

Interim condensed consolidated financial information and review report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

31 March 2017 (Unaudited)

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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 31 March 2017 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-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

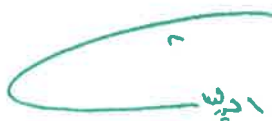
We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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

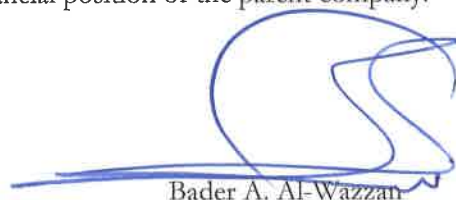
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

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 three month period ended 31 March 2017 that might have had a material effect on the business or financial position of the parent company.



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Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
Revenue			
Interest income		183	182
Dividend income		435	327
Management fees and commission		1,451	1,488
Gain/(loss) from investments at fair value through profit or loss	6	1,748	(1,453)
Gain on redemption/sale of available for sale investments		797	16
Gain on liquidation of subsidiary	5.1	43	-
Share of results of associate and joint venture		(14)	16
(Loss) /gain on sale of investment properties		(189)	133
Net rental income		167	21
Foreign currency exchange (loss) / gain		(59)	39
		4,562	769
Expenses and other charges			
General and administrative expenses		(1,936)	(1,472)
Impairment of available for sale investments	10	(15)	(9)
Reversal of provisions		-	3
Other expenses		(12)	(15)
Finance costs		(355)	(307)
		(2,318)	(1,800)
Profit/(loss) before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat			
		2,244	(1,031)
Provision for contribution to KFAS		(21)	-
Provision for NLST		(59)	-
Provision for Zakat		(23)	-
Profit/(loss) for the period		2,141	(1,031)
Profit/(loss) for the period attributable to:			
Owners of the parent company		2,190	(683)
Non-controlling interests		(49)	(348)
Profit/(loss) for the period		2,141	(1,031)
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company			
	7	5 Fils	(1) Fils

The notes set out on pages 8 to 22 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 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
Profit/(loss) for the period	2,141	(1,031)
Other comprehensive (loss)/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	921	(796)
- Transferred to interim condensed consolidated statement of profit or loss on redemption/sale	(797)	(16)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	15	9
<i>Foreign currency translation:</i>		
- Exchange differences arising on translation of foreign operations	(108)	(174)
Share of other comprehensive loss of associate and joint venture	(3)	(3)
Total other comprehensive income/(loss)	28	(980)
Total comprehensive income/(loss) for the period	2,169	(2,011)
Total comprehensive income/(loss) attributable to:		
Owners of the parent company	2,211	(1,634)
Non-controlling interests	(42)	(377)
	2,169	(2,011)

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Assets				
Cash and bank balances	8	17,761	12,237	7,802
Time deposits	8	2,471	9,857	7,807
Investments at fair value through profit or loss	9	39,884	48,033	41,901
Accounts receivable and other assets		5,808	5,317	3,859
Loans to customers		287	253	450
Available for sale investments	10	51,125	41,870	50,983
Investment in associate and joint venture		3,069	3,002	3,137
Investment properties		36,335	35,745	30,256
Equipment		419	434	380
Total assets		157,159	156,748	146,575
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		7,736	8,327	6,575
Bank borrowings	11	8,777	8,146	7,645
Bonds issued		25,000	25,000	22,000
Total liabilities		41,513	41,473	36,220
Equity				
Share capital		48,080	48,080	53,130
Share premium		7,902	7,902	7,902
Legal reserve		15,280	15,280	14,847
Voluntary reserve		13,635	13,635	14,793
Treasury shares		-	-	(16,342)
Treasury shares reserve		-	-	7,973
Other components of equity	13	5,058	5,037	6,774
Retained earnings		5,464	3,341	3,404
Equity attributable to the owners of the parent company		95,419	93,275	92,481
Non-controlling interests		20,227	22,000	17,874
Total equity		115,646	115,275	110,355
Total liabilities and equity		157,159	156,748	146,575


Diraar Yusuf Alghanim
Chairman


Manaf AbdulAziz Alhajeri
Chief Executive Officer

The notes set out on pages 8 to 22 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	Other components of equity (note 13)		Sub Total KD '000		
					Retained earnings KD '000	Total KD '000			
Balance at 1 January 2017	48,080	7,902	15,280	13,635	5,037	3,341	93,275	22,000	115,275
Net change in non-controlling interests (note 5)	-	-	-	-	-	-	-	477	477
Effect arising on liquidation of subsidiary (note 5.1)	-	-	-	-	-	-	-	(2,241)	(2,241)
Effect of change in ownership percentage of subsidiaries (note 5)	-	-	-	-	-	(67)	(67)	67	-
Payment of cash dividend to non-controlling interests	-	-	-	-	-	-	-	(34)	(34)
Transactions with owners	-	-	-	-	-	(67)	(67)	(1,731)	(1,798)
Profit/(loss) for the period	-	-	-	-	-	2,190	2,190	(49)	2,141
Total other comprehensive income	-	-	-	-	21	-	21	7	28
Total comprehensive income/(loss) for the period	-	-	-	-	21	2,190	2,211	(42)	2,169
Balance at 31 March 2017	48,080	7,902	15,280	13,635	5,058	5,464	95,419	20,227	115,646

The notes set out on pages 8 to 22 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 13) KD '000			Retained earnings KD '000	Sub Total 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
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	163	163
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	-	-	(45)	(45)	45	-
Transactions with owners	-	-	-	-	-	-	-	(45)	(45)	208	163
Loss for the period	-	-	-	-	-	-	-	(683)	(683)	(348)	(1,031)
Total other comprehensive loss	-	-	-	-	-	-	(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

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
OPERATING ACTIVITIES			
Profit/(loss) for the period		2,141	(1,031)
Adjustments for:			
Interest income		(183)	(182)
Dividend income		(435)	(327)
Depreciation		79	44
Gain on redemption/sale of available for sale investments		(797)	(16)
Share of results of associate and joint venture		14	(16)
Gain on liquidation of subsidiary		(43)	-
Loss/(gain) on sale of investment properties		189	(133)
Impairment of available for sale investments		15	9
Reversal of provisions		-	(3)
Finance costs		355	307
		1,335	(1,348)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		3,157	(801)
Accounts receivable and other assets		(462)	1,232
Loans to customers		(34)	(13)
Accounts payable and other liabilities		(573)	(45)
Net cash from/(used in) in operating activities		3,423	(975)
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		790	(660)
Purchase of equipment		(18)	(126)
Proceeds from redemption/sale of available for sale investments		3,806	5,700
Purchase of available for sale investments		(12,139)	(3,691)
Additions to investment properties		(1,714)	(1,575)
Proceeds from sale of investment properties		793	452
Increase in investment in associate and joint venture		(84)	(34)
Proceeds from liquidation of subsidiary(net of cash and cash equivalent)		5,066	-
Dividend income received		435	327
Interest income received		154	175
Net cash (used in)/from investing activities		(2,911)	568
FINANCING ACTIVITIES			
Dividend paid		(58)	(6)
Dividend paid to non-controlling interests shareholders		(34)	-
Proceeds from bank borrowings		5,610	-
Repayment of bank borrowings		(4,979)	(40)
Finance costs paid		(325)	(42)
Net change in non-controlling interests		(1,764)	163
Net cash (used in)/from financing activities		(1,550)	75
Decrease in cash and cash equivalents		(1,038)	(332)
Foreign currency adjustments		(34)	(17)
Cash and cash equivalents at the beginning of the period	8	21,237	15,201
Cash and cash equivalents at the end of the period	8	20,165	14,852

The notes set out on pages 8 to 22 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 Boursa Kuwait and is governed under the directives of the Central Bank of Kuwait and Capital Markets Authority of Kuwait.

The extra ordinary General Assembly held on 19 April 2017 approved the amendments to parent company’s objectives. Parent company is in the process of completing the necessary formalities for making the necessary changes in the commercial register and publishing in the official gazette.

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 fulfil 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 fulfil 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 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 three-month period ended 31 March 2017 was authorized for issue by the parent company's board of directors on 3 May 2017.

2 Basis of preparation

This interim condensed consolidated financial information of the group for the three-month period ended 31 March 2017 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 2016 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 three months ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For more details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2016.

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 2016 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

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 2017 which have been adopted by the group but did not have any significant impact on the financial position or the results for the period. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 7 Statement of Cash Flows- Amendments	1 January 2017

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 7 Statement of Cash Flows- Amendments

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes)

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement.
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
 - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
 - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated 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.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IAS 40 Investment Property - Amendments	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

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 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 a 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.

IFRS 9 Financial Instruments

The IASB published 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 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 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 an irrevocable designation is made to present them in other comprehensive income. This will affect the group's investment amounting to KD345 thousand (see note 9) if still held on 1 January 2018.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

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 40 Investment Property - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management’s intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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 2016.

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			Purpose
		31 March. 2017 (Unaudited)	31 Dec. 2016 (Audited)	31 March. 2016 (Unaudited)	
Markaz Fixed Income Fund	Kuwait	76.79%	73.66%	82.50%	Investment Fund
Markaz Arabian Fund	Kingdom of Bahrain	58.44%	58.17%	56.80%	Investment Fund
Mawazeen International Fund(5.1)	Kuwait	-	58.95%	56.88%	Investment Fund

Notes to the interim condensed consolidated financial information (continued)

5 Group's subsidiaries (continued)

The changes in ownership of Markaz Fixed Income Fund increased by 3.13% and Markaz Arabian Fund increased by 0.27% 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 gain of KD67 thousand. Since the parent company continues to control these subsidiaries, the changes resulting from deemed ownership changes in these subsidiaries have been recognised in equity.

5.1 Liquidation of subsidiary fund

During the period, the group has liquidated its 58.95% owned subsidiary fund "Mawazeen International Fund". The parent company received a total consideration of KD3,268 thousand from the liquidation and resulting in a gain of KD43 thousand recognised in the interim condensed consolidated statement of profit or loss for the period.

The details of the parent company share of proceeds from the liquidation of subsidiary fund as follows:

	KD '000
Investments at fair value through profit or loss	4,992
Cash and cash equivalents	478
Non-controlling interests	(2,241)
Accounts payable and other liabilities	(4)
Parent company's net share of assets value at the date of liquidation	3,225

Gain recognised from the liquidation proceeds is as follows:

	KD '000
Total consideration received	3,268
Net assets value at the date of liquidation – above	(3,225)
Gain on liquidation of subsidiary	43

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

	Three months ended 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
Change in fair value of investments at fair value through profit or loss	1,000	(693)
Gain/(loss) on sale of investments at fair value through profit or loss	748	(760)
	1,748	(1,453)

Notes to the interim condensed consolidated financial information (continued)

7 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 31 March 2017 (Unaudited)	Three months ended 31 March 2016 (Unaudited)
Profit/(loss) for the period attributable to the owners of the parent company (KD '000)	2,190	(683)
Weighted average number of shares in issue during the period (excluding treasury shares) (000's)	480,802	480,802
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company	5 Fils	(1) Fils

8 Cash and cash equivalents

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

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Cash and bank balances	17,761	12,237	7,802
Time deposits with banks	2,471	9,857	7,807
	20,232	22,094	15,609
Less: Time deposits maturing after three months	(67)	(857)	(757)
Cash and cash equivalent for interim condensed consolidated statement of cash flows	20,165	21,237	14,852

The group's time deposits carry an effective interest rate of 0.81% (31 December 2016: 1.25% and 31 March 2016: 1.30%) per annum.

Notes to the interim condensed consolidated financial information (continued)

9 Investments at fair value through profit or loss

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Trading :			
Local quoted securities	2,706	1,909	-
Foreign quoted securities	14,540	15,389	13,649
	17,246	17,298	13,649
Designated on initial recognition:			
Local managed funds	21,461	20,244	23,953
Foreign quoted securities	-	9,180	2,897
Fixed income securities	1,177	1,311	1,402
	22,638	30,735	28,252
	39,884	48,033	41,901

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

Fixed income securities include investment amounting to KD345 thousand (31 December 2016 and 31 March 2016: KD345 thousand) is carried at cost less impairment if any due to non availability of quoted market price or other reliable measurement of fair value. The management has performed analysis of underlying investment and concluded that the carrying value approximates to fair value.

The interest rates on fixed income securities range from 6.25% to 9.00% (31 December 2016: 6.50% to 9.00% and 31 March 2016: 2.50% to 9.00%) per annum.

10 Available for sale investments

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Quoted shares	4,363	4,973	5,760
Unquoted securities	1,536	1,518	807
Managed funds	21,506	18,872	24,125
Equity participation	18,269	11,050	14,081
Debt instruments	5,451	5,457	6,210
	51,125	41,870	50,983

The investments in managed funds are carried at net asset value provided by the respective fund managers due to the nature of these 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.

Notes to the interim condensed consolidated financial information (continued)

10 Available for sale investments (continued)

Investment in debt instrument amounting to KD442 thousand (31 December 2016: KD446 thousand and 31 March 2016: KD1,190 thousand) are secured by charges over real estate properties and carry average interest rate of 7.25% (31 December 2016: 7.25% and 31 March 2016: 4.43%) per annum.

Debt instruments include investment in sukuk amounting to KD4,982 thousand (31 December 2016: KD4,985 thousand and 31 March 2016: KD4,994 thousand) carrying profit rate of 2% above Central Bank of Kuwait discount rate (31 December 2016 and 31 March 2016: 2% above Central Bank of Kuwait discount rate) per annum.

During the period, the group recognised an impairment loss of KD15 thousand (31 March 2016: KD9 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 Bank borrowings

This represents following bank borrowings:

- a. Unsecured loan facilities amounting to KD24.42 million obtained from local commercial banks and carry interest rate ranging from 2% to 2.50% above Central Bank of Kuwait discount rate. Outstanding balance of this loan as at 31 March 2017 amounted to KD1.97 million (31 December 2016: KD1.75 million and 31 March 2016: KD 2.66 million). This loan is guaranteed by the parent company (note 17).
- b. Murabaha facility obtained from a local Islamic bank amounting to KD4.97million (31 December 2016: KD 4.98 million and 31 March 2016: KD4.99 million) carrying a profit rate of 1.5% above Central Bank of Kuwait discount rate and maturing in September 2017.
- c. Unsecured loan facility obtained from a commercial bank amounting to AED107.35 million (equivalent to KD8.92 million) carrying an interest rate of 3.25% above 3 month LIBOR. Outstanding balance of this loan as at 31 March 2017 amounted to AED22.12 million (equivalent to KD1.84 million) (31 December 2016 AED17.02 million (equivalent to KD1.42 million) and 31 March 2016: KD Nil). This loan is guaranteed by the parent company (note 17).

12 Annual general assembly of the shareholders

The Annual General Assembly of the shareholders held on 19 April 2017 approved the consolidated financial statements of the group for the year ended 31 December 2016 and approved cash dividend of 6 Fils (31 December 2015: 5 Fils) per share amounting to KD2,885 thousand (31 December 2015: KD2,404 thousand). Dividends were paid after the Annual General Assembly of the shareholders

Notes to the interim condensed consolidated financial information (continued)

13 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2017	4,141	896	5,037
Available for sale investments :			
- Net change in fair value arising during the period	911	-	911
- Transferred to interim condensed consolidated statement of profit or loss on sale	(797)	-	(797)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	15	-	15
Exchange differences arising on translation of foreign operations	-	(105)	(105)
Share of other comprehensive loss of associate and joint venture	-	(3)	(3)
Total other comprehensive income/(loss)	129	(108)	21
Balance at 31 March 2017	4,270	788	5,058
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 interim condensed consolidated statement of profit or loss on sale	(16)	-	(16)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	9	-	9
Exchange differences arising 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

14 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:

Notes to the interim condensed consolidated financial information (continued)

14 Related party transactions (continued)

	Three months ended 31 March 2017 (Unaudited) KD '000	Three months ended 31 March 2016 (Unaudited) KD '000
Transactions included in the interim condensed consolidated statement of profit or loss:		
Interest income on loans and short term financing	1	1
Management fees and commission	1,009	1,154
Key management compensation:		
Salaries and other short term benefits	189	227
End of service benefits	21	24
	210	251

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position:			
Loans to customers	86	93	90
Accounts receivable and other assets	582	528	532
Accounts payable and other liabilities	1,333	1,313	1,230

15 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)	
	31 March 2017 KD'000	31 March 2016 KD'000	31 March 2017 KD'000	31 March 2016 KD'000	31 March 2017 KD'000	31 March 2016 KD'000
Segment revenue	4,094	457	468	312	4,562	769
Segment result	2,122	(785)	122	(246)	2,244	(1,031)
KFAS, NLST and Zakat	(98)	-	(5)	-	(103)	-
Profit/(loss) for the period	2,024	(785)	117	(246)	2,141	(1,031)
Total assets	127,173	119,857	29,986	26,718	157,159	146,575

Notes to the interim condensed consolidated financial information (continued)

16 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 31 March 2017 amounted to KD958,574 thousand (31 December 2016: KD934,133 thousand and 31 March 2016: KD985,405 thousand). The group earned management fee of KD1,283 thousand (31 March 2016: KD1,352 thousand) from the asset management activities.

17 Commitments

	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Commitments for purchase of investments	3,997	3,978	4,116
Letters of guarantee	75	11	822
Corporate guarantee	3,810	3,167	2,793
	7,882	7,156	7,731

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

18 Derivative financial instruments

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

	31 March 2017 (Unaudited)		31 Dec. 2016 (Audited)		31 March 2016 (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
<i>Held for trading:</i>						
Forward foreign exchange contracts	10,748	11	7,656	(52)	7,560	77

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 2016.

20 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.

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

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).

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:

31 March 2017 (Unaudited)

	KD'000			Total
	Level 1	Level 2	Level 3	
Investments at fair value through profit or loss				
Quoted securities	17,246	-	-	17,246
Managed funds-GCC	-	21,461	-	21,461
Fixed income securities	832	-	-	832
	18,078	21,461	-	39,539
Derivative				
Forward foreign currency contracts held for trading	-	11	-	11
Available for sale investments				
Quoted securities	4,363	-	-	4,363
Managed funds				
- GCC	-	13,476	-	13,476
- Foreign	-	8,030	-	8,030
Debt instruments	-	-	5,451	5,451
Equity participations	-	18,269	-	18,269
Unquoted securities	-	-	1,536	1,536
	4,363	39,775	6,987	51,125
	22,441	61,247	6,987	90,675

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

31 December 2016 (Audited)	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	26,478	-	-	26,478
Managed funds-GCC	-	20,244	-	20,244
Fixed income securities	966	-	-	966
	27,444	20,244	-	47,688
Derivative				
Forward foreign currency contracts held for trading	-	(52)	-	(52)
Available for sale investments				
Quoted securities	4,973	-	-	4,973
Managed funds				
- GCC	-	13,260	-	13,260
- Foreign	-	5,612	-	5,612
Debt instruments	-	-	5,457	5,457
Equity participations	-	11,050	-	11,050
Unquoted securities	-	-	1,518	1,518
	4,973	29,922	6,975	41,870
	32,417	50,114	6,975	89,506
31 March 2016 (Unaudited)				
	KD'000			
	Level 1	Level 2	Level 3	Total
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
	17,603	23,953	-	41,556
Derivative				
Forward foreign currency contracts held for trading	-	77	-	77
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	-	14,081	-	14,081
Unquoted securities	-	-	807	807
	5,760	38,206	7,017	50,983
	23,363	62,236	7,017	92,616

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

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

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		
	31 March 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	31 March 2016 (Unaudited) KD '000
Opening balance	6,975	7,017	7,017
Additions/(redemption)	14	84	(3)
Gains or losses recognised in: -Other comprehensive (loss)/income	(2)	(126)	3
Closing balance	6,987	6,975	7,017

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 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 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%.