

Interim condensed consolidated financial information and review report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

30 September 2017 (Unaudited)

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Report on review of interim condensed consolidated financial information

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Financial Centre – KPSC (“the Parent Company”) and its subsidiaries (“the Group”) as at 30 September 2017 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the three-month and nine-month periods then ended and changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of 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

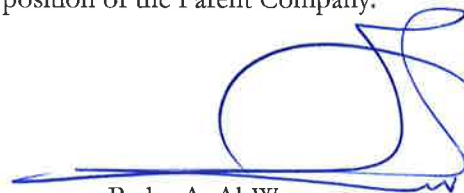
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

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, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association of the Parent Company or provision 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 nine-month period ended 30 September 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		Nine months ended	
		30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Revenue					
Interest income		56	159	610	505
Dividend income		339	276	1,073	876
Management fees and commission		1,943	1,611	5,117	5,428
Gain/(loss) from investments at fair value through profit or loss	6	2,616	(152)	4,727	(1,894)
Gain on redemption/sale of available for sale investments		398	708	1,719	1,867
Gain on liquidation of subsidiaries	5.1	5	-	48	-
Share of results of associate and joint venture		(6)	26	(49)	(144)
(Loss)/gain on sale of investment properties	11	(19)	-	(382)	489
Net rental income		134	35	395	100
Foreign currency exchange gain /(loss)		76	73	(3)	227
Other income		1	3	2	18
		5,543	2,739	13,257	7,472
Expenses and other charges					
General and administrative expenses		(1,963)	(1,690)	(5,860)	(5,181)
Impairment of available for sale investments	10	(152)	(83)	(209)	(129)
Reversal of provisions/(charge of provisions)		1	-	(1)	3
Other expenses		-	-	11	(42)
Finance costs		(379)	(316)	(1,121)	(935)
		(2,493)	(2,089)	(7,180)	(6,284)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat					
		3,050	650	6,077	1,188
Provision for contribution to KFAS		(28)	(5)	(55)	(13)
Provision for NLST		(77)	(17)	(157)	(40)
Provision for Zakat		(31)	(7)	(63)	(16)
Profit for the period		2,914	621	5,802	1,119
Profit/(loss) for the period attributable to:					
Owners of the Parent Company		2,917	571	5,832	1,381
Non-controlling interests		(3)	50	(30)	(262)
Profit for the period		2,914	621	5,802	1,119
Basic and diluted earnings per share attributable to the owners of the Parent Company					
	7	6 Fils	1 Fils	12 Fils	3 Fils

The notes set out on pages 8 to 18 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		Nine months ended	
	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Profit for the period	2,914	621	5,802	1,119
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	340	716	1,312	(301)
- Transferred to interim condensed consolidated statement of profit or loss on redemption/sale	(398)	(708)	(1,719)	(1,867)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	152	83	209	129
<i>Foreign currency translation:</i>				
- Exchange differences arising on translation of foreign operations	(104)	(84)	(428)	(311)
Share of other comprehensive income/(loss) of associate and joint venture	25	(1)	6	(3)
Total other comprehensive income/(loss)	15	6	(620)	(2,353)
Total comprehensive income/(loss) for the period	2,929	627	5,182	(1,234)
Total comprehensive income/(loss) attributable to:				
Owners of the Parent Company	2,931	699	5,217	(822)
Non-controlling interests	(2)	(72)	(35)	(412)
	2,929	627	5,182	(1,234)

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Assets				
Cash and bank balances	8	6,675	12,237	9,091
Time deposits	8	3,932	9,857	9,183
Investments at fair value through profit or loss	9	50,887	48,033	40,412
Accounts receivable and other assets		5,621	5,317	6,797
Loans to customers		275	253	412
Available for sale investments	10	46,741	41,870	48,159
Investment in associate and joint venture		3,186	3,002	2,955
Investment properties	11	41,020	35,745	32,874
Equipment		433	434	414
Total assets		158,770	156,748	150,297
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		7,940	8,327	6,374
Bank borrowings	12	10,593	8,146	9,343
Bonds issued		25,000	25,000	22,000
Total liabilities		43,533	41,473	37,717
Equity				
Share capital		48,080	48,080	48,080
Share premium		7,902	7,902	7,902
Legal reserve		15,280	15,280	14,847
Voluntary reserve		13,635	13,635	13,202
Other components of equity	14	4,422	5,037	5,522
Retained earnings		6,037	3,341	1,326
Equity attributable to the owners of the Parent Company				
Company		95,356	93,275	90,879
Non-controlling interests		19,881	22,000	21,701
Total equity		115,237	115,275	112,580
Total liabilities and equity		158,770	156,748	150,297


Diraar Yusuf Alghanim
Chairman


Ali H. Khalil
Chief Operating Officer

The notes set out on pages 8 to 18 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 14) KD '000	Retained earnings KD '000	Sub 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	-	-	-	-	-	-	-	(60)	(60)
Effect arising on liquidation of subsidiaries (refer note 5.1)	-	-	-	-	-	-	-	(2,241)	(2,241)
Effect of change in ownership percentage of subsidiaries (refer note 5)	-	-	-	-	-	(251)	(251)	251	-
Payment of cash dividend (refer note 13)	-	-	-	-	-	(2,885)	(2,885)	-	(2,885)
Payment of cash dividend to non-controlling interests shareholders	-	-	-	-	-	-	-	(34)	(34)
Transactions with owners	-	-	-	-	-	(3,136)	(3,136)	(2,084)	(5,220)
Profit/(loss) for the period	-	-	-	-	-	5,832	5,832	(30)	5,802
Total other comprehensive loss	-	-	-	-	(615)	-	(615)	(5)	(620)
Total comprehensive (loss)/income for the period	-	-	-	-	(615)	5,832	5,217	(35)	5,182
Balance at 30 September 2017	48,080	7,902	15,280	13,635	4,422	6,037	95,356	19,881	115,237

The notes set out on pages 8 to 18 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 of equity (note 14) 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
Cancellation of treasury shares	(5,050)	-	-	-	5,050	-	-	-	-	-	-
Loss on cancellation of treasury shares	-	-	-	-	11,292	(7,973)	-	(3,319)	-	-	-
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	4,015	4,015
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	-	-	(55)	(55)	55	-
Payment of cash dividend	-	-	-	(1,591)	-	-	-	(813)	(2,404)	-	(2,404)
Transactions with owners	(5,050)	-	-	(1,591)	16,342	(7,973)	-	(4,187)	(2,459)	4,070	1,611
Profit/(loss) for the period	-	-	-	-	-	-	-	1,381	1,381	(262)	1,119
Total other comprehensive loss	-	-	-	-	-	-	(2,203)	-	(2,203)	(150)	(2,353)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(2,203)	1,381	(822)	(412)	(1,234)
Balance at 30 September 2016	48,080	7,902	14,847	13,202	-	-	5,522	1,326	90,879	21,701	112,580

The notes set out on pages 8 to 18 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2017 (Unaudited) KD '000	Nine months ended 30 Sept. 2016 (Unaudited) KD '000
OPERATING ACTIVITIES			
Profit for the period		5,802	1,119
Adjustments for:			
Interest income		(610)	(505)
Dividend income		(1,073)	(876)
Depreciation		224	133
Gain on redemption/sale of available for sale investments		(1,719)	(1,867)
Gain on liquidation of subsidiaries		(48)	-
Share of results of associate and joint venture		49	144
Loss/(gain) on sale of investment properties		382	(489)
Impairment of available for sale investments		209	129
Change of provisions/(reversal of provisions)		1	(3)
Finance costs		1,121	935
		4,338	(1,280)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		(7,846)	688
Accounts receivable and other assets		(287)	(1,713)
Loans to customers		(22)	25
Accounts payable and other liabilities		(415)	(324)
Net cash used in operating activities		(4,232)	(2,604)
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		857	97
Purchase of equipment		(102)	(231)
Proceeds from redemption/sale of available for sale investments		14,030	11,140
Purchase of available for sale investments		(17,589)	(5,812)
Additions to investment properties		(7,508)	(4,744)
Proceeds from sale of investment properties		1,302	1,278
Increase in investment in associate and joint venture		(227)	(12)
Proceeds from liquidation of subsidiaries (net of cash and cash equivalent)		5,061	-
Dividend income received		1,073	876
Interest income received		593	507
Net cash (used in)/from investing activities		(2,510)	3,099
FINANCING ACTIVITIES			
Dividend paid		(2,918)	(2,346)
Dividend paid to non-controlling interests shareholders		(34)	-
Proceeds from term loans		2,447	1,658
Finance costs paid		(1,073)	(656)
Net change in non-controlling interests		(2,301)	4,015
Net cash (used in)/from financing activities		(3,879)	2,671
(Decrease)/increase in cash and cash equivalents		(10,621)	3,166
Foreign currency adjustments		(9)	(93)
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	10,607	18,274

The notes set out on pages 8 to 18 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 along with its subsidiaries are jointly referred to as “the Group”. 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 Extraordinary General Assembly held on 19 April 2017 approved the amendments to Parent Company’s objectives and these amendments have been documented in the commercial register on 30 April 2017 and published in the official gazette on 30 April 2017.

The principal activities of the Parent Company 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 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.
- 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 the functions of investment trustees and investment portfolio management for the account of third parties with the required loaning and borrowing operations.
- Unregistered securities broker in the stock exchange.
- Investment portfolio manager.
- Collective investment scheme manager.
- Investment advisor.
- Placement agent.
- Custodian.

The Parent Company may carry out similar or complementary or necessary or related to its above mentioned activities after getting the approval from the regulatory authorities.

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

The Board of Directors of the Parent Company approved the interim condensed consolidated financial information for issue on 6 November 2017.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation

This interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 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 nine months ended 30 September 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.

3 Significant accounting policies

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 consolidated 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.

3.1 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 which is relevant to the Group 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
Annual Improvements to IFRS 2014-2016 cycle	1 January 2017

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.

Notes to the interim condensed consolidated financial information (continued)

5 Group's subsidiaries

During the period, the Group's ownership has changed in the following subsidiaries:

Name	Country of incorporation	Ownership percentage			Activities
		30 Sept. 2017 (Unaudited)	31 Dec. 2016 (Audited)	30 Sept. 2016 (Unaudited)	
Markaz Fixed Income Fund	Kuwait Kingdom of	77.92%	73.66%	81.21%	Investment Fund
Markaz Arabian Fund	Bahrain	58.88%	58.17%	58.20%	Investment Fund
Markaz Mena Islamic Fund	Kuwait	100%	75%	75%	Investment Fund
Mawazeen International Fund (5.1)	Kuwait	-	58.95%	57.69%	Investment Fund
MDI Holding Limited (5.1)	Cayman Islands	-	66.66%	66.66%	Property Management

The ownership of Markaz Fixed Income Fund increased by 4.26% and Markaz Arabian Fund increased by 0.71% due to changes in units held by non-controlling interest holders as a result of addition and redemption of the fund's units. These changes in the ownership resulted in a net loss of KD251 thousand which was included in the interim condensed consolidated statement of changes in equity.

On 19 July 2017 one of the unit holders of Markaz Mena Islamic Fund ("the Fund") redeemed their entire unit holding in the Fund representing 25% of the Fund's total outstanding units, resulting in the increase in the Parent Company's ("Fund Manager") holding to 100% of the Fund's outstanding units. This is in accordance with the Fund's Articles of Association.

5.1 Gain on liquidation of subsidiaries

a) 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 the resulting gain of KD43 thousand was recognised in the interim condensed consolidated statement of profit or loss for the period.

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

	KD '000
Investments at fair value through profit or loss	4,992
Cash and cash equivalents	478
Account payable and other liabilities	(4)
Net assets value at the date of liquidation	5,466
Net assets value attributable to non-controlling interests	(2,241)
Net assets value attributable to owners of the Parent Company	3,225
Total consideration received (excluding cash and cash equivalents)	5,066
Add: cash and cash equivalents	478
Total consideration received (including cash and cash equivalents)	5,544
Total consideration received (including cash and cash equivalents) attributable to owners of the Parent Company	3,268

Gain recognised by the Group from the liquidation proceeds is as follows:

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

b) Further during the period, the group has liquidated its 66.66% owned subsidiary "MDI Holding Limited". The resulted gain of KD5 thousand was recognised in the interim condensed consolidated statement of profit or loss for the period.

Notes to the interim condensed consolidated financial information (continued)

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

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Gain/(loss) on sale of investments at fair value through profit or loss	18	30	891	(728)
Change in fair value of investments at fair value through profit or loss	2,598	(182)	3,836	(1,166)
	2,616	(152)	4,727	(1,894)

7 Basic and diluted earnings per share attributable to the owners of the Parent Company

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

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited)	30 Sept. 2016 (Unaudited)	30 Sept. 2017 (Unaudited)	30 Sept. 2016 (Unaudited)
Profit for the period attributable to the owners of the Parent Company (KD '000)	2,917	571	5,832	1,381
Weighted average number of issued and fully paid up shares (000's)	480,802	480,802	480,802	480,802
Basic and diluted earnings per share attributable to the owners of the Parent Company	6 Fils	1 Fils	12 Fils	3 Fils

8 Cash and cash equivalents

	30 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Cash and bank balances	6,675	12,237	9,091
Time deposits with banks	3,932	9,857	9,183
	10,607	22,094	18,274
Less: Time deposits maturing after three months	-	(857)	-
Cash and cash equivalent for interim condensed consolidated statement of cash flows	10,607	21,237	18,274

The Group's time deposits carry an effective interest rate of 0.80% (31 December 2016: 1.25% and 30 September 2016: 1.27%) per annum.

Notes to the interim condensed consolidated financial information (continued)

9 Investments at fair value through profit or loss

	30 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Trading :			
Local quoted securities	2,923	1,909	1,656
Foreign quoted securities	23,759	15,389	15,529
	26,682	17,298	17,185
Designated on initial recognition:			
Local managed funds	23,451	20,244	19,051
Foreign quoted securities	-	9,180	2,853
Fixed income securities	754	1,311	1,323
	24,205	30,735	23,227
	50,887	48,033	40,412

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.

The interest rates on fixed income securities range from 7.00% to 9.00% (31 December 2016: 6.50% to 9.00% and 30 September 2016: 6.25% to 9.00%) per annum.

10 Available for sale investments

	30 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Quoted securities	4,567	4,973	4,476
Unquoted securities	1,334	1,518	1,509
Managed funds (a)	22,546	18,872	24,733
Equity participation (b)	12,877	11,050	11,986
Debt instruments (c)	5,417	5,457	5,455
	46,741	41,870	48,159

a) 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 values provided by the fund managers represent the best estimate of fair values available for these investments.

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

c) Investment in debt instrument amounting to KD434 thousand (31 December 2016: KD446 thousand and 30 September 2016: KD440 thousand) are secured by charges over real estate properties and carry average interest rate of 7.25% (31 December 2016: 7.25% and 30 September 2016: 7.25%) per annum.

Notes to the interim condensed consolidated financial information (continued)

10 Available for sale investments (continued)

Debt instruments include investment in sukuk amounting to KD4,976 thousand (31 December 2016: KD4,985 thousand and 30 September 2016: KD4,998 thousand) carrying profit rate of 2% above Central Bank of Kuwait discount rate (31 December 2016 and 30 September 2016: 2% above Central Bank of Kuwait discount rate) per annum.

d) During the period, the Group recognised an impairment loss of KD209 thousand (30 September 2016: KD129 thousand) in respect of certain available for sale investments. Management has performed an analysis of the underlying investments which indicates that there is no further impairment.

11 Investment properties

The movement in investment properties is as follows:

	30 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Carrying value at the beginning of the period/year	35,745	29,167	29,167
Additions	7,508	7,761	4,744
(Loss)/gain on sale	(382)	490	489
Proceeds from sale	(1,302)	(1,286)	(1,278)
Impairment	-	(451)	-
Depreciation	(121)	(179)	(28)
Foreign currency translation adjustment	(428)	243	(220)
	41,020	35,745	32,874

12 Bank borrowings

This represents following bank borrowings:

- a. Unsecured loan facilities amounting to KD24.92 million obtained from local commercial banks carry interest rate ranging from 2% to 2.50% above Central Bank of Kuwait discount rate. Outstanding balance of this loan as at 30 September 2017 amounted to KD2.30 million (31 December 2016: KD1.75 million and 30 September 2016: KD3.52 million).
- b. Murabaha facility obtained from a local Islamic bank amounting to KD4.96 million (31 December 2016: KD 4.98 million and 30 September 2016: KD4.98 million) carrying a profit rate of 1.5% above Central Bank of Kuwait discount rate and maturing in January 2018.
- c. During 2016, an unsecured loan facility was obtained from a foreign commercial bank amounting to AED107.35 million (equivalent to KD8.83 million) and carries an interest rate of 3.25% above 3 month EIBOR. Outstanding balance of this loan as at 30 September 2017 amounted to AED40.59 million equivalents to KD3.33 million (31 December 2016 AED17.02 million equivalents to KD1.42 million and 30 September 2016 AED10.28 million equivalents to KD844 thousand).

Notes to the interim condensed consolidated financial information (continued)

13 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.

14 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	1,303	-	1,303
- Transferred to interim condensed consolidated statement of profit or loss on sale	(1,719)	-	(1,719)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	209	-	209
Exchange differences arising on translation of foreign operations	-	(414)	(414)
Share of other comprehensive income of associate and joint venture	-	6	6
Total other comprehensive loss	(207)	(408)	(615)
Balance at 30 September 2017	3,934	488	4,422
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 interim condensed consolidated statement of profit or loss on sale	(1,528)	-	(1,528)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	129	-	129
Exchange differences arising 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

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.

Notes to the interim condensed consolidated financial information (continued)

15 Related party transactions (continued)

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Transactions included in the interim condensed consolidated statement of profit or loss:				
Interest income on loans to customers	1	1	3	3
Management fees and commission	1,175	1,159	3,217	3,340
Key management compensation:				
Salaries and other short term benefits	194	242	575	724
End of service benefits	28	29	84	83
Directors remuneration	-	-	-	81
	222	271	659	888

	30 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position:			
Loans to customers	91	93	80
Accounts receivable and other assets	848	528	714
Accounts payable and other liabilities	1,293	1,313	1,337

16 Segmental information

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

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

	Asset Management (Unaudited)		Investment Banking (Unaudited)		Total (Unaudited)	
	30 Sept. 2017 (Unaudited) KD'000	30 Sept. 2016 (Unaudited) KD'000	30 Sept. 2017 (Unaudited) KD'000	30 Sept. 2016 (Unaudited) KD'000	30 Sept. 2017 (Unaudited) KD'000	30 Sept. 2016 (Unaudited) KD'000
Segment revenue	12,120	5,799	1,137	1,673	13,257	7,472
Segment result	6,015	1,470	62	(282)	6,077	1,188
KFAS, NLST and Zakat	(272)	(69)	(3)	-	(275)	(69)
Profit/(loss) for the period	5,743	1,401	59	(282)	5,802	1,119
Total assets	136,692	123,311	22,078	26,986	158,770	150,297

Notes to the interim condensed consolidated financial information (continued)

17 Fiduciary accounts

The Group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 September 2017 amounted to KD1,020,244 thousand (31 December 2016: KD934,787 thousand and 30 September 2016: KD909,842 thousand). The Group earned management fee of KD4,331 thousand (30 September 2016: KD4,158 thousand) from the asset management activities.

18 Commitments

	30 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Commitments for purchase of investments	4,080	3,978	4,064
Letters of guarantees	30	11	167
	4,110	3,989	4,231

19 Derivative financial instruments

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

	30 Sept. 2017 (Unaudited)		31 Dec. 2016 (Audited)		30 Sept. 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	8,771	19	7,656	(52)	7,543	27

20 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2016.

21 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the interim condensed consolidated financial position are grouped into the fair value hierarchy as follows:

30 September 2017 (Unaudited)

	KD'000			Total
	Level 1	Level 2	Level 3	
Investments at fair value through profit or loss				
Quoted securities	26,682	-	-	26,682
Managed funds-GCC	-	23,451	-	23,451
Fixed income securities	754	-	-	754
	27,436	23,451	-	50,887
Derivative				
Forward foreign currency contracts held for trading	-	19	-	19
Available for sale investments				
Quoted securities	4,567	-	-	4,567
Managed funds				
- GCC	-	13,734	-	13,734
- Foreign	-	8,812	-	8,812
Debt instruments	-	-	5,417	5,417
Equity participations	-	12,877	-	12,877
Unquoted securities	-	-	1,334	1,334
	4,567	35,423	6,751	46,741
	32,003	58,893	6,751	97,647

31 December 2016 (Audited)

	KD'000			Total
	Level 1	Level 2	Level 3	
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

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

30 September 2016 (Unaudited)	KD'000			
	Level 1	Level 2	Level 3	Total
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	-	-	978
	21,016	19,051	-	40,067
Derivative				
Forward foreign currency contracts held for trading	-	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	-	11,986	-	11,986
Unquoted securities	-	-	1,509	1,509
	4,476	36,719	6,964	48,159
	25,492	55,797	7,309	88,253

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:

	30 Sept. 2017 (Unaudited) KD '000	31 Dec. 2016 (Audited) KD '000	30 Sept. 2016 (Unaudited) KD '000
Opening balance	6,975	7,017	7,017
(Redemption)/additions	(209)	84	84
Gains or losses recognised in:			
-Other comprehensive loss	(15)	(126)	(137)
Closing balance	6,751	6,975	6,964