

**KUWAIT INVESTMENT COMPANY S.A.K.
AND SUBSIDIARIES**



**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2016
(UNAUDITED)**

**Kuwait Investment Company S.A.K. and its subsidiaries
State of Kuwait**

**Interim condensed consolidated financial information and independent auditors'
review report (Unaudited)**

For the six month period ended 30 June 2016

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Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

To the Board of Directors of Kuwait Investment Company S.A.K.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Investment Company S.A.K. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2016, and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. The Parent Company's 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 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 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 Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that nothing has come to our attention indicating any contravention during the six month period ended 30 June 2016, of the Companies' Law No. 1 of 2016, and its executive regulations, the Parent Company's Memorandum and Articles of Association, as amended or of the provisions 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, and Law No. 7 of 2010 regarding Establishment of Capital Markets Authority and Organisation of Security Activity and its Executive Regulations that would materially affect on business of the Group or its consolidated financial position.



Khalid Ibrahim Al-Shatti
License No. 175-A
PricewaterhouseCoopers (Al-Shatti & Co.)

Kuwait: 7 August 2016



Qais M. Al-Nisf
License No. 38-A
BDO Al Nisf & Partners

Interim condensed consolidated statement of financial position (Unaudited)
As at 30 June 2016

	Notes	(Audited)		
		30 June 2016 KD	31 December 2015 KD	30 June 2015 KD
Assets				
Cash and bank balances	3	16,414,379	29,290,704	22,849,013
Placements		33,642,853	5,404,215	22,310,875
Financial assets at fair value through profit or loss		27,465,079	29,141,043	31,803,966
Accounts receivable and other assets		7,379,558	6,000,051	7,091,019
Wakala receivables		3,093,799	3,437,554	3,437,554
Loans and advances		5,202,309	3,738,600	3,919,244
Available for sale financial assets	4	106,497,193	119,604,171	127,204,942
Investment held to maturity		2,992,028	3,009,353	6,282,002
Investments in associates		17,470,628	17,624,989	17,326,175
Investment properties		18,441,222	18,441,222	17,779,819
Intangible assets		11,042,602	11,042,602	15,000,000
Property and equipment		22,613,290	21,481,177	20,851,611
		<u>272,254,940</u>	<u>268,215,681</u>	<u>295,856,220</u>
Assets of disposal group classified as held for sale	5	28,967,166	29,033,302	26,880,465
Total assets		<u>301,222,106</u>	<u>297,248,983</u>	<u>322,736,685</u>
Liabilities and equity				
Liabilities				
Deposits from banks		17,993,617	25,418,449	15,759,713
Customers' deposits		100,094,669	80,107,717	102,557,626
Accounts payable and other liabilities		9,013,086	10,484,338	16,155,082
Islamic financing payables	6	15,390,993	14,239,164	13,559,577
		<u>142,492,365</u>	<u>130,249,668</u>	<u>148,031,998</u>
Liabilities of disposal group classified as held for sale	5	3,081,039	3,630,200	3,658,123
Total liabilities		<u>145,573,404</u>	<u>133,879,868</u>	<u>151,690,121</u>
Equity				
Share capital		55,125,000	55,125,000	55,125,000
Treasury shares	7	(734,629)	(734,629)	(734,629)
Statutory reserve		26,770,996	26,770,996	26,616,863
Voluntary reserve		16,805,110	16,805,110	16,650,977
Revaluation reserve		5,488,831	5,488,831	5,488,831
Fair value reserve		12,226,034	21,639,614	26,650,755
Foreign currency translation reserve		2,001,176	2,237,473	2,239,865
Retained earnings		5,079,446	3,184,684	4,513,607
Equity attributable to owners of the Parent Company		<u>122,761,964</u>	<u>130,517,079</u>	<u>136,551,269</u>
Non-controlling interests		32,886,738	32,852,036	34,495,295
Total equity		<u>155,648,702</u>	<u>163,369,115</u>	<u>171,046,564</u>
Total liabilities and equity		<u>301,222,106</u>	<u>297,248,983</u>	<u>322,736,685</u>

Waleed Abdullah Al-Roumi
Chairman

Fawaz Sulaiman Al-Ahmad
General Manager

Mesheri Zaid Al-Khalid
Deputy Chairman

The notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Kuwait Investment Company S.A.K. and its subsidiaries
State of Kuwait



Interim condensed consolidated statement of profit or loss (Unaudited)

Period ended 30 June 2016

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2016	2015	2016	2015
		KD	KD	KD	KD
Continuing operations					
Income					
Management fees and commission income		1,399,241	1,616,090	2,909,013	3,039,423
Dividend income		816,723	1,086,681	1,392,135	2,015,440
Gain on redemption / sale of available for sale financial assets		9,358	1,240,532	299,281	1,500,089
Interest income		263,318	248,196	568,052	567,787
Rental income		596,731	468,983	1,133,764	1,475,506
Unrealised (loss) / gain on financial assets at fair value through profit or loss (net)		(29,804)	50,787	(936,710)	47,235
Gain on sale of financial assets at fair value through profit or loss (net)		14,381	71,041	19,953	106,743
Share of results of associates		97,711	209,366	218,214	325,680
Foreign exchange gain / (loss)		58,709	(667,247)	449,337	(1,969,956)
Total income		3,226,368	4,324,429	6,053,039	7,107,947
Expenses and other charges					
General and administrative expenses	8	(1,830,164)	(1,618,246)	(3,362,167)	(3,702,409)
Impairment loss on available for sale financial assets (Release of) / provision for credit losses	4	(337,921)	(1,173,488)	(337,921)	(1,544,026)
Interest expense		(420,163)	(373,504)	(754,829)	(603,147)
Total expenses and other charges		(2,428,273)	(3,511,716)	(4,652,444)	(5,873,989)
Operating profit		798,095	812,713	1,400,595	1,233,958
Other income		107,170	172,430	188,004	225,478
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat		905,265	985,143	1,588,599	1,459,436
KFAS		(5,522)	5,864	(10,418)	(13,069)
NLST		(30,596)	(26,796)	(51,689)	(60,265)
Zakat		(4,508)	(6,016)	(5,654)	(8,010)
Profit for the period from continuing operations		864,639	958,195	1,520,838	1,378,092
Discontinued operations					
Profit for the period from discontinued operations	5	925,738	924,153	1,521,255	2,048,119
Profit for the period		1,790,377	1,882,348	3,042,093	3,426,211
Attributable to:					
Owners of the Parent Company		1,154,326	1,397,812	2,009,274	2,531,352
Non-controlling interests		636,051	484,536	1,032,819	894,859
		1,790,377	1,882,348	3,042,093	3,426,211
Earnings per share attributable to owners of the Parent Company (Basic and diluted) (fils)					
From continuing and discontinued operations	9	2.106	2.551	3.667	4.619
From continuing operations		1.244	1.691	2.251	2.713
From discontinued operations		0.862	0.860	1.416	1.906

The notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income (Unaudited)
Period ended 30 June 2016

Note	Three months ended 30 June		Six months ended 30 June	
	2016 KD	2015 KD	2016 KD	2015 KD
Profit for the period	1,790,377	1,882,348	3,042,093	3,426,211
Other comprehensive income:				
<i>Items that may be reclassified subsequently to the consolidated statement of profit or loss:</i>				
Available for sale financial assets:				
- Change in fair value	(5,875,491)	1,685,629	(10,024,966)	3,753,229
- Gain on sale of available for sale financial assets transferred to interim condensed consolidated statement of profit or loss	(9,358)	(1,240,532)	(299,281)	(1,500,089)
- Transferred to interim condensed consolidated statement of income on impairment	5 337,921	1,173,488	337,921	1,544,026
Share of associates other comprehensive income	39,583	(1,534)	13,983	18,758
Foreign exchange translation adjustments	(7,125)	908,839	(236,297)	1,156,192
Other comprehensive (loss) / income for the period	(5,514,470)	2,525,890	(10,208,640)	4,972,116
Total comprehensive (loss) / income for the period	(3,724,093)	4,408,238	(7,166,547)	8,398,327
Total comprehensive (loss) / income attributable to:				
Owners of the Parent Company	(4,330,633)	3,859,605	(7,640,603)	7,337,344
Non-controlling interests	606,540	548,633	474,056	1,060,983
	(3,724,093)	4,408,238	(7,166,547)	8,398,327
Total comprehensive (loss) / income attributable to:				
Continuing operations	(4,667,243)	3,453,075	(8,549,572)	6,341,305
Discontinued operations	943,150	955,163	1,383,025	2,057,022
	(3,724,093)	4,408,238	(7,166,547)	8,398,327

The notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Kuwait Investment Company S.A.K. and its subsidiaries
State of Kuwait



Interim condensed consolidated statement of changes in equity (Unaudited)

Period ended 30 June 2016

	<u>Share capital</u>	<u>Treasury shares</u>	<u>Statutory reserve</u>	<u>Voluntary reserve</u>	<u>Revaluation reserve</u>	<u>Fair value reserve</u>	<u>Foreign currency translation reserve</u>	<u>Retained earnings</u>	<u>Equity attributable to owners of the Parent Company</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2015 (Audited)	<u>55,125,000</u>	<u>(734,629)</u>	<u>26,616,863</u>	<u>16,650,977</u>	<u>5,488,831</u>	<u>23,000,955</u>	<u>1,083,673</u>	<u>7,462,139</u>	<u>134,693,809</u>	<u>33,875,312</u>	<u>168,569,121</u>
Profit for the period	-	-	-	-	-	-	-	2,531,352	2,531,352	894,859	3,426,211
Other comprehensive income for the period	-	-	-	-	-	3,649,800	1,156,192	-	4,805,992	166,124	4,972,116
Total comprehensive income for the period	-	-	-	-	-	3,649,800	1,156,192	2,531,352	7,337,344	1,060,983	8,398,327
Dividends	-	-	-	-	-	-	-	(5,479,884)	(5,479,884)	(441,000)	(5,920,884)
Balance at 30 June 2015	<u>55,125,000</u>	<u>(734,629)</u>	<u>26,616,863</u>	<u>16,650,977</u>	<u>5,488,831</u>	<u>26,650,755</u>	<u>2,239,865</u>	<u>4,513,607</u>	<u>136,551,269</u>	<u>34,495,295</u>	<u>171,046,564</u>
Balance at 1 January 2016 (Audited)	<u>55,125,000</u>	<u>(734,629)</u>	<u>26,770,996</u>	<u>16,805,110</u>	<u>5,488,831</u>	<u>21,639,614</u>	<u>2,237,473</u>	<u>3,184,684</u>	<u>130,517,079</u>	<u>32,852,036</u>	<u>163,369,115</u>
Profit for the period	-	-	-	-	-	-	-	2,009,274	2,009,274	1,032,819	3,042,093
Other comprehensive loss for the period	-	-	-	-	-	(9,413,580)	(236,297)	-	(9,649,877)	(558,763)	(10,208,640)
Total comprehensive (loss) / income for the period	-	-	-	-	-	(9,413,580)	(236,297)	2,009,274	(7,640,603)	474,056	(7,166,547)
Effect on partial disposal of a subsidiary (note 2)	-	-	-	-	-	-	-	(114,512)	(114,512)	1,646	(112,866)
Dividends	-	-	-	-	-	-	-	-	-	(441,000)	(441,000)
Balance at 30 June 2016	<u>55,125,000</u>	<u>(734,629)</u>	<u>26,770,996</u>	<u>16,805,110</u>	<u>5,488,831</u>	<u>12,226,034</u>	<u>2,001,176</u>	<u>5,079,446</u>	<u>122,761,964</u>	<u>32,886,738</u>	<u>155,648,702</u>

The notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Kuwait Investment Company S.A.K. and its subsidiaries
State of Kuwait



Interim condensed consolidated statement of cash flows (Unaudited)
Period ended 30 June 2016

	Notes	Six months ended 30 June	
		2016	2015
		KD	KD
OPERATING ACTIVITIES			
Profit for the period from continuing operations		1,520,838	1,378,092
Profit for the period from discontinued operations		1,521,255	2,048,119
<i>Adjustment for:</i>			
Depreciation and amortisation		1,472,792	1,722,651
Provision for credit losses		197,527	24,407
Dividend income		(1,392,135)	(2,015,440)
Gain on redemption / sale of available for sale financial assets		(299,281)	(1,500,089)
Interest income		(568,052)	(567,787)
Unrealised loss / (gain) on financial assets at fair value through profit or loss (net)		936,710	(47,235)
Gain on sale of financial assets at fair value through profit or loss (net)		(19,953)	(106,743)
Share of results of associates		(218,214)	(325,680)
Foreign exchange (gain) / loss		(466,663)	1,969,956
Impairment loss on available for sale financial assets	4	337,921	1,544,026
Interest expense		754,829	603,147
		<u>3,777,574</u>	<u>4,727,424</u>
Changes in operating assets and liabilities:			
Placements		3,154,511	(2,975,128)
Financial assets at fair value through profit or loss		759,207	(2,333,041)
Wakala receivables		343,755	381,951
Loans and advances		(1,317,481)	(1,407,002)
Investments held to maturity		17,326	(77,959)
Accounts receivable and other assets		(1,068,120)	(78,078)
Accruals and other liabilities		(2,134,209)	(1,596,529)
Net cash from / (used in) operating activities		<u>3,532,563</u>	<u>(3,358,362)</u>
INVESTING ACTIVITIES			
Additions to property and equipment		(2,811,747)	(4,560,583)
Purchase of available for sale financial assets		(10,843,901)	(12,242,449)
Proceeds from sale of available for sale financial assets		13,881,900	13,942,731
Dividends received		1,614,328	2,015,440
Interest income received		444,021	536,411
Net cash from / (used in) investing activities		<u>2,284,601</u>	<u>(308,450)</u>
Financing activities			
Net movement in banks and customers' deposits		13,028,782	29,834,467
Placements		(31,736,250)	(19,660,875)
Interest expenses paid		(588,157)	(246,207)
Net movement in Islamic financing payables		1,151,829	1,398,178
Dividend paid to owners of the parent company		(52,874)	(261,754)
Dividends paid to non-controlling interests		(441,000)	(441,000)
Net cash (used in) / generated from financing activities		<u>(18,637,670)</u>	<u>10,622,809</u>
Effect of foreign currency translation adjustments		(11,586)	47,833
Net (decrease)/ increase in cash and cash equivalents		<u>(12,832,092)</u>	<u>7,003,830</u>
Cash and cash equivalents at beginning of the period		30,235,562	17,224,803
Cash and cash equivalents at end of the period	3	<u>17,403,470</u>	<u>24,228,633</u>

The notes on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

1. GENERAL INFORMATION

Kuwait Investment Company S.A.K. (“the Parent Company”) is a public shareholding investment company incorporated under the laws of the State of Kuwait by virtue of memorandum of association No.29 on 25 November 1961, and registered in the commercial registry under No.4340 on 22 May 1962. Its registered office is at Souk Al Manakh, Mubarak Al Kabeer Street, Kuwait and its mailing address is P.O. Box 1005 Safat, 13011 – State of Kuwait. The Parent Company’s major shareholder is Kuwait Investment Authority. The Parent Company is listed on the Kuwait Stock Exchange and is governed under the directions of the Central Bank of Kuwait (“CBK”) and the Capital Markets Authority of Kuwait (“CMA”).

The Parent Company’s objectives as per the Memorandum and Articles of Association are as follows:

- Investment and increase of its shareholders and clients’ savings and the loans concluded through employing them in financial securities, rights, royalties, properties, assets and other movables and immovables of all types at its own discretion.
- Participating in incorporation of other companies to realise profit in accordance with law and assisting in incorporation of these companies.
- Sale of shares and bonds of companies and governmental and semi-governmental institutions.
- To conduct research and surveys related to the employment of capital and provide all the services related to investment operations and third party employment, including:
 - Securities broker not registered in the Securities Exchange.
 - Investment Portfolio Manager.
 - Collective Investment Scheme Manager.
 - Custodian.
 - Investment controller.
 - Subscription agent.

The Parent Company is authorized to have interest in or participate with institutions carrying out similar activities or those parties who will assist it in achieving its objective whether in Kuwait or abroad in accordance with the provisions of this Memorandum and Articles of Association.

The Extraordinary General Assembly held on 4 April 2016 approved the change in the Parent Company’s objectives.

The Kuwait Companies Law issued on 24 January 2016 by Decree Law No. 1 of 2016 (the “Companies Law”), which was published in the Official Gazette on 1 February 2016, cancelled the Companies Law No. 25 of 2012, as amended. This Law shall be applicable as of 26 November 2012. Further the executive regulations of the law issued and published in the Official Gazette on 17 July 2016.

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

1. GENERAL INFORMATION (CONTINUED)

The Group's interim condensed consolidated financial information for the six month period ended 30 June 2016 was authorised for issue in accordance with a resolution of the Parent Company's board of directors on 21 July 2016.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the guidelines issued by the Capital Markets Authority ("CMA"), Kuwait Stock Exchange ("KSE") and the Central Bank of Kuwait ("CBK").

This interim condensed consolidated financial information does not include all the information and disclosures required for complete annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as modified for use by the State of Kuwait for financial services institutions regulated by the CBK.

These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait requirement for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for fair presentation have been included.

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

Operating results for the six month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. For further information, refer to the annual audited consolidated financial statements of the Group for the year ended 31 December 2015.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2015, except for the adoption of the following new standards and amendments effective as of 1 January 2016. The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group.

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

2. BASIS OF PREPARATION (CONTINUED)

a. New standards, interpretations and amendments effective from 1 January 2016

A number of new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

- Amendments to IAS 1 – Disclosure Initiative.
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization.
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants.
- Amendments to IAS 27 – Equity method in separate financial statements.
- Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception.
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations.
- IFRS 14 – Regulatory Deferral Accounts.
- Annual improvements to IFRS 2012-2014 cycle

b. Standards and interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after 1 January 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Group anticipates that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after 1 January 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

2. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

This interim condensed consolidated financial information for the six months period ended 30 June 2016 includes the Parent Company and its subsidiaries.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing this interim condensed consolidated financial information.

Certain subsidiaries' accounts were consolidated based on management accounts for six month period ended ended 30 June 2016. The total consolidated assets, liabilities and results included in this interim condensed consolidated financial information related to those subsidiaries amounted to KD 36,528,554, KD 1,239,717 and a loss of KD 196,680 respectively. Management believes that no adjustments are needed to the subsidiaries' accounts at 30 June 2016 as no material changes took place which may be material to the interim condensed consolidated financial information taken as a whole.

During the first quarter of 2016, the Parent company disposed 1.1% partial interest in its subsidiary KIC Pacific Equity Fund which resulted in decrease in ownership from 97.61% to 96.50% resulting in a loss of KD 114,512 which has been recorded in owners equity.

KIC bond Fund, a 100% owned subsidiary is under liquidation.

Judgements 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, 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 consolidated financial statements for the year ended 31 December 2015.

3. CASH AND CASH EQUIVALENTS

	30 June 2016	(Audited) 31 December 2015	30 June 2015
	KD	KD	KD
Cash at banks, in portfolios and on hand	13,346,308	12,029,974	18,743,677
Placements maturing within three months	3,068,071	17,260,730	4,105,336
Cash and bank balances	<u>16,414,379</u>	<u>29,290,704</u>	<u>22,849,013</u>
Cash and cash equivalents included in a disposal group classified as held for sale	989,091	944,858	1,379,620
Cash and cash equivalents	<u>17,403,470</u>	<u>30,235,562</u>	<u>24,228,633</u>

Placements are made with financial institutions and carry an average effective interest rate of 0.75% (31 December 2015: 1.18% and 30 June 2015: 1%) per annum.

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

4. AVAILABLE FOR SALE FINANCIAL ASSETS

	<u>30 June 2016</u>	(Audited) <u>31 December</u> <u>2015</u>	<u>30 June</u> <u>2015</u>
	KD	KD	KD
<i>Equity instruments:</i>			
Quoted securities	4,077,191	5,046,153	8,353,003
Unquoted securities	56,077,594	64,229,904	65,656,414
Managed funds	44,188,183	48,173,878	50,214,623
<i>Debt instruments:</i>			
Unquoted bonds	2,154,225	2,154,236	2,980,902
	<u>106,497,193</u>	<u>119,604,171</u>	<u>127,204,942</u>

During the period, the Group has recorded an impairment loss of KD 337,921 (period ended 30 June 2015: KD 1,544,026) in respect of certain available for sale financial assets in the interim condensed consolidated statement of profit or loss.

It was not possible to determine the fair value of certain unquoted securities amounting to KD 5,499,447 (31 December 2015: KD 5,653,405 and 30 June 2015: KD 1,825,827). Management believes that the carrying values of these unquoted securities approximate their fair values.

Certain available for sale financial assets of a subsidiary with the carrying amount of KD 871,973 (31 December 2015: KD 871,973 and 30 June 2015: KD 901,268) has been mortgaged as a collateral against the Islamic finance payables (Note 6).

5. DISCONTINUED OPERATIONS

On 14 November 2014, the Board of Directors of the Parent Company announced a plan to dispose of Kuwait International Fair Company K.S.C. (Closed).

The sale has been delayed over the expected initial period due to delay in renewal of certain lease agreements of the subsidiary. The Board of Directors still has a firm commitment to sell and expects to complete the sale of its 51% equity interest in the subsidiary within a period of one year from the reporting date. The Group expect that the fair values less cost to sale of this subsidiary company will be higher than the aggregate carrying amount of the related assets and liabilities.

The results of the discontinued operations included in the interim condensed consolidated statement of profit or loss for the period are set out below.

	<u>Three months ended 30 June</u>		<u>Six months ended 30 June</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	KD	KD	KD	KD
Revenue	1,449,776	1,450,594	2,657,232	3,177,483
Expenses	(504,650)	(507,926)	(1,104,435)	(1,091,165)
Net profit	945,126	942,668	1,552,797	2,086,318
KFAS and Zakat	(19,388)	(18,515)	(31,542)	(38,199)
Profit for the period from discontinued operations	<u>925,738</u>	<u>924,153</u>	<u>1,521,255</u>	<u>2,048,119</u>

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

5. DISCONTINUED OPERATIONS (CONTINUED)

Included in other comprehensive income:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
			KD	
Change in fair value	17,412	32,188	(138,230)	15,032
Gain on sale of available for sale financial assets transferred to consolidated statement of profit or loss	-	(1,178)	-	(6,129)
	<u>17,412</u>	<u>31,010</u>	<u>(138,230)</u>	<u>8,903</u>

The interim condensed consolidated statement of cash flows includes the following amounts relating to discontinued operations:

	Six month ended 30 June	
	2016	2015
	KD	
Operating cash flows	1,593,563	2,144,680
Investing cash flows	(649,330)	(2,571,940)
Financing cash flows	(900,000)	(900,000)
	<u>44,233</u>	<u>(1,327,260)</u>

The major classes of assets and liabilities relating to disposal group classified as held for sale at the reporting date are as follows:

	30 June	(Audited)	30 June
	2016	31 December	2015
	KD		
Assets of disposal group classified as held for sale			
Cash and cash equivalents	989,091	944,858	1,379,620
Term deposits	14,840,732	14,497,631	12,366,667
Accounts receivable and other assets	2,060,433	2,591,544	2,258,535
Available for sale financial assets	2,105,316	2,234,517	2,448,819
Property and equipment	8,971,594	8,764,752	8,426,824
	<u>28,967,166</u>	<u>29,033,302</u>	<u>26,880,465</u>
Liabilities of disposal group classified as held for sale			
Accounts payable and other liabilities	1,261,171	1,892,685	1,783,967
Staff indemnity provision	1,819,868	1,737,515	1,874,156
Liabilities directly associated with assets of disposal group classified as held for sale	<u>3,081,039</u>	<u>3,630,200</u>	<u>3,658,123</u>

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

6. ISLAMIC FINANCING PAYABLES

The fair value of Islamic financing payables approximates the carrying value as at the reporting date and maturing within a year. The effective profit rate payable approximates 5% (31 December 2015: 5% and 30 June 2015: 6%) per annum.

Included in Islamic financing payables are contracts amounting to KD 2,963,810 (31 December 2015: KD 2,963,810 and 30 June 2015: KD 5,270,432) which has been secured by investments in available for sale financial assets amounting to KD 871,973 (31 December 2015: KD 871,973 and 30 June 2015: KD 901,268) (note 4) and investment properties amounting to KD 1,750,000 (31 December 2015: KD 1,750,000 and 30 June 2015: KD 1,365,000).

7. TREASURY SHARES

	30 June 2016	(Audited) 31 December 2015	30 June 2015
	KD	KD	KD
Number of shares	3,261,581	3,261,581	3,261,581
Percentage of issued shares	0.5917%	0.5917%	0.5917%
Cost (KD)	734,629	734,629	734,629
Market value (KD)	280,496	322,897	371,820

The treasury shares of the company have not been mortgaged or collateralised as at the reporting period. The Parent Company is committed to keeping reserves and retained earning equal to the purchased treasury shares which are non-distributable along acquisition period according to the instructions of the concerned regulatory authorities.

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include the following :

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	KD	KD	KD	KD
Staff costs	1,077,846	1,300,848	1,955,082	2,154,046

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (BASIC AND DILUTED)

Basic and diluted earnings per share is computed by dividing the profit for the period attributable to owners of the Parent Company by the weighted average number of shares outstanding during the period, excluding treasury shares.

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (BASIC AND DILUTED) (CONTINUED)

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	KD	KD	KD	KD
Profit for the period attributable to Owners of the Parent Company	<u>1,154,326</u>	1,397,812	<u>2,009,274</u>	2,531,352
Continuing operations	<u>682,210</u>	926,513	<u>1,233,446</u>	1,486,843
Discontinued operations	<u>472,116</u>	471,299	<u>775,828</u>	1,044,509
Number of paid up shares (shares)	551,250,000	551,250,000	551,250,000	551,250,000
Weighted average number of treasury shares (shares)	<u>(3,261,581)</u>	(3,261,581)	<u>(3,261,581)</u>	(3,261,581)
Weighted average number of shares outstanding (shares)	<u>547,988,419</u>	547,988,419	<u>547,988,419</u>	547,988,419
Earnings per share attributable to owners of the Parent Company (Basic and diluted) (fils)	<u>2.106</u>	2.551	<u>3.667</u>	4.619
Continuing operations (fils)	<u>1.244</u>	1.691	<u>2.251</u>	2.713
Discontinued operations (fils)	<u>0.862</u>	0.860	<u>1.416</u>	1.906

10. FIDUCIARY ASSETS

The Group manages investment portfolios on behalf of a principal shareholder, government agencies and financial institutions. The total value of those portfolios as at 30 June 2016 amounted to KD 2.010 billion (31 December 2015: KD 2.060 billion and 30 June 2015: KD 2.11 billion) which are not reflected in the interim condensed consolidated financial information.

Income earned from the above fiduciary assets amounted to KD 2.875 for the period ended 30 June 2016 (period ended 30 June 2015: KD 2.646 million).

11. RELATED PARTY TRANSACTIONS

Related parties are the Parent Company's shareholders who have representation on the board of directors, members of the board of directors, senior management, their close family members and associates. In the normal course of business subject to the Parent Company's management approval, there have been transactions with related parties during the period ended 30 June 2016. Related party balances and transactions are as follows:

	30 June 2016	(Audited) 31 December 2015	30 June 2015
	KD	KD	KD
Interim condensed consolidated statement of financial position:			
<i>Parent Company's shareholders</i>			
Accounts payable and other liabilities			
Call and notice accounts	(22,608)	(22,608)	(22,608)
Customers' deposits	(40,694,169)	(44,573,817)	(28,735,401)

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

11. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions carried out with related parties during the period were as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	KD	KD	KD	KD
Interim condensed consolidated statement of profit or loss: <i>Parent Company's shareholders</i>				
Management fees and commission income	624,138	598,711	1,114,918	1,284,536
Interest expense	(80,141)	(24,797)	(170,536)	(50,112)

Compensation of key management personnel

The compensation of key management personnel during the period was as follows:

	Three months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	KD	KD	KD	KD
Salaries and other short term benefits	(155,346)	(149,940)	(273,454)	(259,931)
Post employment benefits	(28,524)	(59,647)	(41,876)	(76,454)
	<u>(183,870)</u>	<u>(209,587)</u>	<u>(315,530)</u>	<u>(336,385)</u>

12. CONTINGENT LIABILITIES AND COMMITMENTS

	(Audited)		
	30 June 2016	31 December 2015	30 June 2015
	KD	KD	KD
Guarantees	<u>2,293,122</u>	<u>2,293,122</u>	<u>2,293,122</u>
Operating lease commitments	<u>13,344,395</u>	<u>15,012,445</u>	<u>15,012,445</u>

13. ANNUAL GENERAL ASSEMBLY MEETING

The Annual General Assembly Meeting of shareholders was held on 09 June 2016 and approved the consolidated financial statements of the Group for the year ended 31 December 2015 and the board of directors recommendation not to distribute dividend (2014: 10 fils per share) for the year ended 31 December 2015.

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

14. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

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

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

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

30 June 2016	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss	2,628	23,321	1,516	27,465
Available for sale financial assets				
Quoted securities	4,077	-	-	4,077
Unquoted funds and bonds	-	46,342	-	46,342
Unquoted securities	-	-	50,578	50,578
Total	4,077	46,342	50,578	100,997

31 December 2015	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value through profit or loss	2,857	24,737	1,547	29,141
Available for sale financial assets				
Quoted securities	5,046	-	-	5,046
Unquoted funds and bonds	-	50,328	-	50,328
Unquoted securities	-	-	58,576	58,576
Total	5,046	50,328	58,576	113,950

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

14. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

30 June 2015	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value through profit or loss	3,512	26,641	1,651	31,804
Available for sale financial assets				
Quoted securities	8,353	-	-	8,353
Unquoted funds and bonds	-	53,196	-	53,196
Unquoted securities	-	-	63,831	63,831
Total	8,353	53,196	63,831	125,380

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Valuation of unquoted equity investments classified under level 3 is normally based on price to book value technique, dividend yield method and external valuations with marketability discount provided in the range of 20% to 30%.

Reconciliation of Level 3 fair value measurements of available for sale financial assets and financial assets at fair value through profit or loss is as follows:

	Available for sale financial assets KD'000	Financial assets at fair value through profit or loss KD'000	Total KD'000
30 June 2016	58,576	1,547	60,123
1 January 2016			
Total gains or losses recognised in:			
Consolidated statement of income	(174)	(31)	(205)
Other comprehensive income	(6,707)	-	(6,707)
Purchases/sales (net)	(1,117)	-	(1,117)
30 June 2016	50,578	1,516	52,094

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

14. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE (CONTINUED)

	<u>Available for sale financial assets</u> KD'000	<u>Financial assets at fair value through profit or loss</u> KD'000	<u>Total</u> KD'000
31 December 2015			
1 January 2015	59,779	1,749	61,528
Total gains or losses recognised in: Consolidated statement of income	-	-	-
Other comprehensive income	37	(202)	(165)
Purchases/sales (net)	(1,240)	-	(1,240)
31 December 2015	<u>58,576</u>	<u>1,547</u>	<u>60,123</u>
	<u>Available for sale financial assets</u> KD'000	<u>Financial assets at fair value through profit or loss</u> KD'000	<u>Total</u> KD'000
30 June 2015			
1 January 2015	59,779	1,749	61,528
Total gains or losses recognised in: Consolidated statement of income	(21)	(98)	(119)
Other comprehensive income	486	-	486
Purchases/sales (net)	(327)	-	(327)
Transfers (from cost)	3,914	-	3,914
30 June 2015	<u>63,831</u>	<u>1,651</u>	<u>65,482</u>

The fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and cash equivalents (excluding bank overdrafts)
- Placements
- Accounts receivable and other assets
- Wakala receivables
- Loans and advances
- Investment held to maturity
- Deposits from banks
- Customer's deposits
- Accounts payable and other liabilities
- Islamic financing payable

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

15. SEGMENTAL INFORMATION

The Group identifies its operating segments 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. The Parent Company's Executive Committee is the Group's chief operating decision maker and has grouped the Group's products and services into the following operating segments:

- Asset Management: Consists of quoted securities trading and management of funds and portfolios
- Direct Investments and Corporate Finance: Consists of managing subsidiaries, associates, long term strategic investments , lending , real estate and rental activities.
- Treasury: Consists of foreign exchange contracts and money market activities.
- Other operations: Management and support activities.

	Six months ended 30 June 2016						Six months ended 30 June 2015					
	Asset management	Direct investments and corporate finance	Treasury	Other operations	Discontinued operations	Total	Asset management	Direct investments and corporate finance	Treasury	Other operations	Discontinued operations	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Income	2,391	2,739	216	707	2,657	8,710	4,895	4,466	162	(2,415)	3,177	10,285
(Expenses) / recovery of expenses	(1,997)	(1,797)	457	(1,383)	(1,136)	(5,856)	(1,720)	(3,894)	679	(1,020)	(1,129)	(7,084)
Segment results	394	942	673	(676)	1,521	2,854	3,175	572	841	(3,435)	2,048	3,201
Other income						188						225
Profit for the period						3,042						3,426
Other information												
Segment assets	83,448	124,637	35,867	28,303	28,967	301,222	93,144	138,977	34,870	28,866	26,880	322,737
Total assets						301,222						322,737
Segment liabilities		816	119,416	22,260	3,081	145,573		927	120,660	26,445	3,658	151,690
Total liabilities						145,573						151,690
Capital expenditure						2,812						4,561
Depreciation and amortisation						1,473						1,723

Notes to the interim condensed consolidated financial information (Unaudited)
Period ended 30 June 2016

15. SEGMENT INFORMATION (Continued)

	Three months ended 30 June 2016						Three months ended 30 June 2015					
	Asset Management	Direct Investments and Corporate Finance	Treasury	Other operations	Discontinued operations	Total	Asset Management	Direct Investments and Corporate Finance	Treasury	Other operations	Discontinued operations	Total
	KD (000)	KD (000)	KD (000)	KD (000)	KD (000)	KD (000)	KD (000)	KD (000)	KD (000)	KD (000)	KD (000)	KD (000)
Income	2,040	1,281	161	(256)	1,450	4,676	2,868	2,835	107	(1,485)	1,450	5,775
(Expenses and other charges) / recovery of expenses and other charges	(1,343)	(832)	192	(486)	(524)	(2,993)	(1,003)	(2,633)	336	(239)	(526)	(4,065)
Segment results	<u>697</u>	<u>449</u>	<u>353</u>	<u>(742)</u>	926	<u>1,683</u>	<u>1,865</u>	<u>202</u>	<u>443</u>	<u>(1,724)</u>	<u>924</u>	<u>1,710</u>
Other income						107						172
Profit for the period						<u>1,790</u>						<u>1,882</u>

15. SEGMENTAL INFORMATION (CONTINUED)

The following is the detail of the geographical segments:

	Income / (expenses)		Assets		Capital expenditure	
	Six months ended		As at 30 June		As at 30 June	
	2016	2015	2016	2015	2016	2015
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Kuwait	5,010	4,292	145,921	171,406	2,353	4,000
Other G.C.C.	616	1,101	83,668	75,802	-	-
Other Middle East and Africa	220	72	5,747	5,038	-	-
Europe	238	377	8,691	9,323	-	-
America	(147)	1,162	19,472	24,861	-	-
Asia	127	104	8,756	9,427	-	-
Discontinued operations	2,646	3,177	28,967	26,880	459	561
	<u>8,710</u>	<u>10,285</u>	<u>301,222</u>	<u>322,737</u>	<u>2,812</u>	<u>4,561</u>