Interim condensed consolidated financial information and review report

Al-Deera Holding Company – KPSC and Subsidiaries

Kuwait

31 March 2016 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

To the board of directors of
Al-Deera Holding Company – KPSC
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Deera Holding Company (Kuwaiti Public Shareholding Company) (the "Parent Company") and its subsidiaries (collectively the "Group") as of 31 March 2016 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Emphasis of matter
At 31 March 2016, the current liabilities of Al-Deera Holding Company and its subsidiaries exceeded current assets by KD27,783,363. These conditions may indicate inability of an entity to continue as a going concern. Further, as disclosed in note 10 to the interim condensed consolidated financial information, certain instalments of a syndicated loan were not settled resulting into maturity of the entire outstanding loan. As discussed in note 10, subsequent to the period end, the parent company has reached a settlement agreement regarding the syndicated loan facility.

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and the Executive Regulations of Law No. 25 of 2012, as amended, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the three-month period ended 31 March 2016 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
15 May 2016

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2016 (Unaudited) KD	(Restated) Three months ended 31 March 2015* (Unaudited) KD
Continuing operations			
Revenue			
Change in fair value of investments at fair value through profit or loss		(1,325)	21,829
Profit on sale of available for sale investments		-	450,070
Share of results of associates		78,198	282,331
Profit on sale of associates	7	150,798	-
Loss on disposal of subsidiary		-	(525,926)
Reversal of a liability no longer required		-	1,191,404
Dividend income		-	873
Interest and other income		7,179	4,693
Gain/(loss) on foreign exchange		60,312	(686,878)
		295,162	738,396
Expenses and other charges			
Staff costs		(73,045)	(99,125)
General, administrative and other expenses		(55,483)	(70,560)
Finance costs		(392,129)	(390,021)
Impairment of available for sale investments		-	(169,960)
		(520,657)	(729,666)
(Loss)/profit for the period from continuing operations		(225,495)	8,730
Discontinued operations			
Profit for the period from discontinued operations	5	156,320	167,894
Total (loss)/profit for the period		(69,175)	176,624
Attributable to:			
Shareholders of the parent company		(144,358)	50,850
Non-controlling interests		75,183	125,774
		(69,175)	176,624
Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company	6		
- From continuing operations		(1.05) Fils	(0.07) Fils
- From discontinued operations		0.32 Fils	0.33 Fils
Total		(0.73) Fils	0.26 Fils

* Amount shown here do not correspond with the previously reported interim condensed consolidated financial information for three-month period ended 31 March 2015 as a result of adjustments made for discontinued operations as detailed in note 5.

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

	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
(Loss)/profit for the period	(69,175)	176,624
Other comprehensive income/(loss):		
Items that will be reclassified subsequently to consolidated statement of profit or loss:		
Exchange differences arising on translation of foreign operations	22,827	(30,856)
Available for sale investments:		
- Net change in fair value arising during the period	50,014	(1,268,156)
- Transferred to consolidated statement of profit or loss on sale	-	(570,569)
- Transferred to consolidated statement of profit or loss on impairment	-	169,960
Share of other comprehensive (loss)/income of associates	(290,177)	75,904
Total other comprehensive loss for the period	(217,336)	(1,623,717)
Total comprehensive loss for the period	(286,511)	(1,447,093)
Attributable to:		
Shareholders of the parent company	(361,694)	(1,579,583)
Non-controlling interests	75,183	132,490
	(286,511)	(1,447,093)

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Assets				
Non-current assets				
Goodwill		1,573,096	3,975,204	8,633,112
Property, plant and equipment		1,428	3,327,767	3,712,912
Intangible asset		-	6,182,193	6,182,193
Deferred costs		-	1,115,536	1,194,071
Investment in associates	7	24,774,431	25,643,387	28,190,206
Available for sale investments	8	8,029,756	7,828,585	10,268,156
		34,378,711	48,072,672	58,180,650
Current assets				
Inventories		-	509,413	604,403
Receivables and other assets		2,016,976	4,964,965	6,251,943
Current portion of deferred costs		-	104,714	104,715
Investments at fair value through profit or loss		487,999	489,324	1,778,998
Balances with banks and other financial institutions		127,707	330,335	483,334
		2,632,682	6,398,751	9,223,393
Assets included in disposal group classified as held for sale	5	17,146,008	-	-
Total assets		54,157,401	54,471,423	67,404,043
Equity and liabilities				
Equity				
Share capital		19,737,880	19,737,880	19,737,880
Other components of equity	9	1,028,762	1,246,098	(3,272,918)
(Accumulated losses)/retained earnings		(10,142,704)	(10,002,651)	85,785
Total equity attributable to the shareholders of the parent company		10,623,938	10,981,327	16,550,747
Non-controlling interests		3,483,032	3,407,849	2,908,967
Total equity		14,106,970	14,389,176	19,459,714
Liabilities				
Non-current liabilities				
Term loans	10	-	1,015,000	1,119,050
Provision for employees' end of service benefits		238,537	1,101,783	1,118,154
		238,537	2,116,783	2,237,204
Current liabilities				
Payables and other liabilities		15,903,245	18,214,549	14,986,672
Advances from customers		-	3,858,435	3,820,608
Current portion of term loans	10	14,512,800	15,892,480	26,899,845
		30,416,045	37,965,464	45,707,125
Liabilities included in disposal group classified as held for sale	5	9,395,849	-	-
Total liabilities		40,050,431	40,082,247	47,944,329
Total equity and liabilities		54,157,401	54,471,423	67,404,043

Talal Bader Al-Bahar
Chairman

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the shareholders of the parent company				Non-controlling interests	Total
	Share capital KD	Other components of equity (Note 9) KD	(Accumulated losses)/retained earnings KD	Sub – total KD	KD	KD
Balance at 1 January 2016	19,737,880	1,246,098	(10,002,651)	10,981,327	3,407,849	14,389,176
(Loss)/profit for the period	-	-	(144,358)	(144,358)	75,183	(69,175)
Other comprehensive loss for the period	-	(217,336)	-	(217,336)	-	(217,336)
Total comprehensive (loss)/income for the period	-	(217,336)	(144,358)	(361,694)	75,183	(286,511)
Effect of change in ownership percentage of an associate's subsidiary	-	-	4,305	4,305	-	4,305
Balance at 31 March 2016 (Unaudited)	19,737,880	1,028,762	(10,142,704)	10,623,938	3,483,032	14,106,970

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the shareholders of the parent company					Non-controlling interests	Total
	Share capital	Legal reserve	Other components of equity (Note 9)	(Accumulated losses)/retained earnings	Sub – total		
	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2015	74,445,648	994,976	(1,642,485)	(55,667,809)	18,130,330	2,776,477	20,906,807
Write off of accumulated losses	(54,707,768)	(994,976)	-	55,702,744	-	-	-
Total transactions with shareholders	(54,707,768)	(994,976)	-	55,702,744	-	-	-
Profit for the period	-	-	-	50,850	50,850	125,774	176,624
Other comprehensive (loss)/income for the period	-	-	(1,630,433)	-	(1,630,433)	6,716	(1,623,717)
Total comprehensive (loss)/income for the period	-	-	(1,630,433)	50,850	(1,579,583)	132,490	(1,447,093)
Balance at 31 March 2015 (Unaudited)	19,737,880	-	(3,272,918)	85,785	16,550,747	2,908,967	19,459,714

The notes set out on pages 9 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Three months ended 31 March 2016 (Unaudited) KD	(Restated) Three months ended 31 March 2015* (Unaudited) KD
(Loss)/profit for the period from continuing operations	**(225,495)**	8,730
Adjustments for:		
Foreign exchange (gain)/loss on non-operating assets and liabilities	**(60,312)**	686,878
Reversal of a liability no longer required	-	(1,191,404)
Interest and other income	**(7,179)**	(4,693)
Provision for employees' end of service benefits	**18,714**	11,183
Profit on sale of available for sale investments	-	(450,070)
Share of results of associates	**(78,198)**	(282,331)
Profit on sale of associate	**(150,798)**	-
Finance costs	**392,129**	390,021
Impairment of available of for sale investments	-	169,960
Loss on disposal of subsidiary	-	525,926
Dividend income	-	(873)
	(111,139)	(136,673)
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	**1,325**	(25,820)
Receivables and other assets	**(625,266)**	28,827
Payables and other liabilities	**(85,312)**	178,910
Employees' end of service benefits paid	**(8,616)**	(36,736)
Net cash (used in)/from continuing operations	**(829,008)**	8,508
Net cash from/(used in) discontinued operations	**5,495**	(57,566)
Net cash used in operating activities	**(823,513)**	(49,058)
INVESTING ACTIVITIES		
Proceeds on sale and redemption of available for sale investments	-	243,033
Proceed from sale of associate	**806,600**	-
Interest income received	-	4,693
Purchase of property, plant and equipment	**(265)**	-
Investment in associates - net	-	(107,225)
Dividend income received	-	873
Net cash from investing activities	**806,335**	141,374
Net (decrease)/increase in cash and cash equivalents	**(17,178)**	92,316
Cash and cash equivalents at beginning of the period	**330,335**	391,018
Cash and cash equivalents included in disposal group	**(185,450)**	(219,207)
Cash and cash equivalents at end of the period	**127,707**	264,127
Non cash transaction:		
Sale of available for sale investment	-	4,363,178
Payables and other liabilities	-	(4,363,178)

* Amount shown here do not correspond with the previously reported interim condensed consolidated financial information for three-month period ended 31 March 2015 as a result of adjustments made for discontinued operations as detailed in note 5.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

Al Deera Holding Company (the parent company) was established on 18 February 1998 as a Kuwaiti limited liability company. On 8 September 2005, the legal status of the company was changed from a limited liability company to a Kuwaiti public shareholding company.

The extraordinary general assembly held on 26 June 2015 approved the amendment of the parent company's objectives to become as follows:

- Management of the parent company's subsidiaries or participation in management of other companies in which it holds ownership stakes and providing the necessary support thereto.
- Investing funds by way of trading in shares, bonds and other financial securities
- Acquisition of properties and movables necessary to carry out the business activities as allowable by the law.
- Financing and extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or royalties and any other property related thereto, and renting such properties to the subsidiary companies and others whether inside Kuwait or abroad.

The parent company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The parent company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The parent company has the right to establish, participate in or acquire such institutions.

The parent company's shares are listed on Kuwait Stock Exchange. The group comprises the parent company and its subsidiaries.

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

The address of the parent company's registered offices is PO. Box 4839, Safat 13049 – Kuwait.

The interim condensed consolidated financial information of the group for the three month period ended 31 March 2016 was authorized for issue by the directors of parent company on 15 May 2016.

2 Basis of preparation

The interim condensed consolidated financial information of the group has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the most recent annual consolidated financial statements of the group for the year ended 31 December 2015 except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional currency of the group.

This 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 management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the three month period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016. For further details, refer to the consolidated financial statements and their disclosures for the year ended 31 December 2015.

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 2016. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments	1 January 2016
IAS 1 Disclosure Initiative - Amendments	1 January 2016
IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments	1 January 2016
IAS 27 Equity Method in Separate Financial Statements - Amendments	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle	1 January 2016

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the group (continued)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments

Amendments to IFRS 11 Joint Arrangements require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. It also requires disclosure of the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured). The amendments apply prospectively to acquisitions of interests in joint operations.

IAS 1 Disclosure Initiative – Amendments

The Amendments to IAS 1 make the following changes:

- *Materiality*: The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information, (2) materiality considerations apply to the all parts of the financial statements, and (3) even when a standard requires a specific disclosure, materiality considerations do apply.

- *Statement of financial position and statement of profit or loss and other comprehensive income*: The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- *Notes*: The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. The IASB also removed guidance and examples with regard to the identification of significant accounting policies that were perceived as being potentially unhelpful.

IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets address the following matters:

- a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is generally inappropriate except for limited circumstances
- expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the group (continued)

IAS 27 Equity Method in Separate Financial Statements - Amendments

The Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

IFRS 10, IFRS 12 and IAS 28 'Investment Entities: Applying the Consolidation Exception - Amendments

The Amendments are aimed at clarifying the following aspects:

- *Exemption from preparing consolidated financial statements.* The amendments confirm that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

- *A subsidiary providing services that relate to the parent's investment activities.* A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

- *Application of the equity method by a non-investment entity investor to an investment entity investee.* When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

- *Disclosures required.* An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Annual Improvements to IFRSs 2012–2014 Cycle

(i) *Amendments to* IFRS 5 - Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

(ii) *Amendments to IFRS 7* - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

(iii) *Amendments to IAS 19* - Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

(iv) *Amendments to IAS 34* - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this consolidated interim financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the group.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 12 Income Taxes - Amendments	1 January 2017
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments

The Amendments to IAS 12 make the following changes:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

IFRS 9 Financial Instruments

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed

- an expected credit loss-based impairment will need to be recognised on the group's trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the group makes an irrevocable designation to present them in other comprehensive income. This will affect the group's investment amounting to KD318,199 (see note 8) if still held on 1 January 2018

- if the group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the group's own credit risk.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component
- specific issues, including –
  - o non-cash consideration and asset exchanges
  - o contract costs
  - o rights of return and other customer options
  - o supplier repurchase options
  - o warranties
  - o principal versus agent
  - o licencing
  - o breakage
  - o non-refundable upfront fees, and
  - o consignment and bill-and-hold arrangements.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Leases

The new Standard requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. It will affect most companies that report under IFRS and are involved in leasing, and will have a substantial impact on the financial statements of lessees of property and high value equipment. For many other businesses, however, exemptions for short-term leases and leases of low value assets will reduce the impact.

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 2015.

5 Disposal group classified as held for sale and discontinued operations

During the period, the group signed an agreement to sell its 40% ownership interest in Fast Telecommunication Company – WLL (subsidiary) for a total consideration of KD 4,400,000. Consequently, assets and liabilities allocable to this subsidiary were classified as a disposal group. Subsequent to the reporting date, the group consummated the sale transaction and transferred its ownership interest in the subsidiary to the buyers and will be recognised in the interim condensed consolidated financial information for the period ending 30 June 2016.

Revenue and expenses, gains and losses relating to the discontinuation of this subsidiary have been eliminated from profit or loss from the group's continuing operations and are shown as a single line item in the interim condensed consolidated statement of profit or loss. Operating results of Fast Telecommunication – WLL up to the reporting date are summarised below:

Revenue	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
Revenue	2,883,698	3,040,215
Direct costs	(2,022,210)	(2,169,015)
Gross profit	861,488	871,200
Other income	4,529	4,066
Foreign exchange gain/(loss)	2,242	(9,208)
	868,259	866,058
Expenses and other charges		
Staff costs	(321,360)	(386,279)
General and administrative expenses	(300,529)	(157,685)
Selling and marketing expenses	(25,930)	(79,295)
Finance costs	(64,120)	(74,905)
	(711,939)	(698,164)
Profit for the period from discontinued operations	156,320	167,894

Notes to the interim condensed consolidated financial information (continued)

5 Disposal group classified as held for sale and discontinued operations (continued)

The carrying amounts of assets and liabilities included in disposal group classified as held for sale are summarised below.

	31 March 2016 KD
Assets	
Non-current assets	
Goodwill	2,402,108
Equipment	3,106,762
Licence cost	6,182,193
Deferred costs	1,096,082
	12,787,145
Current assets	
Inventories	491,062
Receivables and other assets	3,576,863
Current portion of deferred costs	104,714
Due from related parties	774
Cash and cash equivalents	185,450
	4,358,863
Assets included in disposal group classified as held for sale	17,146,008
Liabilities	
Non-current liabilities	
Provision for employees' end of service benefits	855,684
Term loans	900,000
	1,755,684
Current liabilities	
Current portion of term loans	1,029,050
Payables and other liabilities	2,566,438
Advances from customers	4,044,677
	7,640,165
Liabilities included in disposal group classified as held for sale	9,395,849

Cash flows generated by disposal group classified as held for sale for the reporting periods under review are as follows:

	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
Operating activities	597,137	401,940
Investing activities	(49,635)	(198,581)
Financing activities	(542,007)	(260,925)
	5,495	(57,566)

Notes to the interim condensed consolidated financial information (continued)

6 Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company

Basic and diluted loss per share is calculated by dividing the (loss)/profit for the period attributable to the shareholders of the parent company by weighted average number of shares outstanding during the period (excluding treasury shares).

The parent company had no outstanding dilutive potential shares.

	Three months ended 31 March 2016 (Unaudited)	Three months ended 31 March 2015 (Unaudited)
Loss for the period attributable to the shareholders of the parent company from continuing operations (KD)	(206,886)	(14,629)
Profit for the period attributable to the shareholders of the parent company from discontinued operations (KD)	62,528	65,479
	(144,358)	50,850
Weighted average number of shares outstanding during the period (excluding treasury shares)	197,378,800	197,378,800
Basic and diluted (loss)/earnings per share attributable to the shareholders of the parent company		
- From continuing operations	(1.05) Fils	(0.07) Fils
- From discontinued operations	0.32 Fils	0.33 Fils
Total	(0.73) Fils	0.26 Fils

7 Investment in associates

The movement of investment in associates during the period/year was as follows:

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Balance at beginning of the period/year	25,643,387	27,724,746	27,724,746
Disposal of associates (see a below)	(661,282)	(877,412)	
Share of results	78,198	(1,517,984)	282,331
Share of other comprehensive (loss)/income loss of associates	(290,177)	579,295	75,904
Impairment of investment in associates	-	(369,594)	-
Reclassification from investment in subsidiaries	-	107,225	107,225
Effect of changes in ownership percentage of associate's subsidiary	4,305	(2,889)	-
	24,774,431	25,643,387	28,190,206

a. During the period, the group sold its associate, Sadara Industrial Development Company – WLL, for a total consideration of KD806,600 resulting into a gain of KD150,798.

Investment in associates amounting to KD4,454,920 (31 December 2015: KD5,389,016 and 31 March 2015: KD6,466,819) is pledged against term loans and due to related parties (notes 10 and 12).

Notes to the interim condensed consolidated financial information (continued)

8 Available for sale investments

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Investment portfolios	300,591	302,690	3,324,334
Quoted investments	1,578,432	1,529,579	1,775,263
Equity participations	6,150,733	5,996,316	5,168,559
	8,029,756	7,828,585	10,268,156

- Equity participations are investments with the objective of future medium and long-term capital growth. These investments include investments with a carrying value of KD318,199 (31 December 2015: KD318,199 and 31 March 2015: KD1,390,102) which are stated at cost due to unavailability of reliable fair market value.

- Available for sale investments having a carrying value of KD1,729,757 (31 December 2015: KD1,684,114 and 31 March 2015: KD5,565,325) are pledged as security against term loans and due to related parties (notes 10 and 12).

9 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2016	**1,237,383**	**8,715**	**1,246,098**
Exchange differences arising on translation of foreign operations	-	22,827	22,827
Share of other comprehensive loss of associates	(277,965)	(12,212)	(290,177)
AFS financial assets:			
- Net change in fair value arising during the period	50,014	-	50,014
Total other comprehensive (loss)/income for the period	(227,951)	10,615	(217,336)
Balance at 31 March 2016	**1,009,432**	**19,330**	**1,028,762**
Balance at 1 January 2015	(1,708,571)	66,086	(1,642,485)
Exchange differences arising on translation of foreign operations	-	(11,847)	(11,847)
Share of other comprehensive income/(loss) of associates	80,283	(4,379)	75,904
AFS financial assets:			
- Net change in fair value arising during the period	(1,293,881)	-	(1,293,881)
- Transferred to interim condensed consolidated statement of profit or loss on sale	(570,569)	-	(570,569)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	169,960	-	169,960
Total other comprehensive loss for the period	(1,614,207)	(16,226)	(1,630,433)
Balance at 31 March 2015	(3,322,778)	49,860	(3,272,918)

Notes to the interim condensed consolidated financial information (continued)

10 Term loans

Currency	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Kuwaiti Dinars (see 10.1 below)	-	2,315,480	2,304,770
US Dollars	-	-	11,278,125
US Dollars (see 10.2 below)	14,512,800	14,592,000	14,436,000
	14,512,800	16,907,480	28,018,895
Less: Instalments due within next twelve months – Kuwait Dinars	(14,512,800)	(15,892,480)	(26,899,845)
	-	1,015,000	1,119,050

10.1 These loans have been classified as part of the assets included in disposal group classified as held for sale (note 5).

10.2 On 21 October 2011, an instalment of USD26.5 million matured for a syndicated loan facility of USD53 million. However, during 2011, the group settled an amount of USD 5 million (equivalent to KD1,376,165) plus the related accrued interest up to that date of USD643,469 (equivalent to KD177,598). The remaining balance of USD48 million of the total facility was restructured to be paid in instalments with the final maturity on 30 December 2014. This balance was not paid and the group was unable to fully pay the interest due on this facility. Subsequent to the period end, on 4 May 2016, the parent company reached a settlement agreement with the banks. The banks have agreed to settle the entire outstanding balance of USD 48 million together with accrued interest of USD 9.1 million for a total payment of USD 16.8 million. This transaction will be recognised during the year ending 31 December 2016.

The average effective interest rate on this loan is 4.59% (31 December 2015: 4.59% and 31 March 2015: 4.59%) per annum.

The term loans are secured against investment in associates, available for sale investments and 50% of the share capital of Al- Deera International Communication Company (notes 7 and 8).

11 Annual general assembly

The Annual General Assembly of the parent company for the year ended 31 December 2015 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 2015 have not yet been approved. The interim condensed consolidated financial information for the three-month period ended 31 March 2016 does 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 2015.

The directors of the parent company did not propose dividends for the year ended 31 December 2015.

Notes to the interim condensed consolidated financial information (continued)

12 Related party balances and transactions

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

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

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Interim condensed consolidated statement of financial position:			
Due from related parties (included in receivables and other assets)	**809,804**	122,688	420,767
Due from associates (included in receivables and other assets)	**83,688**	83,548	10,263
Due to related parties (included in payables and other liabilities)	**10,498,865**	10,244,700	4,861,026
Due to associates (included in payables and other liabilities)	-	277,110	1,321,562
Sale of available for sale investments	-	8,473,325	4,484,090
Sale of investments at fair value through profit or loss	-	1,257,739	-

	Three months ended 31 March 2016 (Unaudited) KD	Three months ended 31 March 2015 (Unaudited) KD
Interim condensed consolidated statement of profit or loss:		
Finance costs (associates)	-	18,791
Finance costs (other related parties)	**123,506**	75,169
Management and advisory fees	**40,250**	31,250
Profit on sale of available for sale investments	-	450,070
Compensation of key management personnel:		
Short-term benefits	**21,000**	21,000
Employees' end of service benefits	**15,337**	2,596
	36,337	23,596

13 Segmental information

The group's reportable segments under IFRS 8 are as follows:

- Telecommunication
- Investments

Notes to the interim condensed consolidated financial information (continued)

13 Segmental information (continued)

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

	Telecommunication		Investments		Total	
	31 March 2016 (Unaudited) KD	31 March 2015 (Unaudited) KD	31 March 2016 (Unaudited) KD	31 March 2015 (Unaudited) KD	31 March 2016 (Unaudited) KD	31 March 2015 (Unaudited) KD
Three months ended:						
Segment revenue						
From continuing operations	-	-	295,162	738,396	295,162	738,396
From discontinued operations	2,883,698	3,040,215	-	-	2,883,698	3,040,215
	2,883,698	3,040,215	295,162	738,396	3,178,860	3,778,611
Segment profit/(loss):						
From continuing operations	-	-	(225,495)	8,730	(225,495)	8,730
From discontinued operations	156,320	167,894	-	-	156,320	167,894
Profit/(loss) for the period	156,320	167,894	(225,495)	8,730	(69,175)	176,624
As at 31 March :						
Total segment assets	17,146,008	16,514,406	37,011,393	50,889,637	54,157,401	67,404,043
Total segment liabilities	9,395,849	12,163,794	30,654,582	35,780,535	40,050,431	47,944,329

14 Contingent liabilities

At 31 March 2016, the group had contingent liabilities in respect of outstanding bank guarantees amounting to KD2,342,000 (31 December 2015: KD2,342,000 and 31 March 2015: KD2,342,000).

In addition, the parent company has provided a corporate guarantee to a local bank for the bank facilities provided by the bank to a subsidiary amounting to KD924,353 (31 December 2015: KD914,109 and 31 March 2015: KD1,193,694).

15 Capital commitments

At 31 March 2016, the group had capital commitments of KD Nil (31 December 2015: KD151,157 and 31 March 2015: KD637,083) towards purchase of investments and an amount of KD482,467 (31 December 2015: KD482,467 and 31 March 2015: KD272,538) for the acquisition of internet bandwidth capacity.

16 Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2015.

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement

17.1 Fair value hierarchy

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 consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying amounts of the group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position are as follows:

	31 March 2016 (Unaudited) KD	31 Dec. 2015 (Audited) KD	31 March 2015 (Unaudited) KD
Financial assets:			
Loans and receivables at amortised cost:			
- Receivables and other assets	2,016,976	4,274,763	5,403,344
- Balances with banks and other financial institutions	127,707	330,335	483,334
Investments at fair value through profit or loss:			
Investments at fair value through profit or loss – at fair value	487,999	489,324	1,778,998
Available for sale investments:			
Available for sale investments – at fair value	7,711,557	7,510,386	8,878,054
Available for sale investments – at cost	318,199	318,199	1,390,102
	10,662,438	12,923,007	17,933,832
Financial liabilities at amortised cost:			
Term loans	14,512,800	16,907,480	28,018,895
Payables and other liabilities	15,903,245	18,214,549	14,986,672
	30,416,045	35,122,029	43,005,567

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

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.

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.1 Fair value hierarchy (continued)

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

31 March 2016

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Designated on initial recognition					
Quoted investments	a	-	-	-	-
Unquoted investments	b	-	-	476,082	476,082
Investment portfolios	c	11,917	-	-	11,917
Available for sale investments					
Investment portfolios	c	300,591	-	-	300,591
Quoted investments	a	1,578,432	-	-	1,578,432
Equity participations	d	-	1,966,500	3,866,034	5,832,534
Net fair value		1,890,940	1,966,500	4,342,116	8,199,556

31 December 2015

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Designated on initial recognition					
Unquoted investments	b	-	-	476,082	476,082
Investment portfolios	c	13,242	-	-	13,242
Available for sale investments					
Investment portfolios	c	302,690	-	-	302,690
Quoted investments	a	1,529,579	-	-	1,529,579
Equity participations	d	-	1,812,083	3,866,034	5,678,117
Net fair value		1,845,511	1,812,083	4,342,116	7,999,710

31 March 2015

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Designated on initial recognition					
Unquoted investments	b	-	-	480,214	480,214
Investment portfolios	c	1,298,784	-	-	1,298,784
Available for sale investments					
Investment portfolios	c	3,324,334	-	-	3,324,334
Quoted investments	a	1,775,263	-	-	1,775,263
Equity participations	d	-	668,925	3,109,532	3,778,457
Net fair value		6,398,381	668,925	3,589,746	10,657,052

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

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.2 Fair value measurement of financial instruments

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.

a) Quoted securities
All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities
The financial statements include holdings in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

c) Investment portfolios
The underlying investments of investment portfolios primarily comprise of local and foreign securities whose fair value has been determined by reference to their quoted bid prices at the reporting date.

d) Equity participations
Equity participations are investments with the objective of future medium and long-term capital growth.

e) Financial liabilities
The group does not have any financial liabilities at fair value.

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:

	31 March 2016 (Unaudited)		31 Dec. 2015 (Audited)		31 March 2015 (Unaudited)	
	Investments at fair value KD	Available for sale investments KD	Investments at fair value KD	Available for sale investments KD	Investments at fair value KD	Available for sale investments KD
Opening balance	476,082	3,866,034	480,214	7,423,662	480,214	7,423,662
Gains or losses recognised in:						
- Statement of profit or loss	-	-	-	-	-	-
- Other comprehensive income	-	-	-	584,462	-	-
- Sales	-	-	(4,132)	(4,484,090)	-	(4,484,090)
Additions during the period/year	-	-	-	342,000	-	169,960
Closing balance	**476,082**	**3,866,034**	476,082	3,866,034	480,214	3,109,532

Gains or losses recognized in the consolidated statement of profit or loss for the period/year are included in change in fair value of investments at fair value through profit or loss and profit on sale of available for sale investments.

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)
Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

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