

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

**Consolidated interim financial information and review report
30 September 2016 (Unaudited)**

C o n t e n t s	Pages
Review Report	1
Condensed Consolidated Statement of Profit or Loss (Unaudited)	2
Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income (Unaudited)	3
Condensed Consolidated Statement of Financial Position (Unaudited)	4
Condensed Consolidated Statement of Changes in Equity (Unaudited)	5
Condensed Consolidated Statement of Cash Flows (Unaudited)	6
Notes to the Consolidated Interim Financial Information (Unaudited)	7 - 17

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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 of 30 September 2016 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the three and nine month period then ended, and the changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with the basis of presentation 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 presentation 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 nine month period ended 30 September 2016 that might have had a material effect on the business or financial position of the Parent Company.

**Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
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Kuwait
31 October 2016

**Anwar Y. Al-Qatami, F.C.C.A.
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Condensed Consolidated Statement of Profit or Loss– Nine months ended 30 September 2016

		KD'000			
		Three months ended 30 September		Nine months ended 30 September	
		2016	2015	2016	2015
Notes		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue					
	Interest income	159	180	505	618
	Dividend income	276	455	876	941
	Management fees and commission	1,611	1,658	5,428	5,053
	Loss on investments at fair value through profit or loss	(152)	(4,504)	(1,894)	(3,869)
	Gain on redemption/sale of available for sale investments	708	529	1,867	3,377
	Share of results of associate and joint venture	26	-	(144)	52
	Gain on sale of investment properties	-	1,267	489	1,745
	Net rental income	35	52	100	137
	Foreign exchange gain	73	214	227	819
	Other income	3	1	18	4
		2,739	(148)	7,472	8,877
Expenses and other charges					
	General and administrative expenses	(1,690)	(1,716)	(5,181)	(5,441)
	Impairment of available for sale investments	(83)	(43)	(129)	(86)
	Reversal/(charge) of provisions	-	106	3	(92)
	Finance costs	(316)	(262)	(935)	(868)
	Other charges	-	(37)	(42)	(300)
		(2,089)	(1,952)	(6,284)	(6,787)
Profit/(loss) before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat					
		650	(2,100)	1,188	2,090
	(Provision for)/reversal of contribution to KFAS	(5)	13	(13)	(22)
	(Provision for)/reversal of contribution to NLST	(17)	37	(40)	(67)
	(Provision for)/reversal of contribution to Zakat	(7)	14	(16)	(27)
	Profit/(loss) for the period	621	(2,036)	1,119	1,974
Profit/(loss) for the period attributable to:					
	Owners of the Parent Company	571	(1,347)	1,381	2,390
	Non-controlling interests	50	(689)	(262)	(416)
		621	(2,036)	1,119	1,974
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company					
		1 Fils	(3) Fils	3 Fils	5 Fils

The notes set out on pages 7 to 17 form an integral part of this consolidated interim financial information.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income - Nine months ended
30 September 2016

	KD'000			
	Three months ended 30 September		Nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Profit/(loss) for the period	621	(2,036)	1,119	1,974
Other comprehensive income/(loss):				
<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	716	(1,386)	(301)	1,194
- Transferred to condensed consolidated statement of profit or loss on sale	(708)	(529)	(1,867)	(3,377)
- Transferred to condensed consolidated statement of profit or loss on impairment	83	43	129	86
<i>Foreign currency translation:</i>				
- Exchange differences arising on translation of foreign operations	(84)	(278)	(311)	328
Share of other comprehensive (loss)/income of associate and joint venture	(1)	41	(3)	31
Total other comprehensive income/(loss)	6	(2,109)	(2,353)	(1,738)
Total comprehensive income/(loss) for the period	627	(4,145)	(1,234)	236
Total comprehensive income/(loss) attributable to:				
Owners of the Parent Company	699	(3,363)	(822)	731
Non-controlling interests	(72)	(782)	(412)	(495)
	627	(4,145)	(1,234)	236

The notes set out on pages 7 to 17 form an integral part of this consolidated interim financial information.

Condensed Consolidated Statement of Financial Position – as of 30 September 2016

	Notes	KD'000		
		30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Assets				
Cash and bank balances	6	9,091	7,977	9,396
Time deposits	6	9,183	7,321	680
Investments at fair value through profit or loss	7	40,412	41,100	41,351
Accounts receivable and other assets	8	6,797	5,084	4,455
Loans to customers	9	412	436	292
Available for sale investments	10	48,159	53,788	57,223
Investment in associate and joint venture		2,955	3,090	3,076
Investment properties	11	32,874	29,167	28,138
Property and equipment		414	288	283
Total assets		150,297	148,251	144,894
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		6,374	6,363	6,036
Bank borrowings	12	9,343	7,685	7,751
Bonds issued		22,000	22,000	22,000
Total liabilities		37,717	36,048	35,787
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	5,522	7,725	8,044
Retained earnings		1,326	4,132	4,289
Equity attributable to the owners of the Parent Company		90,879	94,160	94,030
Non-controlling interests		21,701	18,043	15,077
Total equity		112,580	112,203	109,107
Total liabilities and equity		150,297	148,251	144,894


Diraar Yusuf Alghanim
Chairman


Manaf Abdul Aziz Alhajeri
Chief Executive Officer

The notes set out on pages 7 to 17 form an integral part of this consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity - Period ended 30 September 2016

	KD 000's										
	Equity attributable to the owners of the Parent Company							Non-controlling interests		Total equity	
	Share capital	Share premium	Legal reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Other components of equity (Note 14)	Retained earnings	Sub Total		Total
Balance at 31 December 2015	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 changes in non-controlling interests (Note: 1)	-	-	-	-	-	-	-	-	-	4,015	4,015
Effect of change in ownership percentage of subsidiaries (Note:1)	-	-	-	-	-	-	-	(55)	(55)	55	-
Cash dividend (Note: 13)	-	-	-	(1,591)	-	-	-	(813)	(2,404)	-	(2,404)
Transactions with owners Profit/(loss) for the period	(5,050)	-	-	(1,591)	16,342	(7,973)	-	(4,187)	(2,459)	4,070	1,611
Other comprehensive loss for the period	-	-	-	-	-	-	-	1,381	1,381	(262)	1,119
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(2,203)	-	(2,203)	(150)	(2,353)
Balance at 30 September 2016	48,080	7,902	14,847	13,202	-	-	5,522	1,326	90,879	21,701	112,580
Balance at 31 December 2014	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 changes in non-controlling interests	-	-	-	-	-	-	-	-	-	5,450	5,450
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	-	-	350	350	(350)	-
Cash dividend	-	-	-	-	-	-	-	(2,885)	(2,885)	(443)	(3,328)
Transactions with owners Profit/(loss) for the period	-	-	-	-	-	-	-	(3,702)	(3,702)	2,626	(1,076)
Other comprehensive loss for the period	-	-	-	-	-	-	-	2,390	2,390	(416)	1,974
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(1,659)	-	(1,659)	(79)	(1,738)
Balance at 30 September 2015	53,130	7,902	14,544	14,490	(16,342)	7,973	8,044	4,289	94,030	15,077	109,107

The notes set out on pages 7 to 17 form an integral part of these consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows- 30 September 2016

	Notes	KD'000	
		Nine months ended	
		2016	2015
		(Unaudited)	(Unaudited)
Operating Activities			
Profit for the period		1,119	1,974
<i>Adjustments for:</i>			
Interest income		(505)	(618)
Dividend income		(876)	(941)
Depreciation		133	160
Gain on redemption/sale of available for sale investments		(1,867)	(3,377)
Share of results of associate and Joint venture		144	(52)
Gain on sale of investments properties	11	(489)	(1,745)
Impairment of available for sale investments		129	86
(Reversal) / charges of provisions		(3)	92
Finance costs		935	868
		<u>(1,280)</u>	<u>(3,553)</u>
<i>Changes in operating assets and liabilities:</i>			
Investments at fair value through profit or loss		688	(3,156)
Accounts receivable and other assets		(1,713)	1,322
Loans to customers		25	3,538
Accounts payable and other liabilities		(324)	(2,787)
Net cash used in operating activities		<u>(2,604)</u>	<u>(4,636)</u>
Investing Activities			
Net change in term deposits matured / (placed)		97	(595)
Purchase of property and equipment		(231)	(65)
Proceeds from redemption/sale of available for sale investments		11,140	15,979
Purchase of available for sale investments		(5,812)	(10,173)
Purchase of investment properties	11	(4,744)	(6,969)
Proceeds from sale of investment properties	11	1,278	5,426
Increase in investment in associate and joint venture		(12)	-
Purchase of non-controlling interests in a subsidiary		-	(3,198)
Dividend income received		876	941
Interest income received		507	608
Net cash from investing activities		<u>3,099</u>	<u>1,954</u>
Financing Activities			
Dividend paid		(2,346)	(2,891)
Dividend paid to non-controlling interests		-	(443)
Proceeds from bank borrowings		1,658	3,088
Finance costs paid		(656)	(591)
Net change in non-controlling interests		4,015	5,450
Net cash from financing activities		<u>2,671</u>	<u>4,613</u>
Foreign currency adjustments		(93)	(373)
Increase in cash and cash equivalents		<u>3,073</u>	<u>1,558</u>
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	<u>18,274</u>	<u>9,406</u>

The notes set out on pages 7 to 17 form an integral part of this interim consolidated financial information.

1. Incorporation and activities

Kuwait Financial Centre K.P.S.C. ("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 ("CBK") and the Capital Market Authority of Kuwait ("CMA"). The address of the Parent Company's registered office is PO Box 23444, Safat 13095, State of Kuwait.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

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 develop and support the money and capital market capacity in Kuwait and fulfill its needs as permitted by 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 margin based finance operations related to investment operations in the local and international markets, trading of currencies, as well as finance operations related to pledging investment portfolios and securities, and undertaking finance and brokerage in international and local commercial operations.
- Practicing all types of financial intermediation and relevant brokerage operations.
- Investment in 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 activities or acquire projects fulfilling 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 along 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 the issuer or its affiliates or acquiring securities from the issuer or it's affiliates for the purpose of re-marketing (issuance management).

Notes to the Consolidated Interim Financial Information (Unaudited) – 30 September 2016

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

Name	Country of incorporation	Voting capital Held			Purpose
		30 Sept 2016	31 Dec 2015	30 Sept 2015	
Mar-Gulf Management Inc.	USA	100.00%	100.00%	100.00%	Assets management
First Management and Economic Consultancy Company – KSCC	Kuwait	95.00%	85.00%	85.00%	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	50.00%	50.00%	50.00%	Property management
Markaz Offshore Ltd.	Cayman Islands	100.00%	100.00%	100.00%	Investment
Marmore Mena Intelligence Private Limited	India	98.73%	96.25%	96.25%	Consultancy
Aradi Development Limited	Cayman Islands	96.89%	96.89%	96.89%	Real Estate
Markaz Real Estate Investment Company WLL	KSA	100.00%	100.00%	100.00%	Real Estate
Rimal Venture Company WLL	Bahrain	100.00%	100.00%	100.00%	Assets management
Markaz Fixed Income Fund	Kuwait	73.24%	82.50%	82.50%	Investment Fund
Markaz Arabian Fund	Bahrain	57.69%	57.89%	58.82%	Investment Fund
Arab Gulf Real Estate Development Company WLL	Kuwait	99.55%	99.55%	99.55%	Real Estate
Bay View Real Estate Company WLL	Kuwait	99.55%	99.55%	99.55%	Real Estate
Boardwalk International Real Estate Company WLL	Kuwait	99.55%	99.55%	99.55%	Real Estate
Al Rihab Real Estate Development Company WLL	Kuwait	99.55%	99.55%	99.55%	Real Estate
Al Bandriya Real Estate Company WLL	Kuwait	99.55%	99.55%	-	Real Estate
Mawazeen International Fund	Kuwait	58.95%	56.53%	-	Investment Fund
Markaz Mena Islamic Fund Kuwait	Kuwait	75.00%	-	-	Investment Fund

The Group's ownership in Mawazeen International Fund increased by 2.42%, Markaz Fixed Income Fund decreased by 9.26% and Markaz Arabian Fund decreased by 0.2% due to changes in the number of units held by non-controlling interest holders and resulted in a net loss of KD 55 thousand that is recognised in equity as Parent Company continues to control the Funds.

The Group has participated in share capital increase of First Management and Economic Consultancy Company – KSCC for a consideration of KD 200 thousand which resulted in an increase in ownership percentage by 10%. Consequently, there is increase in Marmore Mena Intelligence Private Limited by 2.48% as First Management and Economic Consultancy Company – KSCC has invested in Marmore Mena Intelligence Private Limited.

The Parent Company incorporated Markaz Mena Islamic Fund during the period and holds 75% of the issued units. The non-controlling interests in the fund is 25% amounting to KD 1.48 million. The Group assessed that it controls Markaz Mena Islamic Fund as other unit holders does not have the ability to remove the Parent Company as the manager of the fund and the Parent Company has significant exposure to variable returns based on its investment in the units of the fund. Therefore the Parent Company concluded that it acts as the principal and not as an agent.

This consolidated interim financial information for the nine month period ended 30 September 2016 was authorized for issue by the Parent Company's board of directors on 31 October 2016.

Notes to the Consolidated Interim Financial Information (Unaudited) – 30 September 2016

2. Basis of preparation

This consolidated interim financial information of the Group for the nine-month period ended 30 September 2016 has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), 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. 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 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 consolidated interim financial information does not contain all information and disclosures required for complete consolidated financial statements prepared in accordance with IFRS. 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 nine-months ended 30 September 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 consolidated interim 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 consolidated interim 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 consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2015.

3. Management fees and commission

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

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

	KD '000			
	Three months ended 30 September		Nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Gain/(loss) on sale of investments at fair value through profit or loss	30	275	(728)	348
Change in fair value of investments at fair value through profit or loss	(182)	(4,779)	(1,166)	(4,217)
	(152)	(4,504)	(1,894)	(3,869)

Notes to the Consolidated Interim Financial Information (Unaudited) – 30 September 2016

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

Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company is calculated by dividing the profit/(loss) 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 30 September		Nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Profit/(loss) for the period attributable to the owners of the Parent Company (KD'000)	571	(1,347)	1,381	2,390
Weighted average number of issued and fully paid up shares (excluding treasury shares)	480,802	480,802	480,802	480,802
Basic & diluted earnings/(loss) per share (fils)	1 Fils	(3) Fils	3 Fils	5 Fils

6. Cash and bank balances and Time deposits

	KD'000		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Cash and bank balances	9,091	7,977	9,396
Time deposits with bank and other financial institutions	9,183	7,321	680
	18,274	15,298	10,076
Less: Time deposits with original maturity exceeding three months	-	(97)	(670)
Cash and cash equivalent for statement of cash flow	18,274	15,201	9,406

The Group's time deposits carry an effective interest rate of 1.27% (31 December 2015: 0.67% and 30 September 2015: 0.49%) per annum.

7. Investments at fair through profit or loss

	KD'000		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Trading :			
Local quoted shares	1,656	-	-
Foreign quoted shares	15,529	15,138	17,308
	17,185	15,138	17,308
Designated on initial recognition:			
Local managed funds	19,051	24,406	21,705
Foreign quoted securities	2,853	131	829
Fixed income securities	1,323	1,425	1,509
	23,227	25,962	24,043
	40,412	41,100	41,351

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 6.25% to 9% (31 December 2015: 6.25% to 9.00% and 30 September 2015: 6.25% to 9 %) per annum.

Notes to the Consolidated Interim Financial Information (Unaudited) – 30 September 2016

8. Accounts receivable and other assets

	KD'000		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Management fees and commission receivables	958	1,139	911
Interest receivable	116	118	182
Receivable from sale of investment	1,629	2,070	1,382
Prepayments	517	406	457
Advance to contractors	2,626	344	-
Other receivables	951	1,007	1,523
	6,797	5,084	4,455

9. Loans to customers

	KD'000		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Personal loans	902	927	781
Provision for credit losses	(490)	(491)	(489)
	412	436	292

Provision for credit losses is made in accordance with the CBK 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		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Quoted securities	4,476	6,870	7,287
Unquoted securities	1,509	807	780
Managed funds	24,733	26,239	27,175
Equity participation	11,986	13,662	15,076
Debt instruments	5,455	6,210	6,905
	48,159	53,788	57,223

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 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 129 thousand (30 September 2015: KD 86 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 440 thousand (31 December 2015: KD 1,187 thousand and 30 September 2015: KD 1,872 thousand) are secured by charges over real estate properties and carry average interest rate of 7.25% (31 December 2015: 5.44% and 30 September 2015: 5.075 %) per annum.

Debt instruments include a syndicated murabaha for KD 4,988 thousand (31 December 2015: KD 4,997 thousand and 30 September 2015: KD 5,000 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% and 30 September 2015: 4 %) per annum.

Notes to the Consolidated Interim Financial Information (Unaudited) – 30 September 2016

11. Investment properties

The movement in investment properties is as follows:

	KD'000		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Carrying value at the beginning of the period/year	29,167	24,201	24,201
Additions	4,744	8,440	6,969
Gain on sale	489	1,850	1,745
Proceeds from sale	(1,278)	(5,712)	(5,426)
Impairment	-	(274)	-
Depreciation	(28)	(62)	(52)
Foreign currency translation adjustment	(220)	724	701
	<u>32,874</u>	<u>29,167</u>	<u>28,138</u>

12. Bank borrowings

This represent following bank borrowing:

- Unsecured loan facilities amounting to KD 26.4 million obtained from local commercial banks and carries interest rate ranging from 1.90% to 2.50% above Central Bank of Kuwait discount rate. As at 30 September 2016, an amount of KD 3.52 million (31 December 2015: KD 2.7 million and 30 September 2015: KD 7.7 million) was drawn against these facilities. This loan is guaranteed by the Parent Company (Note 18).
- Murabaha facility obtained from a local Islamic bank amounting to KD 4.98 million (31 December 2015: KD 5 million and 30 September 2015: KD 5 million) carrying an effective rate of 1.5% above Central Bank of Kuwait discount rate and maturing in January 2017.
- During the period, unsecured loan facility was obtained from a commercial bank amounting to AED 107,350 thousand (KD equivalent 8,822 thousand) carrying an interest rate of 3.25% above 3month LIBOR. As at 30 September 2016 AED 10,280 thousand (KD equivalent 844 thousand) was drawn against this facility. This loan is guaranteed by the Parent Company (Note 18).

13. Share capital

The Annual general assembly of the shareholders of the Parent Company 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 KD 2,404 thousand (2015: KD 2,885 thousand) for the year ended 31 December 2015 through utilization of KD 813 thousand from the retained earnings and KD 1,591 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 of the Parent Company ("EGAM") held on the same date approved the reduction of share capital by KD 5,050 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 KD 11,292 thousand was first adjusted against treasury shares reserve amounting to KD 7,973 thousand and the balance amount of KD 3,319 thousand was adjusted against retained earnings.

Accordingly, the authorised, issued and fully paid up share capital of the Parent Company is 480,801,747 shares (31 December 2015: 531,300,000 and 30 September 2015: 531,300,000) of nominal value of 100 fills each paid in cash amounting to KD 48,080 thousand (31 December 2015 : KD 53,130 thousand and 30 September 2015 : KD 53,130 thousand).

The Articles of Association of the Parent Company was amended to incorporate the change in share capital and was recorded in the Commercial Register on 27 June 2016.

Notes to the Consolidated Interim Financial Information (Unaudited) – 30 September 2016

14. 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	(570)	-	(570)
- Transferred to consolidated statement of profit or loss on sale	(1,528)	-	(1,528)
- Transferred to consolidated statement of profit or loss on impairment	129	-	129
Exchange differences on translation of foreign operations	-	(231)	(231)
Share of other comprehensive loss of associate and joint venture	-	(3)	(3)
Total other comprehensive loss	(1,969)	(234)	(2,203)
Balance at 30 September 2016	5,019	503	5,522

	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	845	-	845
- Transferred to condensed consolidated statement of profit or loss on sale	(2,983)	-	(2,983)
- Transferred to condensed consolidated statement of profit or loss on impairment	86	-	86
Exchange differences on translation of foreign operations	-	362	362
Share of other comprehensive income of associate and joint venture	-	31	31
Total other comprehensive (loss)/ income	(2,052)	393	(1,659)
Balance at 30 September 2015	7,334	710	8,044

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			
	Three months ended 30 September		Nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
<i>Transactions included in the condensed consolidated statement of profit or loss</i>				
Interest income	1	2	3	3
Management fees and commission	1,159	1,182	3,340	3,616
Key management compensation:				
Salaries and other short term benefits	242	248	724	753
End of service benefits	29	40	83	149
Directors remuneration	-	-	81	-
	1,431	1,472	4,231	4,521

Notes to the Consolidated Interim Financial Information (Unaudited) – 30 September 2016

The Annual General Assembly of the shareholders held on 9 May 2016 approved to distribute directors' remuneration amounting to KD 81 thousand to the board members for the year ended 31 December 2015 and accordingly paid during the year 2016.

	KD'000		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Balances included in the condensed consolidated statement of financial position:			
Loans to customers	105	98	104
Accounts receivable and other assets	714	631	500
Accounts payable and other liabilities	1,337	1,207	1,162

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 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 30 September 2016 are as follows:

	KD'000					
	Asset Management (Unaudited)		Investment Banking (Unaudited)		Total (Unaudited)	
	30 Sept 2016	30 Sept 2015	30 Sept 2016	30 Sept 2015	30 Sept 2016	30 Sept 2015
Segment revenue	5,799	7,558	1,673	1,319	7,472	8,877
Segment result	1,470	2,628	(282)	(538)	1,188	2,090
KFAS, NLST and Zakat	(69)	(116)	-	-	(69)	(116)
Profit/(loss) for the period	1,401	2,512	(282)	(538)	1,119	1,974
Total assets	123,311	122,259	26,986	22,635	150,297	144,894

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 30 September 2016 amounted to KD 909,842 thousand (31 December 2015: KD 1,026,808 thousand and 30 September 2015: KD 1,049,639 thousand). The Group earned management fee of KD 4,158 thousand (30 September 2015: KD 4,402 thousand) from these activities.

18. Commitments

	KD'000		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Commitments for purchase of investments	4,064	4,166	4,458
Letters of guarantee	167	825	823
Corporate guarantee	4,364	-	-
	8,595	4,991	5,281

Corporate guarantee represents guarantee given by the Parent Company towards loan taken by its subsidiaries Arab Gulf Real Estate Development Company WLL, Markaz Real Estate Investment Company and Bay view Real Estate Company WLL (Note 12).

Notes to the Consolidated Interim Financial Information (Unaudited) – 30 September 2016

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.

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:

30 September 2016 (Unaudited)

	KD'000			Total
	Level 1	Level 2	Level 3	
Investments at fair value through profit or loss				
Quoted securities	20,038	-	-	20,038
Managed funds				
- GCC	-	19,051	-	19,051
Fixed income securities	978	-	345	1,323
	<u>21,016</u>	<u>19,051</u>	<u>345</u>	<u>40,412</u>
Derivative	-	27	-	27
Available for sale investments				
Quoted securities	4,476	-	-	4,476
Managed funds				
- GCC	-	13,136	-	13,136
- foreign	-	11,597	-	11,597
Debt instruments	-	-	5,455	5,455
Equity participations and other investments	-	11,986	-	11,986
Unquoted securities	-	-	1,509	1,509
	<u>4,476</u>	<u>36,719</u>	<u>6,964</u>	<u>48,159</u>
	<u>25,492</u>	<u>55,797</u>	<u>7,309</u>	<u>88,598</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
- foreign	-	5	-	5
Fixed income securities	1,080	-	345	1,425
	<u>16,349</u>	<u>24,406</u>	<u>345</u>	<u>41,100</u>
Derivative	-	(18)	-	(18)
Available for sale investments				
Quoted securities	6,870	-	-	6,870
Managed funds				
- GCC	-	13,876	-	13,876
- foreign	-	12,363	-	12,363
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>7,362</u>	<u>94,870</u>

Notes to the Consolidated Interim Financial Information (Unaudited) – 30 September 2016

30 September 2015 (Unaudited)

	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	18,137	-	-	18,137
Managed funds				
- GCC	-	21,704	-	21,704
- foreign	-	5	-	5
Fixed income securities	1,160	-	345	1,505
	<u>19,297</u>	<u>21,709</u>	<u>345</u>	<u>41,351</u>
Derivative	-	12	-	12
Available for sale investments				
Quoted securities	7,287	-	-	7,287
Managed funds				
- GCC	-	14,795	-	14,795
- foreign	-	12,380	-	12,380
Debt instruments	-	-	6,905	6,905
Equity participations and other investments	-	15,076	-	15,076
Unquoted securities	-	-	780	780
	<u>7,287</u>	<u>42,251</u>	<u>7,685</u>	<u>57,223</u>
	<u>26,584</u>	<u>63,972</u>	<u>8,030</u>	<u>98,586</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 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:

	KD'000		
	30 Sept 2016 (Unaudited)	31 Dec 2015 (Audited)	30 Sept 2015 (Unaudited)
Opening balance	7,017	8,455	8,455
Purchase/(redemption)	84	(1,839)	(1,022)
<i>Gains or losses recognised in:</i>			
- Other comprehensive (loss)/income	(137)	401	252
Closing balance	<u>6,964</u>	<u>7,017</u>	<u>7,685</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, wherever 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 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			
- 30 September 2016	27	-	7,543
- 31 December 2015	-	18	7,653
- 30 September 2015	12	-	7,560