-controlling interests	163	2,226
Net cash from financing activities	75	277
Foreign currency adjustments	(17)	321
(Decrease)/increase in cash and cash equivalents	(349)	1,950
Cash and cash equivalents at the beginning of the period	6 15,201	7,848
Cash and cash equivalents at the end of the period	6 14,852	9,798

The accompanying notes are an integral part of this consolidated interim financial information.

1. Incorporation and activities

Kuwait Financial Centre – K.P.S.C. (“the Parent Company”) was incorporated in 1974 in accordance with the 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 (“CBK”) and the Capital Market Authority (“CMA”) of Kuwait.

On 1 February 2016, the new Companies Law No.1 of 2016 was published in the Official Gazette which is effective from 26 November 2012. According to the new law, the Companies law No. 25 of 2012 and its amendments have been cancelled. However, its Executive Regulations will continue until a new set of Executive Regulations are issued.

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 of 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 allied or acquiring securities from the issuer or his for re-marketing (issuance management).

The address of the Parent Company’s registered office is PO Box 23444, Safat 13095, State of Kuwait.

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2016

Following are the subsidiaries which are consolidated in the Group financials.

Name	Country of incorporation	Voting capital Held			Purpose
		31 March 2016	31 Dec 2015	31 March 2015	
Mar-Gulf Management Inc.	USA	100%	100%	100%	Assets management
First Management and Economic Consultancy Company – KSCC	Kuwait	85%	85%	85%	Economic consultancy
MDI Holding Limited	Cayman Islands	66.66%	66.66%	66.66%	Property management
MDI Management Limited	Cayman Islands	66.66%	66.66%	66.66%	Property management
MDI Ventures Ltd	Cayman Islands	50%	50%	50%	Property management
Markaz Offshore Ltd.	Cayman Islands	100%	100%	100%	Investment
Marmore Mena Intelligence Private Limited	India	96.25%	96.25%	96.25%	Consultancy
Aradi Development Limited	Cayman Islands	96.89%	96.89%	20%	Real Estate
Markaz Real Estate Investment Company WLL	KSA	100%	100%	100%	Real Estate
Rimal Venture Company WLL	Bahrain	100%	100%	100%	Assets management
Markaz Fixed Income Fund	Kuwait	82.5%	82.5%	82.5%	Investment Fund
Arab Gulf Real Estate Development Company WLL	Kuwait	99.55%	99.55%	-	Real Estate
Bay View Real Estate Company WLL	Kuwait	99.55%	99.55%	-	Real Estate
Boardwalk International Real Estate Company WLL	Kuwait	99.55%	99.55%	-	Real Estate
Al Rihab Real Estate Development Company WLL	Kuwait	99.55%	99.55%	-	Real Estate
Al Bandriya Real Estate Company WLL	Kuwait	99.55%	99.55%	-	Real Estate
Mawazeen International Fund	Kuwait	56.88%	56.53%	-	Investment Fund
Markaz Arabian Fund	Bahrain	56.80%	57.89%	58.38%	Investment Fund

The Group's ownership in Mawazeen International Fund increased by 0.35% (31 March 2015: Nil) and Markaz Arabian Fund decreased by 1.09% (31 March 2015: increased by 0.49%) due to changes in the number of units held by non-controlling interest holders, resulting in a net loss of KD 45 thousand (31 March 2015: gain of KD 225 thousand) that is recognised in equity as Parent Company continues to control the Funds.

This condensed consolidated interim financial information for the three month period ended 31 March 2016 was authorized for issue by the Parent Company's board of directors on 09 May 2016.

2. Basis of preparation

This consolidated interim financial information of the Group for the three-month period ended 31 March 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 CBK and CMA. These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the IAS 39: Financial instruments: Recognition and Measurement ("IAS 39") requirement for collective provision, which has been replaced by the CBK's requirement for a minimum general provision as described below.

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2016

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 consolidated interim financial information does not contain all information and disclosures required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of the management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-months ended 31 March 2016 are not necessarily indicative of the results that may be expected for the 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 consolidated interim 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 the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2016 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

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 the 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.

3. Management fees and commission

Management fees and commission relate to income arising from Group's management of portfolios, funds, custody and similar trust, fiduciary activities and advisory fees.

4. Loss on investments at fair value through profit or loss

	Three months ended 31 March	
	2016 (Unaudited)	2015 (Unaudited)
Change in fair value of investments at fair value through profit or loss	(693)	(417)
(Loss)/gain on sale of investments at fair value through profit or loss	(760)	219
	<u>(1,453)</u>	<u>(198)</u>

5. Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company

Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company is calculated by dividing the (loss)/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 31 March	
	2016 (Unaudited)	2015 (Unaudited)
(Loss)/profit for the period attributable to the owners of the Parent Company (KD'000)	<u>(683)</u>	<u>1,305</u>
Weighted average number of issued and fully paid up shares (excluding treasury shares)	<u>480,802</u>	<u>480,802</u>
Basic & diluted (loss)/earnings per share (fils)	<u>(1) Fils</u>	<u>3 Fils</u>

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2016

The weighted average number of shares outstanding during the year is calculated after adjusting for treasury shares as follows:

	<u>2016</u>	<u>2015</u>
Weighted average number of issued and paid up shares ('000)	531,300	531,300
Less: Weighted average number of treasury shares ('000)	(50,498)	(50,498)
	<u>480,802</u>	<u>480,802</u>

6. Cash and cash equivalents

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

	<u>KD'000</u>		
	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Cash and bank balances	7,802	7,977	9,798
Time deposits with bank and other financial institutions	7,807	7,321	732
	<u>15,609</u>	<u>15,298</u>	<u>10,530</u>
Less: Time deposits maturing after three months	(757)	(97)	(732)
Cash and cash equivalent for statement of cash flow	<u>14,852</u>	<u>15,201</u>	<u>9,798</u>

The Group's time deposits carry an effective interest rate of 1.30% (31 December 2015: 0.67% and 31 March 2015: 0.50%) per annum.

7. Investments at fair value through profit or loss

	<u>KD'000</u>		
	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Trading:			
Local quoted shares	-	-	802
Foreign quoted shares	13,649	15,138	14,521
	<u>13,649</u>	<u>15,138</u>	<u>15,323</u>
Designated on initial recognition:			
Local managed funds	23,953	24,406	21,027
Foreign quoted securities	2,897	131	2,194
Fixed income securities	1,402	1,425	1,405
	<u>28,252</u>	<u>25,962</u>	<u>24,626</u>
	<u>41,901</u>	<u>41,100</u>	<u>39,949</u>

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.

The interest rates on fixed income securities range from 2.50% to 9.00% (31 December 2015: 2.50% to 9.00% and 31 March 2015 4.75% to 10.75%) per annum.

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2016

8. Accounts receivable and other assets

	KD'000		
	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Management fees and commission receivables	1,039	1,139	629
Interest receivable	125	118	156
Receivable from sale of investments	566	2,070	1,550
Prepayments	372	406	215
Other receivables	1,757	1,351	1,478
	3,859	5,084	4,028

9. Loans to customers

	KD'000		
	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Personal loans	940	927	1,286
Provision for credit losses	(490)	(491)	(494)
	450	436	792

Provision for credit losses is made in accordance with Central Bank of Kuwait requirements including general provision (see Note 2) on the balance of regular facilities for which no specific provisions are made.

10. Available for sale investments

	KD'000		
	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Quoted securities	5,760	6,870	12,694
Unquoted securities	807	807	780
Managed funds	24,125	26,239	26,311
Equity participation	14,081	13,662	14,478
Debt instruments	6,210	6,210	7,710
	50,983	53,788	61,973

Fair value of investments in equity participations 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.

During the period, the Group recognised an impairment loss of KD 9 thousand (31 December 2015: KD 294 thousand) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates no further impairment.

Investments in debt instrument amounting to KD 1,190 thousand (31 December 2015: 1,187 thousand, 31 March 2015: 2,691 thousand) are secured by charges over real estate properties and carry average interest rate of 4.43% (31 December 2015: 5.44%, 31 March 2015: 4.39%) per annum.

Debt instruments include a syndicated murabaha for KD 4,994 thousand (31 December 2015: KD 4,997 thousand, 31 March 2015: 4,976 thousand) provided to a local Kuwaiti 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%, 31 March 2015: 4.0 %) per annum.

11. 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 31 March 2016, an amount of KD 2.66 million (31 December 2015: KD 2.7 million and 31 March 2015: KD 2.75 million) was drawn against these facilities.

Bank borrowings also include a murabaha facility obtained from a local Islamic bank amounting to KD 4.99 million (31 December 2015: KD 5 million and 31 March 2015: Nil) carrying a profit rate of 1.5% above Central Bank of Kuwait discount rate and maturing in September 2016.

12. Treasury shares

	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Number of shares (000's)	50,498	50,498	50,498
Percentage of issued shares	9.5%	9.5%	9.5%
Cost (KD '000)	16,342	16,342	16,342
Market value (KD '000)	4,545	5,050	5,353

Treasury share reserve is not available for distributions. Reserves of the Parent Company equivalent to the cost of treasury shares have been earmarked as non-distributable. Treasury shares are not held as collateral against any financial liabilities.

13. Other components of equity

	KD '000		
	Fair value reserve	Foreign currency translation reserve	Total
Balance at 1 January 2016	6,988	737	7,725
Available for sale investments			
- Net change in fair value arising during the period	(804)	-	(804)
- Transferred to consolidated statement of profit or loss on sale	(16)	-	(16)
- Transferred to consolidated statement of profit or loss on impairment	9	-	9
Exchange differences on translation of foreign operations	-	(137)	(137)
Share of other comprehensive loss of associate and joint venture	-	(3)	(3)
Total other comprehensive loss	(811)	(140)	(951)
Balance at 31 March 2016	6,177	597	6,774

	KD '000		
	Fair value reserve	Foreign currency translation reserve	Total
Balance at 1 January 2015	9,386	317	9,703
Available for sale investments :			
- Net change in fair value arising during the period	1,705	-	1,705
- Transferred to consolidated statement of profit or loss on sale	(1,332)	-	(1,332)
- Transferred to consolidated statement of profit or loss on impairment	39	-	39
Exchange differences on translation of foreign operations	-	204	204
Share of other comprehensive income of associate and joint venture	-	13	13
Total other comprehensive income	412	217	629
Balance at 31 March 2015	9,798	534	10,332

14. Share capital and Proposed dividend

The Parent Company's board of directors proposed to reduce the Parent Company's share capital from KD 53.13 million to KD 48.08 million (480,801,747 shares) by extinguishing its 50,498,253 treasury shares amounting to KD 5.05 million from the outstanding shares of 531,300,000 shares. This was approved during the Extraordinary General Meeting held on 09 May 2016 and the Parent Company is awaiting related regulatory approval.

Subsequent to the financial position date, the Annual General Meeting held on 09 May 2015 approved distribution of cash dividend of 5 fils per share amounting to KD 2,404 thousand for the year ended 31 December 2015.

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.

	KD'000	
	31 March	
	2016 (Unaudited)	2015 (Unaudited)
<i>Transactions included in the consolidated statement of profit or loss:</i>		
Interest income	1	-
Management fees and commission	1,154	1,077
	<u>1,155</u>	<u>1,077</u>
<i>Key management compensation:</i>		
Salaries and other short term benefits	227	238
End of service benefits	24	65
	<u>251</u>	<u>303</u>

	KD'000		
	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Balances included in the condensed consolidated statement of financial position:			
Loans to customers	90	94	51
Accounts receivable and other assets	532	631	386
Accounts payable and other liabilities	1,230	1,207	1,116
	<u>1,852</u>	<u>1,932</u>	<u>1,553</u>

16. Segmental analysis

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 the Group's statement of 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.

Segmental information for the period ended 31 March 2016 are as follows:

	KD '000					
	Asset Management (Unaudited)		Investment Banking (Unaudited)		Total (Unaudited)	
	31 March		31 March		31 March	
	2016	2015	2016	2015	2016	2015
Segment revenue	457	3,214	312	670	769	3,884
Segment result	(785)	1,686	(246)	(109)	(1,031)	1,577
KFAS, NLST and Zakat	-	(68)	-	-	-	(68)
(Loss)/profit for the period	(785)	1,618	(246)	(109)	(1,031)	1,509
Total assets	119,857	121,147	26,718	24,506	146,575	145,653

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 condensed consolidated statement of financial position. Assets under management at 31 March 2016 amounted to KD 985,405 thousand (31 December 2015: KD 1,026,808 thousand and 31 March 2015: KD 1,120,715 thousand). The Group earned management fee of KD 1,352 thousand (31 December 2015: KD 6,594 thousand and 31 March 2015: KD 1,356 thousand) from these activities.

18. Commitments

	KD '000		
	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2016 (Unaudited)
	Commitments for purchase of investments	4,116	4,166
Letters of guarantee	822	825	819
Corporate guarantee	2,793	-	-
	7,731	4,991	5,300

Corporate guarantee represents guarantee given by the Parent Company towards loan taken by its subsidiaries.

19. 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.

20. Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy. 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.

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2016

The financial assets and liabilities measured at fair value in the condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 March 2016 (Unaudited)

	KD '000			Total
	Level 1	Level 2	Level 3	
Investments at fair value through profit or loss				
Quoted securities	16,546	-	-	16,546
Managed funds - GCC	-	23,953	-	23,953
Fixed income securities	1,057	-	-	1,057
	<u>17,603</u>	<u>23,953</u>	<u>-</u>	<u>41,556</u>
Derivative				
Forward FX contracts held for trading	-	77	-	77
	<u>-</u>	<u>77</u>	<u>-</u>	<u>77</u>
Available for sale investments				
Quoted securities	5,760	-	-	5,760
Managed funds				
- GCC	-	13,620	-	13,620
- foreign	-	10,505	-	10,505
Debt instruments	-	-	6,210	6,210
Equity participations and other investments	-	14,081	-	14,081
Unquoted securities	-	-	807	807
	<u>5,760</u>	<u>38,206</u>	<u>7,017</u>	<u>50,983</u>
	<u>23,363</u>	<u>62,236</u>	<u>7,017</u>	<u>92,616</u>

31 December 2015 (Audited)

	KD'000			Total
	Level 1	Level 2	Level 3	
Investments at fair value through profit or loss				
Quoted securities	15,269	-	-	15,269
Managed funds				
- GCC	-	24,401	-	24,401
- United States of America	-	5	-	5
Fixed income securities	1,080	-	-	1,080
	<u>16,349</u>	<u>24,406</u>	<u>-</u>	<u>40,755</u>
Derivative				
- Forward FX contracts held for trading	-	(18)	-	(18)
	<u>-</u>	<u>(18)</u>	<u>-</u>	<u>(18)</u>
Available for sale investments				
Quoted securities	6,870	-	-	6,870
Managed funds				
- GCC	-	13,876	-	13,876
- Europe	-	5,839	-	5,839
- United States of America	-	6,524	-	6,524
Debt instruments	-	-	6,210	6,210
Equity participations and other investments	-	13,662	-	13,662
Unquoted securities	-	-	807	807
	<u>6,870</u>	<u>39,901</u>	<u>7,017</u>	<u>53,788</u>
	<u>23,219</u>	<u>64,289</u>	<u>7,017</u>	<u>94,525</u>

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2016

31 March 2015 (Unaudited)

	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	17,516	-	-	17,516
Managed funds				
- GCC	-	21,021	-	21,021
- Foreign	-	6	-	6
Fixed income securities	870	-	-	870
	<u>18,386</u>	<u>21,027</u>	<u>-</u>	<u>39,413</u>
Derivative				
- Forward FX contracts held for trading	-	(107)	-	(107)
Available for sale investments				
Quoted securities	12,694	-	-	12,694
Managed funds				
- GCC	-	16,160	-	16,160
- Foreign	-	10,151	-	10,151
Debt instruments	-	-	7,710	7,710
Equity participations	-	14,478	-	14,478
Unquoted securities	-	-	780	780
	<u>12,694</u>	<u>40,789</u>	<u>8,490</u>	<u>61,973</u>
	<u>31,080</u>	<u>61,709</u>	<u>8,490</u>	<u>101,279</u>

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 are valued using 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:

	KD '000		
	31 March 2016 (Unaudited)	31 December 2015 (Audited)	31 March 2015 (Unaudited)
Opening balance	7,017	8,455	8,455
Redemption	(3)	(1,839)	(118)
Gains or losses recognised in:			
- Other comprehensive income	3	401	153
Closing balance	<u>7,017</u>	<u>7,017</u>	<u>8,490</u>

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.

Notes to the Consolidated Interim Financial Information (Unaudited) – 31 March 2016

For financial instruments carried at amortised 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 condensed consolidated statement of profit or loss and 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%.

21. Derivative financial instruments

Derivatives are financial instruments that derive their value by referring to interest rate, foreign exchange rate or other indices. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

Derivatives are carried at fair value and classified under level 2. The derivatives held for trading are given below:

	KD'000		
	Assets	Liabilities	Contractual amounts
<i>Held for trading:</i>			
Forward foreign exchange contracts			
- 31 March 2016	77	-	7,560
- 31 December 2015	-	18	7,653
- 31 March 2015	-	107	6,925