Interim Condensed Consolidated Financial Information and Review Report

International Financial Advisors – KPSC and Subsidiaries

Kuwait

31 March 2015 (Unaudited)

Contents

Grant Thornton
Al-Qatami, Al-Aiban & Partners
Auditors & Consultants
Souq Al Kabeer Building - Block A 9th Floor
Tel : (965) 2244 3900-9
Fax: (965) 2243 8451
P.O.Box 2986, Safat 13030
Kuwait
E-mail: gt@kw.gt.com
www.gtkuwait.com

Rödl
Middle East
Burgan – International Accountants
Ali Al Hassawi & Partners
P.O. Box: 22351 Safat 13084 Kuwait
Sharq – Dasman Complex – Block 2 – 9 Floor
Tel 22414956 -3 Fax:22426862-6 /22464574
info-kuwait@rodlme.comEmail:

Report on review of interim condensed consolidated financial information

To the board of directors of
International Financial Advisors – KPSC
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of International Financial Advisors – KPSC ("the parent company") and its subsidiaries ("the group") as at 31 March 2015 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Emphasis of Matter
Without qualifying our conclusion, we draw attention to note 5 to the interim condensed consolidated financial information.

Report on review of other legal and regulatory requirements
Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the accounting records and to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 25 of 2012, as amended, or Memorandum of Incorporation and Articles of Association of the parent company or of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business and its related regulations, or of the provision of Law No.7 of 2010, concerning the Capital Markets Authority and its related executive regulations have occurred during the three month period ended 31 March 2015 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

Ali A. Al-Hasawi
(Licence No. 30-A)
Rödl Middle East
Burgan – International Accountants

Kuwait
26 May 2015

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Revenue			
Interest income		127,700	60,856
Management fees and similar income		21,182	53,144
Dividend income		-	158,147
Net income from hoteliers and related services	6	4,367,743	5,479,352
Net (loss)/gain from investments		(18,072)	197,323
Share of results of associates and joint ventures		14,927	(519,502)
Gain on sale of available for sale investments		-	30,144
Other income		59,465	(136,413)
		4,572,945	5,323,051
Expenses and other charges			
Staff costs		(939,769)	(1,742,296)
Other operating expenses and charges		(3,570,037)	(2,919,869)
Impairment of available for sale investments		(106,899)	(37,333)
Depreciation		(1,401,474)	(1,170,880)
Interest and similar expenses		(3,274,820)	(2,580,658)
		(9,292,999)	(8,451,036)
Loss before taxation on overseas subsidiaries		(4,720,054)	(3,127,985)
Taxation on overseas subsidiaries		(180,102)	(100,009)
Loss for the period		(4,900,156)	(3,227,994)
Loss for the period attributable to :			
Owners of the parent company		(3,144,518)	(1,892,885)
Non-controlling interests		(1,755,638)	(1,335,109)
Loss for the period		(4,900,156)	(3,227,994)
Basic and diluted loss per share attributable to the owners of the parent company	7	(4.67)Fils	(2.82)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 comprehensive income

	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Loss for the period	**(4,900,156)**	(3,227,994)
Other comprehensive loss :		
Items that will be reclassified subsequently to the statement of profit or loss:		
Available for sale investments:		
- Net change in fair value arising during the period	**(8,701)**	(551,438)
- Transferred to interim condensed consolidated statement of profit or loss on sale	**-**	(38,953)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	**106,899**	37,333
Share of other comprehensive loss of associates	**(759,928)**	(869,324)
Exchange differences arising on translation of foreign operations	**167,065**	492,028
Total other comprehensive loss	**(494,665)**	(930,354)
Total comprehensive loss for the period	**(5,394,821)**	(4,158,348)
Total comprehensive loss for the period attributable to:		
Owners of the parent company	**(3,689,176)**	(2,931,430)
Non-controlling interests	**(1,705,645)**	(1,226,918)
	(5,394,821)	(4,158,348)

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

	Notes	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Assets				
Cash and cash equivalents	8	**7,640,285**	6,460,734	15,532,972
Investments at fair value through profit or loss		**1,025,644**	1,114,621	2,716,995
Receivables and other debit balances		**19,461,569**	19,304,942	20,762,752
Loans to customers		**-**	-	1,124,754
Due from related parties	9	**2,148,623**	3,134,001	11,422,572
Trading properties		**3,902,162**	4,023,921	4,322,090
Asset classified as held for sale	10	**-**	5,487,720	-
Available for sale investments		**35,053,736**	35,060,848	33,321,468
Investment properties		**10,857,007**	10,828,524	57,856,779
Investment in associates and joint ventures	11	**28,318,699**	29,183,734	50,239,101
Goodwill		**40,759,693**	40,761,426	48,664,354
Properties under development	12	**162,352,344**	158,251,603	153,858,007
Capital work in progress		**45,738,704**	45,662,545	369,505
Property, plant and equipment		**120,178,935**	119,404,731	124,863,469
Total assets		**477,437,401**	478,679,350	525,054,818
Liabilities and equity				
Liabilities				
Due to bank	8	**1,273,789**	980,744	997,621
Payables and other credit balances	13	**62,183,915**	63,205,914	82,142,785
Due to related parties		**26,105,605**	26,052,377	24,967,430
Borrowings	14	**175,531,195**	174,399,170	165,443,898
Advances received from customers	15	**134,584,034**	132,256,127	129,223,850
Total liabilities		**399,678,538**	396,894,332	402,775,584
Equity				
Share capital		**72,000,000**	72,000,000	72,000,000
Share premium		**11,973,061**	11,973,061	11,973,061
Treasury shares	16	**(32,757,404)**	(32,757,404)	(32,757,404)
Treasury shares reserve		**104,935**	104,935	104,935
Statutory and voluntary reserves		**61,426,066**	61,426,066	61,426,066
Fair value reserve		**14,818,246**	15,479,976	11,195,706
Foreign currency translation reserve		**(4,844,438)**	(4,961,510)	(5,678,058)
Accumulated losses		**(68,599,372)**	(65,513,413)	(32,491,845)
Total equity attributable to the owners of the parent company		**54,121,094**	57,751,711	85,772,461
Non-controlling interests		**23,637,769**	24,033,307	36,506,773
Total equity		**77,758,863**	81,785,018	122,279,234
Total liabilities and equity		**477,437,401**	478,679,350	525,054,818

Saleh Saleh Al-Selmi
Chairman

Talal Jassim Al-Bahar
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	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserves KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2015	72,000,000	11,973,061	(32,757,404)	104,935	61,426,066	15,479,976	(4,961,510)	(65,513,413)	57,751,711	24,033,307	81,785,018
Acquisition of non-controlling interest in a subsidiaries	-	-	-	-	-	-	-	58,559	58,559	(58,559)	-
Investment made by non-controlling interests	-	-	-	-	-	-	-	-	-	1,472,627	1,472,627
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	(103,961)	(103,961)
Transactions with owners	-	-	-	-	-	-	-	58,559	58,559	1,310,107	1,368,666
Loss for the period	-	-	-	-	-	-	-	(3,144,518)	(3,144,518)	(1,755,638)	(4,900,156)
Other comprehensive (loss)/income											
Available for sale investments:											
- Net change in fair value arising during the period	-	-	-	-	-	(8,701)	-	-	(8,701)	-	(8,701)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	-	-	-	-	-	106,899	-	-	106,899	-	106,899
Share of other comprehensive loss of associates	-	-	-	-	-	(759,928)	-	-	(759,928)	-	(759,928)
Exchange difference arising on translation of foreign operation	-	-	-	-	-	-	117,072	-	117,072	49,993	167,065
Total other comprehensive (loss)/income	-	-	-	-	-	(661,730)	117,072	-	(544,658)	49,993	(494,665)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(661,730)	117,072	(3,144,518)	(3,689,176)	(1,705,645)	(5,394,821)
Balance at 31 March 2015	**72,000,000**	**11,973,061**	**(32,757,404)**	**104,935**	**61,426,066**	**14,818,246**	**(4,844,438)**	**(68,599,372)**	**54,121,094**	**23,637,769**	**77,758,863**

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

	Equity attributable to the owners of the parent company										
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserves KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2014	72,000,000	11,973,061	(32,869,551)	-	61,426,066	12,618,088	(6,061,895)	(30,132,882)	88,952,887	37,908,975	126,861,862
Purchase of treasury shares	-	-	(46,849)	-	-	-	-	-	(46,849)	-	(46,849)
Sale of treasury shares	-	-	158,996	-	-	-	-	-	158,996	-	158,996
Profit on sale of treasury shares	-	-	-	104,935	-	-	-	-	104,935	-	104,935
Acquisition of non-controlling interest in a subsidiary and joint venture	-	-	-	-	-	-	-	(466,078)	(466,078)	(367,069)	(833,147)
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	191,785	191,785
Transactions with owners	-	-	112,147	104,935	-	-	-	(466,078)	(248,996)	(175,284)	(424,280)
Loss for the period	-	-	-	-	-	-	-	(1,892,885)	(1,892,885)	(1,335,109)	(3,227,994)
Other comprehensive (loss)/income											
Available for sale investments:											
- Net change in fair value arising during the period	-	-	-	-	-	(551,438)	-	-	(551,438)	-	(551,438)
- Transferred to interim condensed consolidated statement of profit or loss on sale	-	-	-	-	-	(38,953)	-	-	(38,953)	-	(38,953)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	-	-	-	-	-	37,333	-	-	37,333	-	37,333
Share of other comprehensive loss of associates	-	-	-	-	-	(869,324)	-	-	(869,324)	-	(869,324)
Exchange difference arising on translation of foreign operation	-	-	-	-	-	-	383,837	-	383,837	108,191	492,028
Total other comprehensive (loss)/income	-	-	-	-	-	(1,422,382)	383,837	-	(1,038,545)	108,191	(930,354)
Total comprehensive (loss) /income for the period	-	-	-	-	-	(1,422,382)	383,837	(1,892,885)	(2,931,430)	(1,226,918)	(4,158,348)
Balance at 31 March 2014	72,000,000	11,973,061	(32,757,404)	104,935	61,426,066	11,195,706	(5,678,058)	(32,491,845)	85,772,461	36,506,773	122,279,234

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	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
OPERATING ACTIVITIES			
Loss for the period		**(4,900,156)**	(3,227,994)
Adjustments:			
Gain on sale of available for sale investments		**-**	(30,144)
Impairment of available for sale investments		**106,899**	37,333
Dividend income		**-**	(158,147)
Interest income		**(127,700)**	(60,856)
Interest and similar expenses		**3,274,820**	2,580,658
Depreciation		**1,401,474**	1,170,880
Share of results of associates and joint ventures		**(14,927)**	519,502
Foreign exchange loss/(gain) on non-operating liabilities		**24,520**	(108,919)
		(235,070)	722,313
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**88,977**	845,859
Receivables and other debit balances		**(156,627)**	(2,262,756)
Loans receivable		**-**	(31,989)
Due from related parties		**985,378**	1,456,042
Trading properties		**121,759**	(109,232)
Payables and other credit balances		**(485,332)**	4,367,067
Due to related parties		**4,183,516**	1,597,908
Advances received from customers		**2,327,907**	5,227,435
Cash from operations		**6,830,508**	11,812,647
Dividend income received		**-**	158,147
Interest income received		**127,700**	60,856
Interest and similar expenses paid		**(3,811,480)**	(1,615,277)
Net cash from operating activities		**3,146,728**	10,416,373
INVESTING ACTIVITIES			
Proceeds from sale of asset classified as held for sale		**1,357,432**	-
Net change in investment in associates and joint ventures		**(1,464)**	902,570
Net movement in properties under development		**(4,100,741)**	(1,142,624)
Net change in capital work in progress		**(76,159)**	(34,440)
Net change in property, plant and equipment		**(2,175,678)**	(1,489,410)
Proceeds from sale of available for sale investments		**-**	70,927
Net change in investment properties		**-**	505,199
Purchase of available for sale investments		**(1,589)**	(757,223)
Net cash used in investing activities		**(4,998,199)**	(1,945,001)
FINANCING ACTIVITIES			
Proceeds from banks loans		**516,437**	10,802,711
Repayment of bank loans		**(504,135)**	(10,452,385)
Change in non-controlling interests		**(53,967)**	(533,486)
Investment made by non-controlling interest		**1,472,627**	-
Purchase of treasury shares		**-**	(46,849)
Proceeds from sale of treasury shares		**-**	263,931
Net cash from financing activities		**1,430,962**	33,922
(Decrease)/increase in cash and cash equivalents		**(420,509)**	8,505,294
Foreign currency adjustment		**1,307,015**	325,518
Cash and cash equivalents at beginning of the period		**5,479,990**	5,704,539
Cash and cash equivalents at end of the period		**6,366,496**	14,535,351
Non-controlling transaction			
Sale of asset classified as held for sale settled through related parties accounts	8	**4,130,288**	-
Due to related parties	8	**(4,130,288)**	-

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

International Financial Advisors – KPSC ("the parent company") is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait as an investment company.

The parent company is principally engaged in providing financial advisory services, trading in local and international securities, borrowing, lending, issuing guarantees, managing investment funds and portfolios management and trading in future contracts.

The address of the parent company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

This interim condensed consolidated financial information for the three month period ended 31 March 2015 was authorised for issue by the parent company's board of directors on 26 May 2015.

2 Basis of preparation

This interim condensed consolidated financial information of the group for the three-month period ended 31 March 2015 has been prepared in accordance with IAS 34, Interim Financial Reporting, except as noted below.

The annual consolidated financial statements for the year ended 31 December 2014 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK's requirement for a minimum general provision as described below.

The impairment provision for loans and advances complies in all material respects with the specific provision requirements of the CBK and IFRS. In this respect, the CBK requires general provisions of 1% for cash facilities and 0.5% for non-cash facilities, for which no specific provision has been made.

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

Operating results for the three months ended 31 March 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For more details refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2014.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the parent company.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the most recent annual financial statements of the group for the year ended 31 December 2014 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies

3.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2015. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
Annual Improvements to IFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014

Annual Improvements to IFRSs 2010–2012 Cycle:

(i) Amendments to IFRS 3-Contingent consideration that does not meet the definition of an equity instrument is subsequently measured at each reporting date fair value, with changes recognised in interim condensed consolidated statement of profit or loss.

(ii) Amendments to IFRS 13- The addition to the Basis for Conclusions confirms the existing measurement treatment of short-term receivables and payables.

(iii) Amendments to IFRS 8- Disclosures are required regarding judgements made by management in aggregating operating segments (i.e. description, economic indicators).

A reconciliation of reportable segments' assets to total entity assets is required if this is regularly provided to the chief operating decision maker.

(iv) Amendments to IAS 16 and IAS 38- When items are revalued, the gross carrying amount is adjusted on a consistent basis to the revaluation of the net carrying amount.

(v) Amendments to IAS 24- Entities that provide key management personnel services to a reporting entity, or the reporting entity's parent, are considered to be related parties of the reporting entity.

The annual improvements did not have any material impact to the group's interim condensed consolidated financial information.

Annual Improvements 2011-2013 Cycle

(i) Amendments to IFRS 1-the amendment to the Basis for Conclusions clarifies that an entity preparing its IFRS financial statements in accordance with IFRS 1 is able to use both:

- IFRSs that are currently effective
- IFRSs that have been issued but are not yet effective, that permits early adoption

The same version of each IFRS must be applied to all periods presented.

(ii) Amendments to IFRS 3- IFRS 3 is not applied to the formation of a joint arrangement in the financial statements of the joint arrangement itself.

(iii) Amendments to IFRS 13- the scope of the portfolio exemption (IFRS 13.52) includes all items that have offsetting positions in market and/or counterparty credit risk that are recognised and measured in accordance with IAS 39/IFRS 9, irrespective of whether they meet the definition of a financial asset/liability.

iv) Amendments to IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as an investment property or owner-occupied property.

The annual improvements did not have any material impact to the group's interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

4 Judgement and estimates

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 expense. 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 2014.

5 Fundamental accounting concept

The accumulated losses of the group reached KD68,599,372 and the paid up capital of the parent company is KD 72,000,000 while reserves balances amounted to KD73,399,127. The directors of the parent company proposed to write-off the accumulated losses against the balances of the reserves.

6 Net income from hoteliers and related services

	Three months ended 31 March 2015 (Unaudited) KD	Three months ended 31 March 2014 (Unaudited) KD
Income:		
Sale of properties	815,427	436,436
Hotel operations	7,423,773	6,911,266
Beach club operations	596,337	825,659
Management fees	746,211	724,354
Residential service income	936,992	504,803
Rental	539,470	26,038
	11,058,210	9,428,556
Direct costs	(6,690,467)	(3,949,204)
	4,367,743	5,479,352

7 Basic and diluted loss per share attributable to the owners of the parent company

Basic and diluted loss per share attributable to the owners of the parent company is calculated by dividing the loss for the period attributable to the owners of the parent company by the weighted average number of shares in issue excluding treasury shares.

	Three months ended 31 March 2015 (Unaudited)	Three months ended 31 March 2014 (Unaudited)
Loss for the period attributable to the owners of the parent company (KD)	(3,144,518)	(1,892,885)
Weighted average number of shares in issue during the period (excluding treasury shares)	672,889,436	672,302,143
Basic and diluted loss per share attributable to the owners of the parent company	(4.67) Fils	(2.82) Fils

Notes to the interim condensed consolidated financial information (continued)

8 Cash and cash equivalents

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

	30 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Cash and bank balances	**7,081,897**	5,902,975	14,967,253
Fixed deposits	**558,388**	557,759	565,719
	7,640,285	6,460,734	15,532,972
Less: Due to bank	**(1,273,789)**	(980,744)	(997,621)
Cash and cash equivalent for statement of cash flow	**6,366,496**	5,479,990	14,535,351

The group's fixed deposits yield interest at an average rate of 0.075% (31 December 2014: 0.075% and 31 March 2014: 0.075%) per annum.

Due to bank represents KD1,000,000 Million overdraft facility from a local bank. The facility carries interest at 4% (31 December 2014 and 31 March 2014: 4%) per annum and is secured by way of certain investments at fair value through profit or loss amounting to KD64,230 (31 December 2014: KD86,315 and 31 March 2014: KD354,490). As at 31 March 2015, the group had drawn an amount of KD1,273,789 (31 December 2014: KD980,744 and 31 March 2014: KD997,621) from this facility.

9 Due from related parties

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Al Wafir Marketing Services Company – KSC (Closed)	**89,371**	88,330	-
Marasi Al Ofuq General Trading Co. – WLL	**1,551,746**	1,551,746	1,551,746
Keller Willian Franchise	**-**	206,707	20,086
Al Deera Holding Company – KPSC	**1,201,050**	1,199,850	1,838,104
Souq Residence FZ Co.	**-**	-	8,666,643
Souq Palm FZ Co.	**-**	403,034	-
Other related parties	**792,806**	1,170,684	832,343
	3,634,973	4,620,351	12,908,922
Provision for doubtful debts	**(1,486,350)**	(1,486,350)	(1,486,350)
	2,148,623	3,134,001	11,422,572

10 Asset classified as held for sale

During the period, the group sold its 49% holding in Kuwait Invest Real Estate Company which was classified as asset classified as held for sale for total consideration of KD5,487,720 with no gain or loss resulting from this sale.

Notes to the interim condensed consolidated financial information (continued)

11 Investment in associates and joint ventures

Movement in the carrying amount of investment in associates and joint ventures is as follows:

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Carrying amount at the beginning of the period/year	**29,183,734**	51,661,172	51,661,172
Share of results	**14,927**	(1,113,532)	(519,502)
Impairment of investment in associates and joint ventures	**-**	(18,506,000)	-
Foreign exchange translation adjustments	**(120,034)**	(351,040)	(33,245)
Share of other comprehensive loss of associates	**(759,928)**	(2,506,866)	(869,324)
Carrying amount at the end of period/year	**28,318,699**	29,183,734	50,239,101
Fair value	**6,995,818**	7,462,206	11,193,309

12 Properties under development

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Properties in Dubai – UAE	**143,907,437**	140,137,143	135,573,724
Properties in South Africa	**5,873,705**	5,344,841	5,605,255
Properties in Lebanon	**12,571,202**	12,769,619	12,679,028
	162,352,344	158,251,603	153,858,007

13 Payables and other credit balances

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Accrued expenses (a – below)	**3,608,805**	7,092,149	6,483,286
Accounts payable (b - below)	**24,118,568**	24,181,126	31,923,187
Dividends payable	**515,320**	515,320	517,645
Obligations against purchase of land	**-**	1,201,284	1,178,152
Kuwait Foundation for the Advancement of Science	**2,448,681**	2,448,681	2,448,592
National Labour Support Tax	**7,618,757**	7,618,757	7,618,757
Zakat provision	**639,348**	639,348	637,454
Provision for employees' end of service benefits and leave	**2,482,138**	2,311,229	1,936,730
Deferred income	**1,797,512**	2,128,126	1,859,128
Accrued retention payable	**208,511**	-	2,019,055
Accrued construction costs	**1,123,243**	733,722	2,840,345
Redeemable preference shares	**2,939,280**	2,889,252	2,833,616
Refundable deposits on cancellation and resale of units	**3,456,366**	1,521,039	1,985,862
Land transfer fee payable	**2,847,315**	1,054,704	1,131,461
Provision for loans receivable	**1,556,000**	1,556,000	1,556,000
Advance received against sale of shares	**-**	-	8,486,247
Other payables	**6,824,071**	7,315,177	6,687,268
	62,183,915	63,205,914	82,142,785

a. Accrued expenses includes the accruals against legal cases filed against the UAE subsidiary (Note 18)

b. Accounts payable includes KD12,840,747 (equivalent AED160,460,181) payable to main contractor, Dubai Contracting Company (DCC) which was due to be paid on 31 March 2015 and was postponed to 30 June 2015.

Notes to the interim condensed consolidated financial information (continued)

14 Borrowings

The loan balances and bank facilities of the group are represented at the date of the consolidated statement of financial position by the following:

	Currency	Period due From	Period due To	Effective interest rates	Purpose	Assets pledged	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
1	USD	28-12-2005	28-12-2019	2.87%	Financing the group's investments	Shares of parent company and IFA H& R shares	**35,266,800**	**35,266,800**	33,855,000
2	EUR	15-06-2007	28-12-2019	2.68%	Financing the group's investments	Shares of IFA H& R and an AFS investments	**7,054,242**	**7,054,242**	7,773,108
3	KD	26-06-2013	30-06-2019	4.75%	Repayment of indebtedness	Local portfolio with 120% coverage	**23,000,000**	**23,000,000**	25,000,000
4	KD	05-01-2013	31-12-2019	3.75%	Local equity financing	Financial portfolio with 200% coverage	**8,555,000**	**8,555,000**	8,555,000
5	AED	01-05-2007	30-06-2018	7% - 12%	Projects financing	Properties located in Palm Jumeirah, U.A.E and collections deposited in account opened in a foreign bank	**81,756,609**	**80,042,196**	66,380,541
6	Rand	23/05/2007	21/05/2017	2% - 8.5%	Financing the group's investments	Mortgage of certain property, plant and equipment and certain trading properties in South Africa subsidiaries	**12,006,329**	**12,193,868**	14,313,208
7	USD	01/01/2010	31/12/2016	9%	Acquisition of properties	Land included in properties under development	**2,772,697**	**2,977,299**	3,213,988
8	EUR	15/09/2011	15/03/2024	6.5%	Acquisition of properties	Investment properties owned by the subsidiary	**4,859,277**	**5,021,760**	6,014,740
9	GBP	01/08/2008	31/07/2018	4.5%	Financing the group's investments	Assets of Yotel Airports Limited	**260,241**	**288,005**	338,313
							175,531,195	**174,399,170**	165,443,898

Notes to the interim condensed consolidated financial information (continued)

14 Borrowings (continued)

The borrowings are pledged against certain group's assets as follow:

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Investments at fair value through statement of income	**64,230**	86,315	354,490
Trading properties	**3,902,162**	4,023,921	4,322,090
Available for sale investments	**8,379,535**	8,379,535	10,301,227
Investment in associate	**3,012,651**	3,133,623	4,700,434
Investment properties	**8,209,604**	8,209,604	9,187,934
Properties under development	**58,345,779**	52,836,912	51,819,474
Property, plant and equipment	**98,378,751**	95,295,566	90,744,120
Investment in subsidiary	**65,033,085**	60,778,583	80,531,621
	245,325,797	232,744,059	251,961,390

15 Advances received from customers

These balances represent amounts collected in advance from customers of a subsidiary company of the group on the sale of residential flats currently under construction by the group. Advances from those customers are transferred to income upon completion of the construction of the sold unit and handing it over to the customer.

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Balance at the beginning of the period/year	**132,256,127**	123,996,415	123,996,415
Advances received during the period/year	**340,236**	5,774,711	5,496,217
Revenue recognised during the period/year	**(295,311)**	(40,422)	(168,346)
Foreign currency adjustment	**2,282,982**	2,525,423	(100,436)
	134,584,034	132,256,127	129,223,850

16 Treasury shares

	31 March 2015 (Unaudited)	31 Dec. 2014 (Audited)	31 March 2014 (Unaudited)
Number of shares	**47,110,564**	47,110,564	47,110,564
Percentage of issued shares	**6.54%**	6.54%	6.54%
Cost (KD)	**32,757,404**	32,757,404	32,757,404
Market value (KD)	**1,554,649**	1,884,423	3,439,071

Treasury share reserve is not available for distribution. Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable.

Notes to the interim condensed consolidated financial information (continued)

17 Capital commitments

Capital expenditure commitments

At 31 March 2015, the group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai – UAE , Beirut –Lebanon, and South Africa. The group's share in the estimated funding commitments on these projects is as follows:

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Estimated and contracted commitment outstanding on account of revenue projects	**27,001,086**	27,001,086	15,633,000

The group expects to finance the future expenditure commitments from the following sources:

a) Sale of investment properties.
b) Advances from customers.
c) Share capital increase.
d) Advances provided by the shareholders, related entities and joint ventures.
e) Borrowings, if required.

The financing rates expected from the above sources are dependent on the nature of the source of financing and management estimates of the best financing sources available at the time they become due.

18 Contingent liabilities

Certain customers have initiated legal proceeding against UAE subsidiary for the delay in completion of its projects and cancellation of units. Since these litigations are in the preliminary stage, the probable outcome cannot be estimated reliably. However, the group management is of the view that these cases will ultimately be decided in favour of the group. However, on prudence basis, the management has sufficiently provided for the expected loss that could result from this litigation in consultation with groups legal advisor.

Notes to the interim condensed consolidated financial information (continued)

19 Segmental analysis

The group activities are concentrated in four main segments: asset management, treasury and investments, real estate and others. The segments' results are reported to the higher management in the group. In addition, the segments revenue, assets are reported based on the geographic locations which the group operates in. The following is the segments information, which conforms with the internal reporting presented to management.

	Asset Management		Treasury and Investments		Real Estate		Others		Total	
	31 March 2015 (Unaudited) KD	31 March 2014 (Unaudited) KD	31 March 2015 (Unaudited) KD	31 March 2014 (Unaudited) KD	31 March 2015 (Unaudited) KD	31 March 2014 (Unaudited) KD	31 March 2015 (Unaudited) KD	31 March 2014 (Unaudited) KD	31 March 2015 (Unaudited) KD	31 March 2014 (Unaudited) KD
Segment income	**21,182**	53,144	**124,555**	(73,032)	**6,302,250**	5,506,938	**59,465**	(163,999)	**6,507,452**	5,323,051
Segment (loss)/profit for the period	**(1,380,292)**	(1,170,880)	**(3,257,164)**	(2,691,022)	**6,302,250**	5,506,938	**(6,564,950)**	(4,873,030)	**(4,900,156)**	(3,227,994)
Depreciation									**1,401,474**	1,170,880
Impairment									**106,899**	37,333
Interest and similar expenses									**3,274,820**	2,580,658
Total segmental assets	**120,178,935**	125,988,225	**112,798,057**	150,474,888	**222,850,217**	216,406,381	-	-	**455,827,209**	492,869,494
Total segmental liabilities	-	-	**(176,804,984)**	(166,441,517)	**(134,584,034)**	(129,223,850)	-	-	**(311,389,018)**	(295,665,367)
Net segmental assets	**120,178,935**	125,988,225	**(64,006,927)**	(15,966,629)	**88,266,183**	87,182,531	-	-	**144,438,191**	197,204,127
Unallocated assets									**21,610,192**	32,185,324
Unallocated liabilities									**(88,289,520)**	(107,110,217)
Net Assets									**77,758,863**	122,279,234

Notes to the interim condensed consolidated financial information (continued)

20 Annual general assembly

The directors did not propose dividend for the year ended 31 December 2014. The Annual General Assembly for the year ended 31 December 2014 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2014 have not yet been approved. The interim condensed consolidated financial information for the three month period ended 31 March 2015 do not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2014.

21 Related parties transactions

Related parties represent major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

During the period, the group entities entered into the following transactions with related parties that are not members of the group:

	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Balances included in the interim condensed consolidated statement of financial position:			
Due from related parties	**2,148,623**	3,134,001	11,422,572
Due to related parties	**26,105,605**	26,052,377	24,967,430
Transactions included in the interim condensed consolidated statement of profit or loss:			
Interest income	**7,768**	25,284	47,258
Interest and similar expenses	**89,093**	284,109	185,827
Gain on sale of subsidiaries	-	1,856,935	-
Advisory income	-	371,875	-
Key management compensation of the group			
Short-term employee benefits	**183,623**	1,059,714	233,325

22 Fiduciary accounts

The group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 31 March 2015 amounted to KD50,702,418 (31 December 2014: KD52,082,306 and 31 March 2014: KD78,929,360). The group earned management fee of KD21,182 (31 March 2014: KD28,262) from these activities.

Notes to the interim condensed consolidated financial information (continued)

23 Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2014.

24 Fair value measurement

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

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

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

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

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

31 March 2015 (unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investments held for trading:				
Local:				
Quoted securities	765,732	-	-	765,732
Unquoted securities	-	-	232,157	232,157
Foreign:				
Quoted securities	27,755	-	-	27,755
Financial assets available for sale				
Quoted securities	630,705	-	-	630,705
Managed funds	-	561,087	-	561,087
Unquoted securities	-	-	26,051,329	26,051,329
	1,424,192	561,087	26,283,486	28,268,765

Notes to the interim condensed consolidated financial information (continued)

23 Fair value measurement (continued)

31 December 2014 (Audited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investments held for trading:				
Local:				
Quoted securities	763,510	-	-	763,510
Unquoted securities	-	-	232,157	232,157
Foreign:				
Quoted securities	118,954	-	-	118,954
Available for sale investments				
Quoted securities	649,817	-	-	649,817
Managed funds	-	578,037	-	578,037
Unquoted securities	-	-	26,023,322	26,023,322
	1,532,281	578,037	26,255,479	28,365,797

31 March 2014 (unaudited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investments held for trading:				
Local:				
Quoted securities	1,029,270	-	-	1,029,270
Unquoted securities	-	-	232,157	232,157
Foreign:				
Quoted securities	1,455,568	-	-	1,455,568
Financial assets available for sale				
Quoted securities	3,737,782	-	-	3,737,782
Managed funds	-	833,085	-	833,085
Unquoted securities	-	-	17,350,342	17,350,342
	6,222,620	833,085	17,582,499	24,638,204

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

Measurement at fair value

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

Level 3 fair value measurements

The group's financial assets and liabilities classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	Investments at fair value through profit or loss		
	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Opening balance	**232,157**	232,157	232,157
Closing balance	**232,157**	232,157	232,157

Notes to the interim condensed consolidated financial information (continued)

23 Fair value measurement (continued)

	Available for sale Investments		
	31 March 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	31 March 2014 (Unaudited) KD
Opening balance	**26,023,322**	17,688,070	17,688,070
Purchase	**28,007**	624,232	119,131
Redemption	-	(2,459,079)	-
Gains or losses recognised in:			
- Other comprehensive income/(loss)	-	10,170,099	(456,859)
Closing balance	**26,051,329**	26,023,322	17,350,342

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

For financial instruments carried at amrotised cost, fair values are not materially different from their carrying values and is used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counter parties.

The impact on interim condensed consolidated statement of profit or loss and consolidated statement of comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.