

Interim Condensed Consolidated Financial Information and Review Report

Tamdeen Real Estate Company – KPSC

and its Subsidiaries

Kuwait

30 September 2016 (Unaudited)

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Auditors & Consultants

Souq Al Kabeer Building, Block A, 9th Floor
P.O.Box 2986, Safat 13030, Kuwait
Tel: (965)2244 3900-9
Fax: (965) 2243 8451
E-mail: gt@kw.gt.com
www.grantthornton.com.kw



Hend Abdulla Al Surayea & Co.- Chartered Accountants

P.O. Box 23105
Safat 13092
Kuwait
Tel: +965 22470462/4
Fax: +965 22470463
Web: www.mazars.com.kw

Report on review of interim condensed consolidated financial information

To the board of directors of
Tamdeen Real Estate Company – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Tamdeen Real Estate Company (Kuwaiti Public Shareholding Company) (the “Parent Company”) and its Subsidiaries (collectively the “Group”) as of 30 September 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 nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. 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 International Accounting Standard 34, “Interim Financial Reporting”.

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 violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 2016 that might have had a material effect on the business or financial position of the Parent Company.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
15 November 2016

Hend Abdulla Al Surayea
(Licence No. 141-A)
Hend Abdulla Al Surayea & Co.
Member of MAZARS

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2016 (Unaudited) KD'000	30 Sept. 2015 (Unaudited) KD'000	30 Sept. 2016 (Unaudited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Income					
Operating revenue		1,917	1,974	6,269	6,550
Cost of revenue		(663)	(856)	(2,232)	(2,477)
Net income		1,254	1,118	4,037	4,073
Other operating income		244	341	805	996
Fees from management of investment portfolios		19	28	53	95
Net income from investments	5	26	115	9,592	10,872
Share of results of associates		2,207	2,310	6,306	6,735
Foreign currency exchange (loss)/gain		(23)	(4)	(60)	67
Other income		190	14	675	50
		3,917	3,922	21,408	22,888
Expenses and other charges					
Staff costs		511	538	1,911	1,974
General and administrative expenses		716	719	2,698	2,588
Finance costs		1,503	1,318	4,451	4,023
		2,730	2,575	9,060	8,585
Profit for the period before provision for contribution to KFAS, provision for Zakat and provision for NLST					
		1,187	1,347	12,348	14,303
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	-	-	-
(Provision)/reversal of provision for Zakat		(1)	13	(1)	-
(Provision)/reversal of provision for National Labour Support Tax (NLST)		(26)	17	(78)	(69)
Profit for the period		1,160	1,377	12,269	14,234
Attributable to :					
Owners of the Parent Company		1,061	1,117	8,214	9,007
Non-controlling interests		99	260	4,055	5,227
		1,160	1,377	12,269	14,234
Basic and diluted earnings per share attributable to the owners of the Parent Company					
	6	2.6 Fils	2.7 Fils	20.2 Fils	21.5 Fils

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

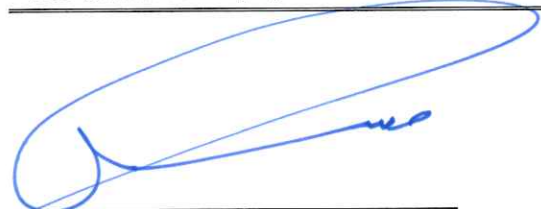
Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2016 (Unaudited) KD'000	30 Sept. 2015 (Unaudited) KD'000	30 Sept. 2016 (Unaudited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Profit for the period	1,160	1,377	12,269	14,234
Other comprehensive income:				
<i>Items that may be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:</i>				
Exchange differences arising on translation of foreign operations	(2)	(3)	(28)	99
Available for sale investments:				
- Net change in fair value during the period	184	(4,704)	(4,169)	(8,510)
- Transferred to interim condensed consolidated statement of profit or loss on sale	-	2	(771)	(5,158)
- Transferred to interim condensed consolidated statement of profit or loss on impairment in value	-	150	500	683
Share of other comprehensive loss of associates	(1,375)	(480)	(999)	(1,915)
Total other comprehensive loss	(1,193)	(5,035)	(5,467)	(14,801)
Total comprehensive (loss)/income for the period	(33)	(3,658)	6,802	(567)
Attributable to:				
Owners of the Parent Company	(205)	(2,231)	4,842	(136)
Non-controlling interests	172	(1,427)	1,960	(431)
	(33)	(3,658)	6,802	(567)

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Assets				
Cash and bank balances	14	12,838	11,927	10,345
Short term deposits	14	7,468	928	727
Trading properties		-	-	11,609
Investments at fair value through profit or loss		681	703	703
Accounts receivable and other debit balances	7	15,015	17,855	16,605
Inventories		650	767	-
Available for sale investments	8	128,231	133,051	119,840
Trading properties under development		27,256	20,030	-
Investment properties under development	9	73,722	53,272	48,091
Investment properties		21,280	21,280	21,250
Investments in associates	10	128,961	130,332	153,603
Property, plant and equipment		20,762	21,395	1,362
Total assets		436,864	411,540	384,135
Liabilities and equity				
Liabilities				
Due to banks	11	6,685	8,279	4,180
Term loans	12	194,086	179,287	162,750
Accounts payable and other credit balances	13	20,831	12,250	10,518
Refundable rental deposits		5,320	2,623	1,475
Provision for end of service indemnity		1,446	1,322	782
Total liabilities		228,368	203,761	179,705
Equity				
Share capital		43,193	41,136	41,136
Share premium		11,132	11,132	11,132
Treasury shares		(10,241)	(9,625)	(3,731)
Reserve of profit on sale of treasury shares		756	756	756
Legal reserve		10,676	10,676	9,675
Voluntary reserve		12,074	12,074	11,073
Foreign currency translation reserve		378	406	372
Cumulative changes in fair value		33,875	37,219	40,680
Retained earnings		26,227	24,094	20,279
Equity attributable to the owners of the Parent Company		128,070	127,868	131,372
Non-controlling interests		80,426	79,911	73,058
Total equity		208,496	207,779	204,430
Total liabilities and equity		436,864	411,540	384,135


Meshaal Jassim Al-Marzouq
Chairman


Abdulwahab Marzouq Al-Marzouq
Vice-Chairman

The notes set out on pages 8 to 20 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

	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2016	41,136	11,132	(9,625)	756	10,676	12,074	406	37,219	24,094	127,868	79,911	207,779
Net change in treasury shares	-	-	(616)	-	-	-	-	-	-	(616)	-	(616)
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,447)	(1,447)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	2	2
Cash dividends (Note 16)	-	-	-	-	-	-	-	-	(4,024)	(4,024)	-	(4,024)
Bonus shares (Note 16)	2,057	-	-	-	-	-	-	-	(2,057)	-	-	-
Transactions with the owners	2,057	-	(616)	-	-	-	-	-	(6,081)	(4,640)	(1,445)	(6,085)
Profit for the period	-	-	-	-	-	-	-	-	8,214	8,214	4,055	12,269
Other comprehensive loss	-	-	-	-	-	-	(28)	(3,344)	-	(3,372)	(2,095)	(5,467)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(28)	(3,344)	8,214	4,842	1,960	6,802
Balance as at 30 September 2016	43,193	11,132	(10,241)	756	10,676	12,074	378	33,875	26,227	128,070	80,426	208,496

Interim condensed consolidated statement of changes in equity (Unaudited) (continued)

	Equity attributable to the owners of the Parent Company										Total KD'000	
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub- total KD'000		Non- controlling interests KD'000
Balance as at 1 January 2015	39,178	11,132	(3,462)	739	9,675	11,073	273	49,922	17,108	135,638	72,901	208,539
Net change in treasury shares	-	-	(269)	17	-	-	-	-	-	(252)	-	(252)
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,511)	(1,511)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(151)	(151)
Non-controlling interests arising from the share capital increase of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,250	2,250
Cash dividends (Note 16)	-	-	-	-	-	-	-	-	(3,878)	(3,878)	-	(3,878)
Bonus shares (Note 16)	1,958	-	-	-	-	-	-	-	(1,958)	-	-	-
Transactions with the owners	1,958	-	(269)	17	-	-	-	-	(5,836)	(4,130)	588	(3,542)
Profit for the period	-	-	-	-	-	-	-	-	9,007	9,007	5,227	14,234
Other comprehensive income/(loss)	-	-	-	-	-	-	99	(9,242)	-	(9,143)	(5,658)	(14,801)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	99	(9,242)	9,007	(136)	(431)	(567)
Balance as at 30 September 2015	41,136	11,132	(3,731)	756	9,675	11,073	372	40,680	20,279	131,372	73,058	204,430

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2016 (Unaudited) KD'000	Nine months ended 30 Sept. 2015 (Unaudited) KD'000
OPERATING ACTIVITIES			
Profit for the period		12,269	14,234
Adjustments:			
Depreciation		727	176
Provision for end of service indemnity		146	177
Unrealised loss from investments at fair value through profit or loss		22	54
Net gain on sale of investments at fair value through profit or loss		-	(4)
Net gain on sale of available for sale investments		(1,709)	(4,339)
Impairment in value of available for sale investments		500	683
Loss from unconsolidating a previously consolidated subsidiary company		-	47
Dividends income		(8,380)	(7,283)
Interest income		(24)	(29)
Share of results of associates		(6,306)	(6,735)
Finance costs		4,451	4,023
		1,696	1,004
Changes in operating assets and liabilities:			
Inventories		117	-
Accounts receivable and other debit balances		3,207	(1,395)
Accounts payable and other credit balances		8,533	(13,084)
Refundable rental deposits		2,697	320
End of service indemnity paid		(24)	(246)
Net cash from/(used in) operating activities		16,226	(13,401)
INVESTING ACTIVITIES			
Net purchase of available for sale investments		(798)	(1,098)
Proceeds from sale of available for sale investments		2,419	6,665
Proceeds from sale of investments at fair value through profit or loss		-	327
Return of capital by an associate		-	3,055
Effect of unconsolidating a previously consolidated subsidiary company		-	(292)
Net cash inflow resulting from acquisition of a subsidiary (note 10b)		2,210	-
Additions to trading properties under development		(7,226)	-
Addition to investment properties under development		(19,338)	(8,496)
Property, plant and equipment		(94)	(99)
Dividends income received		8,380	7,283
Dividends received from associates		4,136	4,048
Interest income received		24	29
Net cash (used in)/from investing activities		(10,287)	11,422
FINANCING ACTIVITIES			
Cash dividends		(4,001)	(3,905)
Change in non-controlling interests		(1,445)	588
Change in due to banks		(1,594)	(490)
Change in term loans		14,799	11,000
Net change in treasury shares		(616)	(252)
Finance costs paid		(5,631)	(5,129)
Net cash from financing activities		1,512	1,812
Net increase/(decrease) in cash and cash equivalents		7,451	(167)
Cash and cash equivalents at beginning of the period	14	12,855	11,239
Cash and cash equivalents at end of the period	14	20,306	11,072

The notes set out on pages 8 to 20 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities of the Parent Company

Tamdeen Real Estate Company – KPSC (the Parent Company) was incorporated in Kuwait on 16 December 1982 in accordance with the Companies Law. The Parent Company along with its subsidiaries are jointly referred to as “the Group”. The Parent Company’s shares are traded on the Kuwait Stock Exchange.

The principal activities of the Parent Company are represented in the real estate investments inside and outside the State of Kuwait, for the purposes of ownership, resale, leasing and renting. The Parent Company is also engaged in the development of real estate projects and construction contracts of buildings, managing the properties of others, establishing and managing real estate investment funds, real estate studies and consultancy, and investing in companies with activities similar to its own and exploiting the financial surpluses available at the company through its investment in financial portfolios managed by professional companies and authorities.

The address of the Parent Company: PO Box 21816 – Safat 13079 - State of Kuwait.

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

The interim condensed consolidated financial information for the nine months period ended 30 September 2016 was authorised for issue by the Parent Company’s board of directors on 15 November 2016.

The annual consolidated financial statements for the year ended 31 December 2015 were approved by the shareholders at the Annual General Assembly Meeting held on 11 May 2016.

2 Basis of preparation and presentation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2016 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

The Parent Company has decided to change the presentation of the statement of financial position to a presentation based on liquidity (previously the statement of financial position distinguished between current and non-current) as it provides information more relevant and appropriate of the Group’s activities.

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

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company’s management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2015.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation and presentation (continued)

Operating results for the nine-months period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2015.

The subsidiaries are consolidated and share of results of associates are recorded based on the management accounts for the period ended 30 September 2016.

3 Significant accounting policies

The interim condensed consolidated financial information have been prepared in accordance with the accounting policies adopted in the Group's most recent annual consolidated financial statements for the year ended 31 December 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted new accounting pronouncements which have become effective for the first time in 2016, non of which had any significant impact on the Group's results or financial position. These are:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IAS 1 Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

4 Subsidiary companies

The list of the consolidated subsidiary companies of the Group is as follows:

Subsidiary companies	Percentage of ownership in subsidiary companies			Country of incorporation	Principal activity	Date of incorporation	Date of control
	30 Sept. 2016 (Unaudited) %	31 Dec. 2015 (Audited) %	30 Sept. 2015 (Unaudited) %				
Tamdeen Investment Company – KPSC (a)	55.94	55.94	51.37	Kuwait	Investment	3 March 1997	11 January 2003
Manshar Real Estate Company - KSC (Closed)	77.97	77.97	75.69	Kuwait	Real estate	17 March 2007	17 March 2007
Al Adiyat International Real Estate Company - KSC (Closed)	98.98	98.98	98.98	Kuwait	Real estate	25 June 2006	1 April 2012

Notes to the interim condensed consolidated financial information (continued)

4 Subsidiary companies (continued)

- (a) The registered shareholdings of the Parent Company in this subsidiary is 55.94% (31 December 2015: 55.94% and 30 September 2015: 51.37%). However, the effective ownership percentage in this subsidiary (Tamdeen Investment Company – KPSC) up to the 3rd quarter of 2015 for consolidation purposes was 56.93% after due addition of the Group's share in the treasury shares held by this subsidiary to the registered shareholding of the Parent Company. During the 4th quarter of 2015, these treasury shares have been re-issued by the subsidiary as part of the Merger and consequently the Group's ownership percentage for consolidation purposes as of 31 December 2015 and 30 September 2016 is equal to the registered shareholding.

5 Net income from investments

	Three months ended		Nine months ended	
	30 Sept. 2016 (Unaudited) KD'000	30 Sept. 2015 (Unaudited) KD'000	30 Sept. 2016 (Unaudited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Net (loss)/gain on sale of available for sale investments	-	(42)	1,709	4,339
Unrealised profit/(loss) from investments at fair value through profit or loss	7	(27)	(22)	(54)
Impairment in value of available for sale investments	-	(150)	(500)	(683)
Dividends income	-	326	8,380	7,283
Interest and other income/(loss)	19	8	25	(13)
	26	115	9,592	10,872

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

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the Parent Company by the weighted average number of the outstanding shares during the period as follows:

	Three months ended		Nine months ended	
	30 Sept. 2016 (Unaudited)	30 Sept. 2015 (Unaudited)	30 Sept. 2016 (Unaudited)	30 Sept. 2015 (Unaudited)
Profit for the period attributable to the owners of the Parent Company (KD'000)	1,061	1,117	8,214	9,007
Weighted average number of the outstanding shares (excluding treasury shares) (in thousands)	406,232	418,161	406,356	418,419
Basic and diluted earnings per share attributable to the owners of the Parent Company (Fils)	2.6	2.7	20.2	21.5

The weighted average number of shares outstanding during the previous period has been restated to add the bonus shares issued during the current period (Note 16).

The earnings per share reported during the previous period for the three months and nine months ended 30 September 2015, before the bonus shares noted above, was 2.8 Fils and 22.6 Fils respectively.

Notes to the interim condensed consolidated financial information (continued)

7 Accounts receivable and other debit balances

	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Receivable from tenants	474	555	349
Staff receivable	89	101	94
Prepaid expenses	408	200	408
Due from related parties(a)	1,616	2,412	2,807
Due from sale of trading properties (a)	5,291	5,621	5,884
Advance payments to contractors (b)	5,788	8,394	6,140
Other debit balances	1,626	842	1,164
	15,292	18,125	16,846
Provision for doubtful debts	(277)	(270)	(241)
	15,015	17,855	16,605

- a) The balances due above (from related parties and from sale of trading properties) are mainly represented by the amounts due from the sale transaction previously performed by the Group for some of its real estate plots which have been invested in for trading purpose to related parties for an amount of KD9,103 thousand and other third parties for an amount of KD10,030 thousand. The Group's management confirms that these due amounts are totally collectible from the concerned parties.
- b) The advance payments to contractors include amounts of KD5,701 thousand (31 December 2015: KD8,230 thousand and 30 September 2015: KD4,794 thousand) which represent the balance out of an amount KD9,711 thousand (31 December 2015: KD9,711 thousand and 30 September 2015: KD5,711 thousand) paid during the years 2014 and 2015 to local contractors as advance payments from the total signed contract value for Al-Kout Mall project (Fahaheel, Kuwait) which is classified under investment properties under development and Tamdeen Square Project which is classified under trading properties under development. The Group has recovered an amount of KD4,010 thousand (till 31 December 2015: KD1,481 thousand and till 30 September 2015: KD917 thousand) from these advance payments till the end of this period against payments made to the contractors.

8 Available for sale investments

	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Local managed portfolios	-	-	4,140
Participations in local companies shares	8,397	7,975	5,783
Participations in capital of companies located outside Kuwait	119,834	125,076	109,917
	128,231	133,051	119,840

Participations in capital of companies located outside Kuwait include the investments of the subsidiary company [Tamdeen Investment Company – KPSC], in shares listed outside Kuwait. These participations include investments with a total fair value of KD71,462 thousand (31 December 2015: KD68,168 thousand and 30 September 2015: KD68,727 thousand) mortgaged against term loans (Note 12).

Notes to the interim condensed consolidated financial information (continued)

9 Investment properties under development

	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Cost			
At beginning of the period/year	56,046	41,302	41,302
Additions during the period/year	20,450	14,744	9,150
At end of the period/year	76,496	56,046	50,452
Impairment in value			
At beginning of the period/year	2,774	2,361	2,361
Additions during the period/year	-	413	-
At end of the period/year	2,774	2,774	2,361
Net book value			
At end of the period/year	73,722	53,272	48,091

The additions to the investment properties under development mainly represent the amounts expensed during the period/year for the redevelopment of Al-Kout Mall project through one of the subsidiaries [Manshar Real Estate Company – KSC (Closed)].

Investment Properties under development with a carrying value of KD73,454 thousand (31 December 2015: KD53,250 thousand and 30 September 2015: KD47,656 thousand) [Al-Kout Mall project which is owned by the subsidiary “Manshar Real Estate Company – KSC (Closed)"] are totally mortgaged against term loans (Note 12).

Due to difficulty of obtaining a reliable fair value of the investment properties under development, the management decided to maintain the cost method for all investment properties under development until the implementation stages are completed, unless there are signs of decline in the value of these properties.

Finance costs of KD1,112 thousand (31 December 2015: KD896 thousand and 30 September 2015: KD655 thousand) have been capitalized during the current period.

Notes to the interim condensed consolidated financial information (continued)

10 Investments in associates

This item comprises the investments of the Group in the following associates:

Company's name	Place of incorporation	30 September 2016 (Unaudited)			31 Dec. 2015 (Audited)			30 September 2015 (Unaudited)		
		Ownership %		Value KD'000	Ownership %		Value KD'000	Ownership %		Value KD'000
		Direct	Indirect*		Direct	Indirect*		Direct	Indirect*	
Ajmal Holding Company – BSC (a)	Bahrain	19	38	691	19	38	665	19	38	671
Tamdeen Holding Company – KSC (Holding)	Kuwait	-	-	-	-	-	-	30	40	26,850
Fucom for Central Markets – KSC (Closed)	Kuwait	25	-	711	25	-	634	25	-	597
Tamdeen Shopping Centers Company – KSC (Closed)	Kuwait	30	-	42,118	30	-	41,517	30	-	40,568
Tamdeen General Trading Company – WLL (Previously Al Maysam Combined General Trading Company - WLL) (a)	Kuwait	20	40	2,236	20	40	2,248	20	40	2,248
Kuwait National Cinema Company – KPSC	Kuwait	-	47	55,247	-	47	54,776	-	47	52,272
Tamdeen Pearl Real Estate Company – KSC (Closed)	Kuwait	-	31	27,526	-	31	27,540	-	31	27,531
Tamdeen for Real Estate Development Company – KSC (Closed) (b)	Kuwait	-	-	-	15	37	2,516	15	35	2,430
Gulf and Asia Holding Company – (Holding)	Kuwait	-	20	432	-	20	436	-	20	436
				128,961			130,332			153,603

* Indirect holding through two subsidiaries [Tamdeen Investment Company – KPSC and Manshar Real Estate Company – KSC (Closed)].

Notes to the interim condensed consolidated financial information (continued)

10 Investments in associates (continued)

- (a) The Parent Company's management confirms that the Group do not exercise control over the decisions of Ajmal Holding Company – BSC and Tamdeen General Trading Company – WLL (Previously Al Maysam Combined General Trading Company - WLL) either directly or in participation with the indirect shares. Accordingly, the financial statements of these companies were not consolidated, and they were accounted for using the equity method within the associates above.
- (b) During the period, the Group has increased its investment in Tamdeen for Real Estate Development Company – KSC (Closed) by an amount of KD2,185 thousand, and this has resulted in an increase in the share of the Group in this company to 99.9%. Consequently, the Group's previous holding in this investment has been reclassified from associate to subsidiary company. The Group has started consolidating the financial statements of this company from the date of the exercise of control over it by the Group in April 2016.

The business combination of Tamdeen for Real Estate Development Company – KSC (Closed) has no effect on the interim condensed consolidated statement of profit or loss for the period.

The acquisition has been accounted for based on the determined value of the acquired assets and liabilities at the date of acquisition. Following is the fair value of net assets acquired, which approximates its book value based on management's estimation as at the date of acquisition:

	Value KD'000
Assets:	
Cash and cash equivalents	4,395
Accounts receivable and other debit balances	332
Liabilities:	
Accounts payable and other credit balances	(18)
Provision for end of service indemnity	(2)
Net assets acquired	4,707
Share of non-controlling interests	-
Group's share in the net assets acquired	4,707
Deduct: Fair value of the previously held share of Tamdeen Investment Company - KPSC in the investment	(1,246)
Deduct: Fair value of the previously held share of the Parent Company in the investment	(728)
Deduct: Fair value of the previously held share of Manshar Real Estate Company – KSC (Closed) in the investment	(548)
Acquisition cost	2,185
Deduct: Cash and cash equivalents at acquisition date	(4,395)
Net cash inflow resulting from acquisition of a subsidiary at the end of the period	(2,210)

- (c) The Group's share of results of associates has been recorded based on the latest unaudited financial information prepared by the managements of these associates for the period ended 30 September 2016.

Notes to the interim condensed consolidated financial information (continued)

11 Due to banks

Due to banks represent the balances of overdraft facilities which are granted to the Group by local banks to finance the working capital and the real estate activities. They are repayable on demand with annual floating interest rate which is equal to the current interest rate in the market.

12 Term loans

	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Term loans (a)	194,086	179,287	162,750
Average interest rate – range	3%-4%	3%-4%	3%-4%

- a) Term loans of KD68,500 thousand (31 December 2015: KD68,000 thousand and 30 September 2015: KD63,000 thousand) are contractually due after one year, and the remaining term loans of KD125,586 thousand (31 December 2015: KD111,287 thousand and 30 September 2015: KD99,750 thousand) are maturing within one year and renewed periodically.
- b) The loans granted to the subsidiary companies are against the mortgage of investments in shares with a fair value of KD71,462 thousand (31 December 2015: KD68,168 thousand and 30 September 2015: KD68,727 thousand) (Note 8), mortgage of investments in associates by an amount of KD42,028 thousand (31 December 2015: KD41,667 thousand and 30 September 2015: KD40,222 thousand), and mortgage of investment properties and investment properties under development (Note 9).

13 Accounts payable and other credit balances

	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Retentions for executed works	4,305	1,844	1,225
Income received in advance	1,162	468	389
Accrued leave and expenses	2,742	2,626	2,426
Due to related parties	364	563	239
Dividends payable to shareholders	355	316	341
Advance payments received from customers	5,568	293	-
Other credit balances	6,335	6,140	5,898
	20,831	12,250	10,518

Notes to the interim condensed consolidated financial information (continued)

14 Cash and cash equivalents

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

	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Cash and bank balances	12,838	11,927	10,345
Short term deposits	7,468	928	727
	20,306	12,855	11,072

15 Segmental analysis

The Group activities are concentrated in three main segments: Real Estate, Investment and other. The segments' results are reported to the top management in the Group. The activities of the Group are principally carried out within the State of Kuwait; With the exception of participations in capital of companies located outside Kuwait (Note 8), all of the assets and liabilities are located inside Kuwait.

The following is the segments information, which conforms with the internal reporting presented to management:

	Real estate KD'000	Investment KD'000	Other KD'000	Total KD'000
Period ended at 30 September 2016 (Unaudited)				
Gross income	4,842	15,892	674	21,408
Profit/(Loss) for the period	23	12,282	(36)	12,269
Total assets	137,553	273,897	25,414	436,864
Total liabilities	(132,919)	(88,355)	(7,094)	(228,368)
Total equity	4,634	185,542	18,320	208,496
Period ended at 30 September 2015 (Unaudited)				
Gross income	5,085	17,803	-	22,888
Profit for the period	35	14,199	-	14,234
Total assets	100,325	283,810	-	384,135
Total liabilities	(96,512)	(83,193)	-	(179,705)
Total equity	3,813	200,617	-	204,430

16 Appropriations

The General Assembly of shareholders held on 11 May 2016 approved the consolidated financial statements for the year ended 31 December 2015 and directors' proposal to distribute cash dividends of 10% or equivalent to 10 Kuwaiti Fils per share from the paid-up share capital and bonus shares dividends of 5% from the paid-up share capital to the shareholders, and to pay a remuneration to the board of directors of amount KD60 thousand for the year ended 31 December 2015 (the General Assembly of shareholders held on 29 April 2015 approved to distribute cash dividends of 10% or equivalent to 10 Kuwaiti Fils per share from the paid-up share capital to the shareholders and bonus shares dividends of 5% from the paid-up share capital to the shareholders, and to pay a remuneration to the board of directors of amount KD60 thousand for the year ended 31 December 2014).

Notes to the interim condensed consolidated financial information (continued)

17 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Interim condensed consolidated statement of financial position			
Accounts receivable and other debit balances (Note 7)	1,616	2,412	2,807
Accounts payable and other credit balances (Note 13)	364	563	239
Acquisition of a subsidiary company (Note 10b)	2,185	-	-
Purchase of trading properties under development	-	7,000	-
Additions to investment properties under development and trading properties under development	477	730	435
	Nine months ended 30 Sept. 2016 (Unaudited) KD'000	Year ended 31 Dec. 2015 (Audited) KD'000	Nine months ended 30 Sept. 2015 (Unaudited) KD'000
Interim condensed consolidated statement of profit or loss			
Management fees and consultancy income (included in other operating income)	659	1,070	800
Cost of revenue	510	667	501
General and administrative expenses	296	511	383
Benefits of key management personnel of the Group:			
Short term employee benefits and board of directors' remuneration	361	965	548
	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Contra accounts - off interim condensed consolidated statement of financial position items			
Net book value of customers' portfolios (major shareholders) managed by Tamdeen Investment Company – KPSC (subsidiary company)	220,703	309,189	234,503

18 Capital commitments and contingent liabilities

At the date of the interim condensed consolidated statement of financial position, the Group had contingent liabilities against letters of guarantee issued in favour of third parties of amount KD1,071 thousand (31 December 2015: KD1,071 thousand and 30 September 2015: KD1,071 thousand).

The Group had capital commitments amounting to KD51,407 thousand (31 December 2015: KD73,560 thousand and 30 September 2015: KD43,147 thousand) for its two projects classified under properties under development.

Notes to the interim condensed consolidated financial information (continued)

19 Summary of financial assets and liabilities by category and fair value measurement

19.1 Summary of financial assets and liabilities by Category

The carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position can be categorized as follows:

Financial assets	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Financial assets at amortised cost:			
- Cash and cash equivalents	20,306	12,855	11,072
- Accounts receivable and other debit balances (excluding prepaid expenses)	14,607	17,655	16,197
	34,913	30,510	27,269
Investments at fair value through profit or loss :			
- At fair value	681	703	703
Available for sale investments :			
-At fair value	121,519	126,865	113,086
-Carried at cost less impairment in value, if any *	6,712	6,186	6,754
	128,231	133,051	119,840
Total financial assets	163,825	164,264	147,812
Financial liabilities			
Financial liabilities at amortised cost:			
- Due to banks	6,685	8,279	4,180
-Term loans	194,086	179,287	162,750
- Accounts payable and other credit balances	20,831	12,250	10,518
- Refundable rental deposits	5,320	2,623	1,475
Total financial liabilities	226,922	202,439	178,923

* It was not possible to reliably measure the fair value of available for sale investments amounting to KD6,712 thousand (31 December 2015: KD6,186 thousand and 30 September 2015: KD6,754 thousand) due to non availability of reliable method that could be used to determine the fair value of such investments, accordingly, these were stated at cost less impairment, if any. Management is not aware of any circumstances that would indicate any impairment/further impairment, in the value of these investments as of the reporting date.

19.2 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. Investments at fair value through profit or loss and available for sale investments (excluding certain available for sale investments which are carried at cost/cost less impairment for reasons specified in note 19.1 to the interim condensed consolidated financial information) are carried at fair value and measurement details are disclosed in note 19.3 to the interim condensed consolidated financial information. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs are considered a reasonable approximation of their fair values.

Notes to the interim condensed consolidated financial information (continued)

19 Summary of financial assets and liabilities by category and fair value measurement (continued)

19.3 Fair value hierarchy for financial instruments measured at fair value

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

This hierarchy groups financial assets into nine levels based on the significance of inputs used in measuring the fair value of the financial assets. The fair value hierarchy has the following levels:

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

The level within which the financial assets are classified is determined based on the lowest level of significant inputs which lead to the fair value measurement.

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

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
30 September 2016 (Unaudited)				
Financial assets at fair value				
Investments at fair value through profit or loss				
• Quoted shares	681	-	-	681
Available for sale investments				
- Participations in local companies shares				
• Quoted shares	3,971	-	-	3,971
- Participations in capital of companies located outside Kuwait				
• Quoted shares	114,066	-	-	114,066
• Unquoted shares	-	-	3,482	3,482
	118,718	-	3,482	122,200
31 December 2015 (Audited)				
Financial assets at fair value				
Investments at fair value through profit or loss				
• Quoted shares	703	-	-	703
Available for sale investments				
- Participations in local companies shares				
• Quoted shares	4,222	-	-	4,222
- Participations in capital of companies located outside Kuwait				
• Quoted shares	118,661	-	-	118,661
• Unquoted shares	-	-	3,982	3,982
	123,586	-	3,982	127,568

Notes to the interim condensed consolidated financial information (continued)

19 Summary of financial assets and liabilities by category and fair value measurement (continued)

19.3 Fair value hierarchy for financial instruments measured at fair value (continued)

30 September 2015 (Unaudited)	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value				
Investments at fair value through profit or loss				
• Quoted shares	703	-	-	703
Available for sale investments				
- Local managed portfolios				
• Quoted shares	5	-	-	5
- Participations in local companies shares				
• Quoted shares	4,134	-	-	4,134
- Participations in capital of companies located outside Kuwait				
• Quoted shares	103,584	-	-	103,584
• Unquoted shares	-	-	5,363	5,363
	108,426	-	5,363	113,789

There were no transfers between the levels during the current period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous year or period.

Level 3 fair value measurements

Reconciliation of level 3 fair value measurements is as follows:

	30 Sept. 2016 (Unaudited) KD'000	31 Dec. 2015 (Audited) KD'000	30 Sept. 2015 (Unaudited) KD'000
Balance at the beginning of period/year	3,982	4,126	4,126
Transfer to level 3	-	1,388	1,387
Impairment in value – recognised in consolidated statement of profit or loss	(500)	(294)	(150)
Transfer outside level 3	-	(1,238)	-
Balance at the end of period/year	3,482	3,982	5,363

20 Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation of the interim condensed consolidated financial information (also refer note 2). This reclassification has no effect on the consolidated financial statements for the previous year and the interim condensed consolidated financial information for the previous period including equity, net profit and cash and cash equivalents.