

Interim condensed consolidated financial information and review report
Noor Financial Investment Company – KPSC and Subsidiaries
Kuwait
30 September 2015 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the Board of Directors of
Noor Financial Investment Company – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Noor Financial Investment Company KPSC (the “Parent Company”) and its subsidiaries (together “the Group”) as of 30 September 2015 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 the basis of presentation 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 presentation set out in note (2).

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 25 of 2012, as amended, and its Executive Regulations or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2015 that might have had a material effect on the business or financial position of the Group.

We further report that, during the course of our review, we have not become aware of any material violations 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, or of the provision of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2015 that might have had a material effect on the business or financial position of the Group.



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Kuwait
17 December 2015

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD	30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD
Income					
Revenue from hotel operations and IT Services		4,204,971	3,810,037	12,226,413	10,009,104
Cost of sales and services		(3,324,779)	(3,255,313)	(10,428,169)	(8,440,025)
Gross profit from hotel operations and IT Services		880,192	554,724	1,798,244	1,569,079
Realised (loss)/gain on investments at fair value through profit or loss		(72,410)	321,755	550,960	795,252
Unrealised (loss)/gain on investments at fair value through profit or loss		(1,837,976)	1,794,861	(2,063,552)	3,010,775
Realised gain on sale of available for sale investments		394,928	1,100,105	1,076,085	1,909,522
Dividend income		30,055	47,854	2,097,581	1,672,267
Share of results of associates		1,239,616	196,501	5,527,009	4,302,254
Realised gain on sale of investment properties		-	-	-	300,000
Management and placement fees		20,133	45,913	45,051	70,571
Rental income		471,634	261,739	1,037,893	762,180
Interest and other income	7b	2,227,149	139,664	2,477,219	444,212
Foreign exchange gain/(loss)		125,110	75,537	124,553	(17,877)
		3,478,431	4,538,653	12,671,043	14,818,235
Expenses and other charges					
General, administrative and other expenses		908,077	1,089,129	3,677,384	3,843,356
Finance costs		886,496	1,206,707	3,113,984	3,370,003
Impairment in value of available for sale investments	8	3,658,348	2,181,669	5,682,649	3,095,672
Impairment in value of receivables		-	-	6,347	710,607
Impairment in value of intangible assets	12	2,115,225	-	2,115,225	-
Impairment in value of investment in associates		389,136	-	389,136	111,473
		7,957,282	4,477,505	14,984,725	11,131,111
(Loss)/profit before provision for KFAS, Zakat and NLST		(4,478,851)	61,148	(2,313,682)	3,687,124
Reversal of/ (provision for) Kuwait Foundation for the Advancement of Sciences (KFAS)		11,133	6,113	-	(14,374)
Reversal of/ (provision for) Zakat		11,402	1,272	-	(32,991)
Reversal of/ (provision for) National Labour Support Tax (NLST)		39,111	(2,486)	-	(88,337)
(Loss)/profit for the period		(4,417,205)	66,047	(2,313,682)	3,551,422
Attributable to:					
Owners of the Parent Company		(1,980,635)	118,003	59,909	3,976,029
Non-controlling interests		(2,436,570)	(51,956)	(2,373,591)	(424,607)
(Loss)/profit for the period		(4,417,205)	66,047	(2,313,682)	3,551,422
BASIC AND DILUTED(LOSS)/ EARNINGS PER SHARE (FILS)	4	(4.92)	0.29	0.15	9.87

The notes set out on pages 9 to 23 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. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD	30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD
(Loss)/profit for the period	(4,417,205)	66,047	(2,313,682)	3,551,422
Other comprehensive income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences arising from translation of foreign operations	(1,342,119)	(619,312)	(352,464)	1,850,417
Available for sale investments:				
-Net changes in fair value arising during the period	(5,676,837)	1,903,183	(8,993,553)	845,302
-Transferred to interim condensed consolidated statement of profit or loss on sale	(394,928)	(1,100,105)	(1,076,085)	(1,909,522)
-Transferred to interim condensed consolidated statement of profit or loss on impairment	3,658,348	2,181,669	5,682,649	3,095,672
Share of other comprehensive (loss)/income of associates	(299,300)	(1,005,032)	(90,550)	160,038
Total other comprehensive income for the period	(4,054,836)	1,360,403	(4,830,003)	4,041,907
Total comprehensive income for the period	(8,472,041)	1,426,450	(7,143,685)	7,593,329
Total comprehensive income attributable to:				
Owners of the Parent Company	(5,792,394)	1,467,302	(3,868,304)	8,559,866
Non-controlling interests	(2,679,647)	(40,852)	(3,275,381)	(966,537)
	(8,472,041)	1,426,450	(7,143,685)	7,593,329

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Assets				
Cash and bank balances	5	9,236,079	8,137,702	8,474,953
Short-term deposits	5	3,113,254	1,570,220	607,074
Murabaha and wakala investments	5	-	598,354	596,332
Investments at fair value through profit or loss	6	10,888,863	17,372,642	22,138,515
Accounts receivable and other assets	7	16,393,109	14,604,165	19,065,029
Available for sale investments	8	43,934,412	58,207,419	65,334,127
Investment in associates		51,046,513	50,294,896	43,776,244
Investment properties	9	38,646,304	32,840,512	31,607,049
Property and equipment		4,336,824	6,632,396	6,785,973
Goodwill and Intangible asset	12	5,660,179	10,314,660	1,990,375
Total assets		183,255,537	200,572,966	200,375,671
Liabilities and equity				
Liabilities				
Due to banks	5	920,268	1,508,363	-
Accounts payable and other liabilities		9,445,809	9,932,077	6,081,153
Borrowings from banks and financial institutions	10	113,294,175	124,927,082	126,431,124
Provision for end of service indemnity		610,218	526,243	494,117
Total liabilities		124,270,470	136,893,765	133,006,394
Equity				
Share capital	11	41,316,276	41,316,276	41,316,276
Share premium		3,410,573	3,410,573	3,410,573
Treasury shares	11	(3,410,573)	(3,410,573)	(3,410,573)
Legal reserve		1,507,907	1,507,907	1,413,431
Voluntary reserve		1,507,907	1,507,907	1,413,431
Cumulative changes in fair value		2,407,488	6,009,404	9,274,315
Foreign currency translation reserve		(9,863,835)	(9,537,538)	(11,368,055)
Retained earnings		3,847,804	4,495,457	11,477,475
Equity attributable to the owners of the Parent Company		40,723,547	45,299,413	53,526,873
Non-controlling interests	11	18,261,520	18,379,788	13,842,404
Total equity		58,985,067	63,679,201	67,369,277
Total liabilities and equity		183,255,537	200,572,966	200,375,671

Fahad Sulaiman Al-Khateeb
Chairman

Abdulghani M.S. Behbehani
Vice Chairman

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)

Equity attributable to owners of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance as at 1 January 2015	41,316,276	3,410,573	(3,410,573)	1,507,907	1,507,907	6,009,404	(9,537,538)	4,495,457	45,299,413	18,379,788	63,679,201
Increase in non-controlling interest of subsidiary during the period (Note 11c)	-	-	-	-	-	-	-	(707,562)	(707,562)	5,107,562	4,400,000
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(18,167)	(18,167)
Redemption of share capital by non-controlling interest of subsidiary (Note 11d)	-	-	-	-	-	-	-	-	-	(1,731,882)	(1,731,882)
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	-	(200,400)	(200,400)
Transactions with owners	-	-	-	-	-	-	-	(707,562)	(707,562)	3,157,113	2,449,551
Profit/(loss) for the period	-	-	-	-	-	-	-	59,909	59,909	(2,373,591)	(2,313,682)
Total other comprehensive income for the period	-	-	-	-	-	(3,601,916)	(326,297)	-	(3,928,213)	(901,790)	(4,830,003)
Total comprehensive income for the period	-	-	-	-	-	(3,601,916)	(326,297)	59,909	(3,868,304)	(3,275,381)	(7,143,685)
Balance as at 30 September 2015	41,316,276	3,410,573	(3,410,573)	1,507,907	1,507,907	2,407,488	(9,863,835)	3,847,804	40,723,547	18,261,520	58,985,067

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

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

	Equity attributable to owners of the Parent Company										
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance as at 1 January 2014	37,560,251	3,410,573	(3,410,573)	1,413,431	1,413,431	6,540,895	(13,218,472)	10,741,380	44,450,916	20,125,598	64,576,514
Issue of bonus share (Note 11b)	3,756,025	-	-	-	-	-	-	(3,756,025)	-	-	-
Increase in non-controlling interest by subsidiary	-	-	-	-	-	-	-	-	-	2,500	2,500
Redemption of units by non-controlling interests of subsidiary	-	-	-	-	-	-	-	-	-	(153,869)	(153,869)
Redemption of share capital by non-controlling interest of subsidiary	-	-	-	-	-	-	-	-	-	(3,911,655)	(3,911,655)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	516,091	516,091	(1,244,978)	(728,887)
Decrease of non-controlling interest on sale of subsidiary	-	-	-	-	-	-	-	-	-	(8,655)	(8,655)
Transactions with owners	3,756,025	-	-	-	-	-	-	(3,239,934)	516,091	(5,316,657)	(4,800,566)
Profit/(loss) for the period	-	-	-	-	-	-	-	3,976,029	3,976,029	(424,607)	3,551,422
Total other comprehensive income for the period	-	-	-	-	-	2,733,420	1,850,417	-	4,583,837	(541,930)	4,041,907
Total comprehensive income for the period	-	-	-	-	-	2,733,420	1,850,417	3,976,029	8,559,866	(966,537)	7,593,329
Balance as at 30 September 2014	41,316,276	3,410,573	(3,410,573)	1,413,431	1,413,431	9,274,315	(11,368,055)	11,477,475	53,526,873	13,842,404	67,369,277

The notes set out on pages 9 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2015 (Unaudited) KD	Nine months ended 30 Sept. 2014 (Unaudited) KD
OPERATING ACTIVITIES			
(Loss)/profit before provision for KFAS, Zakat and NLST		(2,313,682)	3,687,124
Adjustments:			
Realised gain on sale of available for sale investments		(1,076,085)	(1,909,522)
Dividend income		(2,097,581)	(1,672,267)
Share of results of associates		(5,527,009)	(4,302,254)
Realised gain on sale of investment properties		-	(300,000)
Interest income and income from murabaha and wakala investments		(29,407)	(80,504)
Reversal of impairment on amount due from Ultimate Parent Company		(2,188,996)	-
Depreciation		132,654	115,070
Provision for end of service indemnity		131,981	31,546
Finance costs		3,113,984	3,370,003
Impairment in value of available for sale investments, receivables, investment in associates and intangible assets		8,193,357	3,917,752
		(1,660,784)	2,856,948
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		8,672,775	(592,675)
Accounts receivable and other assets		(3,239,762)	7,498,624
Accounts payable and other liabilities		2,046,988	75,313
Cash from operation		5,819,217	9,838,210
KFAS, Zakat and NLST paid		(16,507)	(482,431)
Payment of end of service indemnity		(48,006)	(53,816)
Net cash from operating activities		5,754,704	9,301,963
INVESTING ACTIVITIES			
Change in short term deposits maturing after three months		(637,058)	-
Change in blocked deposits		1,404,475	(1,154,543)
Decrease in murabaha and wakala investments		598,354	3,903,669
Proceeds from sale of available for sale investments		6,158,262	5,184,311
Purchase of available for sale investments		(878,806)	(1,053,489)
Acquisition of associate (net)		(50,000)	(251,298)
Acquisition /improvement of investment properties		(3,525,503)	(3,721,428)
Proceeds from sale of investment properties		-	2,100,000
Net acquisition of property and equipment		(117,371)	(2,424,839)
Dividend received from other investments		2,097,581	1,672,267
Dividend received from associate		3,883,071	2,480,549
Interest income & income from murabaha and wakala investments received		29,407	80,504
Net cash from investing activities		8,962,412	6,815,703
FINANCING ACTIVITIES			
Repayments of borrowings (net)		(11,632,907)	(8,133,626)
Redemption of units by non-controlling interests		(18,167)	(153,869)
Payment to subsidiaries shareholders on account of capital reduction		(195,176)	(3,989,395)
Investment made by non-controlling interest in the capital of a subsidiary		4,400,000	2,500
Dividend paid to non-controlling interest by a subsidiary		(200,400)	-
Acquisition of non-controlling interests by subsidiary		-	(728,887)
Dividend paid		-	(2,300)
Finance costs paid		(3,073,543)	(3,370,671)
Net cash used in financing activities		(10,720,193)	(16,376,248)
Net increase/(decrease) in cash and cash equivalents		3,996,923	(258,582)
Cash and cash equivalents at beginning of the period		6,245,901	7,820,066
Cash and cash equivalents at end of the period	5	10,242,824	7,561,484

The notes set out on pages 9 to 23 form an integral part of this interim consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities

Noor Financial Investment Company KPSC ("the Parent Company") was incorporated in Kuwait on 1 February 1997 and during May 2006 its shares were listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries are together referred to as "the Group". The Parent Company is regulated by the Central Bank of Kuwait and also by the Capital Market Authority (CMA), as an investment company and is a subsidiary of National Industries Group Holding KPSC ("the Ultimate Parent Company").

The principal objectives of the Parent Company are as follows:

- Invest in various economic sectors through contribution to the establishment of specialized companies or purchase of shares or stakes in those companies;
- Perform the functions of investment trustees and manage all kinds of investment portfolios for third parties;
- Facilitate in lending and borrowing transactions for commission or remuneration;
- Fund and facilitate in international trade operations;
- Conduct research, studies and other technical services related to investment operations and manage funds for third parties;
- Create and manage various investment funds according to the law;
- Perform the functions of lead manager for the bonds issued by companies and bodies;
- Prepare studies and provide financial advice related to investment for privatization projects.
- Carry out all the services and activities that help developing the financial and monetary market in the State of Kuwait;
- Trade, by selling and buying, in shares, bonds, Sukuks and other securities listed and unlisted in Kuwait stock exchange market and foreign stock exchange markets for the Company's account or the account of its clients for commission or remuneration;
- Invest in real estate, industrial and agricultural sectors of the economy in all types of investment;
- Facilitate in selling or buying financial assets and other assets for commission or remuneration and facilitate and participate in international trade operations;
- Provide funding operations to third parties to buy or lease fixed assets and movables through contracts.
- Provide technical services for the incorporation of companies and restructure, merge or dispose of the existing companies;
- Prepare studies and research and provide the necessary consultation in all matters relating to the objectives of the company;
- Acquire industrial property rights, patents, trade and industrial marks, literary and intellectual property right related to the program and literature;
- Represent foreign companies the objectives of which are identical with the objectives of the company in order to market their products and services in accordance with the relevant Kuwaiti legislation.
- To act as an investment controller

During the period, the Shareholding Companies Department of the Ministry of Commerce and Industry has issued its memorandum number 206 dated 3rd August 2015 based on the resolution of the Extraordinary General Assembly held on 27 May 2015, which approved on the basis of the issued approval of the Capital Markets Authority, to amend the Memorandum and Articles of Association of the Parent Company to include the objective "Investment Controller".

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities (continued)

The Parent Company has the right to perform the above mentioned activities inside and outside the State of Kuwait directly or through an agent. The Parent Company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also purchase these entities or affiliate them therewith. Further, the Parent Company may practice works similar or complementary or necessary or related to its above mentioned objectives and may utilize its surplus funds by investing same in portfolios and funds managed by specialized companies and bodies.

The address of the Parent Company's registered office is NIG Building, Ground Floor, Shuwaikh, Kuwait (PO Box 3311, Safat 13034, State of Kuwait).

The Board of Directors of the Parent Company approved this interim condensed consolidated financial information for issue on 17 December 2015.

The annual consolidated financial statements for the year ended 31 December 2014 were authorised for issuance by the board on 13 April 2015 and was approved by the shareholders at Annual General Meeting held on 27 May 2015.

2 Basis of preparation and significant accounting policies

Basis of preparation and presentation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2015 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

As disclosed in Note 10 (a), the management of the Parent Company is actively engaged with all its lenders to restructure its loans and is confident that based on the constructive discussions held to date they will be able to achieve an acceptable debt rescheduling within a short period of time.

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 annual consolidated financial statements for the year ended 31 December 2014 were prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all IFRS except for the IAS 39 requirements for a collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described under the accounting policy for impairment of financial assets.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation and significant accounting policies (continued)

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.

Operating results for the nine-months period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2014.

The subsidiaries are consolidated and share of results of associates are recorded based on the management accounts for the period ended 30 September 2015.

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 2014. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although there are certain new standards and amendments which apply for the first time in 2015, they do not have a material impact on the annual consolidated financial statement of the Group or the interim condensed consolidated financial information of the Group.

4 Basic & diluted (loss)/earnings per share

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

	Three months ended		Nine months ended	
	30 Sept. 2015 (Unaudited)	30 Sept. 2014 (Unaudited)	30 Sept. 2015 (Unaudited)	30 Sept. 2014 (Unaudited)
(Loss)/profit for the period attributable to the owners of the Parent Company (KD)	(1,980,635)	118,003	59,909	3,976,029
Weighted average number of shares outstanding during the period	413,162,761	413,162,761	413,162,761	413,162,761
Less: Weighted average number of treasury shares outstanding during the period	(10,359,065)	(10,359,065)	(10,359,065)	(10,359,065)
	402,803,696	402,803,696	402,803,696	402,803,696
Basic and diluted (loss)/ earnings per share (Fils)	(4.92)	0.29	0.15	9.87

Notes to the interim condensed consolidated financial information (continued)

5 Cash and cash equivalents and murabaha and wakala investments

- a. Cash and cash equivalents for the purpose of the interim condensed consolidated statement of cash flows are made up as follows:

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Cash and bank balances	9,236,079	8,137,702	8,474,953
Short term deposits	3,113,254	1,570,220	607,074
	12,349,333	9,707,922	9,082,027
Less: Due to banks	(920,268)	(1,508,363)	-
Less: Blocked balances	(325,066)	(1,729,541)	(1,520,543)
Less: Short term deposits maturing after 3 months	(861,175)	(224,117)	-
Cash and cash equivalents as per cash flow statement	10,242,824	6,245,901	7,561,484

Cash and bank balances include call accounts which earn interests. The short term deposits mature within three to nine months and are placed with local banks.

Due to banks represent bank overdraft facilities utilised by subsidiary and are secured by short term deposit of KD970,545 (31 December 2014: KD970,545 and 30 September 2014: KD Nil).

Cash and cash equivalents include bank balances of KD2,772,700 (31 December 2014: KD1,121,132 and 30 September 2014: KD1,288,663) which are designated for the purpose of payment on account of capital reduction of two subsidiaries.

- b. Murabaha and wakala investments

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Placed with local Islamic banks	-	598,354	596,332
Placed with a local Islamic investment company	14,324,160	14,324,160	14,324,160
Less: Provision for impairment in value	(14,324,160)	(14,324,160)	(14,324,160)
	-	-	-
	-	598,354	596,332

No profit was recognised on impaired wakala investments during the current period (31 December 2014: KD Nil and 30 September 2014: Nil).

Wakala investments of KD14,324,160 (31 December 2014: KD14,324,160 and 30 September 2014: KD14,324,160) placed with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However revised maturity dates were stipulated by court. The investee company again defaulted the payment of 2nd and 3rd installment due in June 2014 and 2015 respectively. Full provision is made for receivable in accordance with the Central Bank of Kuwait provision rules.

Notes to the interim condensed consolidated financial information (continued)

5 Cash and cash equivalents and murabaha and wakala investments (continued)

During the previous years, the Group assumed the financial and legal obligations on wakala investments of KD9,968,250 (in violation of the Commercial Companies Law of 1960) that the Group had placed with the above investment company in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. The Group has initiated legal proceedings against the parties to recover the amount including profits thereon. During the year 2014, the Court of Appeal has ordered the related parties to pay KD 8, 285,000 with 7% of profit thereon to the Group which has been overturned by the Court of Cassation in favor of the related party during the current period. The legal proceeding relating to the remaining amount of KD 1,683,250 is still in process.

6 Investments at fair value through profit or loss

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Held for trading:			
Quoted shares			
- Local	5,395,789	12,548,333	16,465,445
- Foreign	4,074,820	4,824,309	5,673,070
Designated on initial recognition:			
- Foreign unquoted shares	1,418,254	-	-
	10,888,863	17,372,642	22,138,515

Quoted shares with a fair value of KD1,302,441 (31 December 2014: KD7,546,813 and 30 September 2014: KD10,517,549) are secured against bank loans (refer note 10).

7 Accounts receivable and other assets

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Financial assets:			
Accounts receivable	4,333,053	3,111,645	4,931,567
Due from the Ultimate Parent Company (net of discount and provision)	46,200	55,837	56,452
Due from other related parties	1,076,427	80,484	1,432,013
Due from investment brokerage companies	2,257,401	2,124,189	908,790
Due from Kuwait Clearing Company (future trade customers)	4,398,681	5,250,261	6,032,722
Due on sale of foreign investment properties (net) (a)	986,387	937,715	1,315,032
Advance payments to acquire investments	-	-	2,716,920
Accrued income	1,498,893	1,333,508	817,901
Other financial assets	1,252,070	1,107,273	492,020
	15,849,112	14,000,912	18,703,417
Non-financial assets			
Other assets	543,997	603,253	361,612
	16,393,109	14,604,165	19,065,029

Notes to the interim condensed consolidated financial information (continued)

7 Accounts receivable and other assets (continued)

- a) The consideration due on sale of the Group's investment property in the Kingdom of Saudi Arabia amounting to KD12,404,655 (sold during 2011) was due in instalments. Out of the consideration due, as of 30 September 2015 an amount of KD 986,387 is outstanding and the Group's management expects that it will be settled during 2015.
- b) During the year 2012, the Parent Company and the Ultimate Parent Company (along with certain of its subsidiaries) entered into a settlement agreement to partially settle the outstanding balance due to the Parent Company by way of transferring the shares of an unlisted local entity (previously held as security) for a consideration of KD13,800,000 based on an independent valuation. The shares are classified as available for sale investments. Under the terms of the settlement agreement, the remaining balance of approximately KD2,200,000 (which was provided for in a previous year) was due to be settled, by the Ultimate Parent Company, contingent upon the value of the unlisted shares upon occurrence of liquidity event (i.e sale or public listing) of the shares on or before 31 December 2014 or if no liquidity event occurs by then based on a valuation to be performed of the shares as of 31 December 2014. Accordingly, the Parent Company has obtained an independent valuation of the shares as of 31 December 2014 which established that the remaining balance of approximately KD2,200,000 is due to be settled by the Ultimate Parent Company. Consequently, the Parent Company has reached an agreement with the Ultimate Parent Company to settle the due balance by way of transferring the shares of a special purpose vehicle which owns shares in a listed foreign entity. Accordingly, the provision of KD2,188,996 pertaining to the remaining balance has been recognized under other income during the current quarter. The investment transferred by the Ultimate Parent Company has been included under investment at fair value through profit or loss and an unrealized loss of KD781,787 has been recognised in the interim condensed consolidated statement of profit or loss on fair valuing the investment.

8 Available for sale investments

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Quoted shares	15,975,946	23,952,288	26,359,123
Unquoted shares	20,459,118	26,226,401	31,296,386
Foreign funds	7,499,348	8,028,730	7,678,618
	43,934,412	58,207,419	65,334,127

- a) Available for sale investments include investments in unquoted shares and foreign funds whose fair values cannot be reliably determined and as a result investments with a carrying value of KD1,643,215 (31 December 2014: KD1,808,118 and 30 September 2014: KD1,551,068) are carried at cost or cost less impairment. The Group's management is not aware of any circumstance that would indicate impairment/ further impairment in value of these investments.
- b) Quoted shares with a fair value of KD10,724,889 (31 December 2014: KD18,175,068 and 30 September 2014: KD 21,845,440) and unquoted shares with a fair value of KD8,300,000 (31 December 2014: KD8,300,000 and 30 September 2014: KD13,800,000) are secured against a bank loan (refer note 10).

Notes to the interim condensed consolidated financial information (continued)

8 Available for sale investments (continued)

- c) During the period, the Group recognised an impairment loss of KD1,988,671(31 December 2014: KD922,655 and 30 September 2014: KD 846,816) for certain local and foreign quoted shares, as the market value of these shares declined significantly below their cost. Further the Group also recognised an impairment loss of KD 3,693,978 (31 December 2014: KD7,748,856 and 30 September 2014: KD2,248,856) against certain unquoted shares, local and foreign funds based on independent valuations, estimate and the net asset values reported by the investment managers at the reporting date.

9 Investment properties

The movement of investment properties is as follows:

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Fair value as at beginning of the period/year	32,840,512	28,604,121	28,604,121
Addition during the period/year	3,525,503	4,931,859	4,802,928
Reclassification from property & equipment	2,280,289	-	-
Disposals during the period/year	-	(1,800,000)	(1,800,000)
Change in fair value	-	1,104,532	-
	38,646,304	32,840,512	31,607,049

Investment properties comprise land and buildings in the following countries:

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Kuwait	38,218,555	32,425,450	31,198,890
Jordan	427,749	415,062	408,159
	38,646,304	32,840,512	31,607,049

Investments properties amounting to KD9,432,000 (31 December 2014: KD9,432,000 and 30 September 2014: KD9,272,000) and KD14,052,971 (31 December 2014: KD9,350,000 and 30 September 2014: KD9,230,524) are secured against bank loans and Ijara Financing facilities respectively (refer note 10).

The above investment properties include jointly controlled investment properties with a carrying value of KD7,656,111 (31 December 2014: KD7,013,450 and 30 September 2014: KD6,333,866) which are partly financed from Ijara financing arrangement arranged by joint owner (related party).

During the period, one of the subsidiaries of the Group has transferred one of its buildings with a carrying value of KD 2,280,289 from owner occupied property to investment properties based on the change in use as it was rented out in the current quarter. The fair value of the property as per the independent valuation obtained as of the transfer date approximates the transfer value.

Notes to the interim condensed consolidated financial information (continued)

10 Borrowings from banks and financial institutions

	Effective interest/ profit rate p.a %	Security	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Short term					
Ijara financing	4.5	Secured	5,405,000	4,205,000	4,205,000
Murabaha and Tawaruq payables	4.5		906,907	-	-
			6,311,907	4,205,000	4,205,000
Long term					
Loans payable – Kuwaiti Dinar	3.5-3.75	Secured	73,845,500	81,657,500	83,032,500
Wakala payable – Kuwaiti Dinar	3.5	Secured	27,500,000	33,000,000	33,000,000
Ijara financing	4.5-5.0	Secured	5,636,768	6,064,582	6,193,624
			106,982,268	120,722,082	122,226,124
Total			113,294,175	124,927,082	126,431,124

- a. During 2011 and 2012, the Parent Company restructured its financing arrangements with some local banks and accordingly loans amounting to KD101,345,500 (net of repayment of KD57,204,500) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 30 September 2015, these are partly secured (notes 6,8 and 9) and the process of identification and securitization of the required balance is in process.

The Parent Company is currently in the process of rescheduling the original repayment plan of its loans amounting to KD101,345,500 including an amount of KD23,990,500 which was due within one year from 30 September 2014 and KD77,355,000 due after one year from that date. Loan instalments totalling KD38,677,500 (including an amount of KD14,687,000 which has been paid during December 2014 and during 2015) from five lending bankers fell due and all five lenders have agreed to rollover the balance and continue discussions with the Parent Company to reschedule the dues. The Parent Company had submitted a debt rescheduling plan to all its lenders and had, also requested from all of the lenders to extend the standstill agreements beyond 30 November 2015 as the restructuring is still in process and to continue negotiations to reach an acceptable debt rescheduling solution. During the nine-month period ended 30 September 2015, the Parent Company has received approval from its lender to whom an amount of KD39,059,250 was payable as at 30 September 2015, to the requested standstill till 31 August 2015 and from the remaining lenders till 30 November 2015, for the requested standstill. Though the standstill date has not been formally extended, in the above standstill approval letters the lenders have agreed to continue negotiations on debt restructuring to reach an acceptable debt rescheduling solution. Accordingly, the Parent Company's management expects to finalize the debt rescheduling within the next three months.

As per the standstill approval letters, the Parent Company should pay KD 19,338,750, being 50% of the third instalment, within four months from the original due date including an amount of KD14,687,000 which has already been paid. The remaining 50% (KD19,338,750 including an amount of KD 1,375,000 which was rolled over till 30 November 2015 but its further rescheduling is still in process) is to be added to the outstanding loan for final restructuring. Subsequent to the reporting date, the Parent Company paid KD 337,500 to a lender as required by the standstill approval letters.

Debt rescheduling may involve upfront settlement of part of the debts, providing collateral to the financiers over the Group assets, renegotiating the pricing and repayment period of credit facilities and other terms and restrictions usually associated with such debts rescheduling process.

Notes to the interim condensed consolidated financial information (continued)

10 Borrowings from banks and financial institutions (continued)

- b. Ijara financing contracts amounting to KD11,041,768 (31 December 2014: KD10,269,582 and 30 September 2014: KD10,398,124) are secured by investments properties (Note 9) and property and equipment KD Nil (31 December 2014: KD2,200,000 and 30 September 2014: KD2,200,000).
- c. Long term loans and wakala amounting to KD101,345,500 (31 December 2014: KD114, 675,500 and 30 September 2014: KD116,032,500) are secured by investment at fair value through profit or loss (note 6), available for sale investments (note 8), investment properties (note 9) and against shares of two unlisted subsidiaries of the Parent Company.

- d. The above loans are due as follows:

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Short term Ijara Financing and loans	5,405,000	4,205,000	4,205,000
Short term Murabaha and Tawaruq payable	906,907	-	-
Long term loans and Wakala payable			
- Current portion due within one year	6,026,875	15,024,375	38,677,500
- Due after more than one year	95,318,625	99,633,125	77,355,000
Long term ijara financing			
- Current portion due within one year	863,755	870,886	804,011
- Due after more than one year	4,773,013	5,193,696	5,389,613
	113,294,175	124,927,082	126,431,124

11 Share capital, treasury shares and non-controlling interests

- a. The authorised, issued and paid up share capital of the Parent Company comprise of 413,162,761 shares of 100 Fils each (31 December 2014: 413,162,761 and 30 September 2014: 413,162,761 of 100 Fils each), fully paid in cash.
- b. At the AGM held on 15 May 2014, the shareholders approved 10% bonus shares on outstanding shares as at the date of the AGM, which is 37,560,251 shares of 100 Fils each amounting to KD3,756,025 for the year ended 2013.
- c. During the period one of the subsidiaries of the Group (Noor Al-Salhiya Real Estate Company KSCC) increased its share capital from KD11,000,000 to KD15,000,000 (40,000,000 shares with a par value of 100 fils and premium of 10 fils per each share). The Parent Company did not subscribe for this increase and consequently the Parent Company's shareholding in this subsidiary diluted from 100% to 73.32%. The proportionate carrying value of net assets on the date of dilution amounting to KD5,107,562 relating non-controlling interests has been transferred to non-controlling interest in the interim condensed consolidated statement of changes in equity. Consequently the difference between cash proceeds received and non- controlling interests share of net assets on the date of dilution amounting to KD707,562 has been recognized as a dilution loss in the interim condensed consolidated statement of changes in equity as of 30 September 2015.

Notes to the interim condensed consolidated financial information (continued)

11 Share capital, treasury shares and non-controlling interests (continued)

- d. On 1 September 2015, the shareholders of one of the subsidiaries of the Group, (Kuwaiti Indian Holding Company - KSCC) decided to further decrease its share capital by KD4,000,000 out of which KD1,731,882 pertains to non-controlling interests. After completing its necessary formalities an amount of KD4,088,696 including prior capital reduction (31 December 2014: KD3,932,248 and 30 September 2014: KD3,911,655) has been paid to non-controlling interests and the balance amount is shown under accounts payable and other liabilities.
- e. Furthermore an amount of KD904,653 (31 December 2014: KD943,381 and 30 September 2014: KD956,119) is due to non- controlling interests for decrease in the share capital of another subsidiary (Noor Telecommunication Company - KSCC) during 2012 and is included under accounts payable and other liabilities.
- f. The Group holds treasury shares as follows:

	30 Sep 2015 (Unaudited)	31 Dec. 2014 (Audited)	30 Sep 2014 (Unaudited)
Number of shares	10,359,065	10,359,065	10,359,065
Percentage of issued shares	2.51%	2.51%	2.51%
Market value (KD)	642,262	973,752	1,180,933
Cost (KD)	3,410,573	3,410,573	3,410,573

Reserves equivalent to the cost of treasury shares held are not distributable. The treasury shares are not held as collateral against any financial liabilities.

12 Goodwill and intangible assets

This includes an intangible asset in the form of an indefeasible right of use (IRU) to a telecommunication asset carried at KD3,630,901(31 December 2014: KD8,285,382 and 30 September 2014 KD Nil) arising from a subsidiary. During the current period the subsidiary re-negotiated the financial and other terms of its use and, accordingly, as per the new contractual terms, its carrying value and that of the related liability has reduced by KD2,539,256 and KD2,604,655 respectively. Consequently, based on the information available, the Group's management has recognised an impairment of KD2,115,225 which includes, net cancellation charges of KD560,578 related to the previous contract.

13 Segment analysis

The Group activities are concentrated in three main segments: investments, real estate and hotel & IT services. These segments are regularly reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance assessment. In addition, the segments results, assets and liabilities are reported based on the geographical location in which the Group operates in. Segment results include revenue and expense directly attributable to each reporting segment as the Group does not have any inter segment charges. Segment assets comprise those operating assets that are directly attributable to the segment.

Notes to the interim condensed consolidated financial information (continued)

14 Related party transactions

Related parties represent the Ultimate Parent Company, associates, directors and key management personnel of the Group, and other related parties such as subsidiaries of the ultimate parent company (fellow subsidiaries), 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. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Interim condensed consolidated statement of financial position			
Due from related parties and the Ultimate Parent Company			
- Due from Ultimate Parent Company (note 7) (net)	46,200	55,837	56,452
- Due from associates (note 7)	178,631	34,281	49,968
- Due from other related parties (note 7)	897,796	46,203	1,382,045
- Accrued management fees	678,312	782,251	645,643
Due to related parties	2,000	84,813	320,513
Purchase of investment property	-	1,280,500	1,281,500
Transfer of investment at fair value through profit or loss	2,200,042	-	-
	<u>Three months ended</u>	<u>Three months ended</u>	<u>Nine months ended</u>
	30 Sept. 2015 (Unaudited) KD	30 Sept. 2014 (Unaudited) KD	30 Sept. 2015 (Unaudited) KD
			30 Sept. 2014 (Unaudited) KD
Interim condensed consolidated statement of profit or loss			
Management and placement fees			
- earned from Ultimate Parent Company	150	202	460
- earned from other related parties	252	196	1,091
Reversal of provision for impairment on receivable from Ultimate Parent Company (note 7b)	2,188,996	-	2,188,996
Compensation of key management personnel of the Group			
Short term employee benefits	18,632	48,253	93,717
End of service benefits	1,203	5,887	3,628
	<u>19,835</u>	<u>54,140</u>	<u>97,345</u>
			<u>343,389</u>

Notes to the interim condensed consolidated financial information (continued)

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

15.1 Categories of financial assets and liabilities

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

	30 Sept. 2015 (Unaudited) KD	31 Dec. 2014 (Audited) KD	30 Sept. 2014 (Unaudited) KD
Loans and receivables(at amortised cost):			
• Cash and bank balances	9,236,079	8,137,702	8,474,953
• Short term deposits	3,113,254	1,570,220	607,074
• Murabaha and wakala investments	-	598,354	596,332
• Accounts receivable and other assets (note 7)	15,849,112	14,000,912	18,703,417
	28,198,445	24,307,188	28,381,776
Investments at fair value through profit or loss: (note 6)			
• - Held for trading	9,470,609	17,372,642	22,138,515
• - Designated at fair value	1,418,254	-	-
	10,888,863	17,372,642	22,138,515
Available for sale investments (note 8)			
• At fair value	42,291,197	56,399,301	63,783,059
• At cost / cost less impairment (refer note 8(a))	1,643,215	1,808,118	1,551,068
	43,934,412	58,207,419	65,334,127
Total financial assets	83,021,720	99,887,249	115,854,418
Financial liabilities (at amortised costs) :			
• Due to banks	920,268	1,508,363	-
• Accounts payable and other liabilities	9,445,809	9,932,077	6,081,153
• Borrowings from banks and financial institutions (note 10)	113,294,175	124,927,082	126,431,124
	123,660,252	136,367,522	132,512,277

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 measurement date. The Group measures financial instruments such as 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) at fair value. In the opinion of the Group's management, except certain long term borrowing (Note 10) the carrying amounts of financial assets and liabilities which are carried of amortised cost approximate to their fair values.

Notes to the interim condensed consolidated financial information (continued)

15 Summary of financial assets and liabilities by category (continued)

15.2 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 and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for assets or liabilities 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 in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

30 September 2015	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value:				
Investments at fair value through profit or loss				
- Quoted shares	9,470,609	-	-	9,470,609
- Unquoted shares	-	1,418,254	-	1,418,254
Available for sale investments				
- Quoted shares	14,750,913	1,225,033	-	15,975,946
- Unquoted shares	-	9,696,292	10,762,826	20,459,118
- Foreign funds	-	5,856,133	-	5,856,133
Total assets	24,221,522	18,195,712	10,762,826	53,180,060
31 December 2014	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Financial assets at fair value:				
Investments at fair value through profit or loss				
-Quoted shares	17,372,642	-	-	17,372,642
Available for sale investments				
-Quoted shares	23,952,288	-	-	23,952,288
-Unquoted shares	-	15,131,582	10,848,554	25,980,136
-Foreign funds	-	6,466,877	-	6,466,877
Total assets	41,324,930	21,598,459	10,848,554	73,771,943

Notes to the interim condensed consolidated financial information (continued)

15 Summary of financial assets and liabilities by category (continued)

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

30 September 2014	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value:				
Investments at fair value through profit or loss				
- Quoted shares	22,138,515	-	-	22,138,515
Available for sale investments				
- Quoted shares	26,359,123	-	-	26,359,123
- Unquoted shares	-	12,419,218	18,630,904	31,050,122
- Foreign funds	-	6,373,814	-	6,373,814
Total assets	48,497,638	18,793,032	18,630,904	85,921,574

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous reporting year/period, except for certain quoted shares that have been fair valued based on valuation techniques as the Group's management believes that such valuations are more representative of the fair values of such investments based on the information available to the management. Accordingly these investments have been included under level 2.

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

16 Contingent liabilities and Capital commitments

At the reporting date, the Group had capital commitments of KD1,840,538 (31 December 2014: KD1,945,441 and 30 September 2014: KD2,166,619) towards purchase of investments and guarantees amounting to KD7,260,849 (31 December 2014: KD7,311,950 and 30 September 2014: KD7,187,164).

17 Fiduciary assets

The Group manages mutual funds and portfolios on behalf of its Ultimate Parent Company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's interim condensed consolidated statements of financial position. Assets under management at 30 September 2015 amounted to KD55,466,354 (31 December 2014: KD53,931,582 and 30 September 2014: KD58,334,863) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD52,824,729 (31 December 2014: KD52,110,885 and 30 September 2014: KD56,068,249).

18 Directors' remuneration

The shareholders of the Parent Company at the Annual General Meeting approved the directors' proposal to distribute a total amount of KD24,000 as remuneration to the Board of Directors for the year ended 31 December 2014, which is in excess of the amount stipulated in the Companies Law. Consequently, this has been recorded as expense during the period ended 30 September 2015.

19 Comparative information

Certain comparative amounts for the previous period have been reclassified to be consistent with the presentation for the current period. Such classification did not affect previously reported results, total assets or equity.