

**Investment Dar Bank B.S.C. (c)**

Condensed consolidated interim  
financial information for the quarter  
and nine months period ended  
30 September 2016 (Reviewed)

**Investment Dar Bank B.S.C. (c)**  
**Condensed consolidated interim financial information for the nine months**  
**ended 30 September 2016**  
**(Reviewed)**

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**Investment Dar Bank B.S.C. (c)**  
**Administration and contact details as at 30 September 2016**

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<b>Commercial registration no.</b>	66163 obtained on 8 August 2007	
<b>CBB Licence no.</b>	WB/064 obtained on 17 July 2007	
<b>Board of Directors</b>	Abdullah Meshari AlHumaidhi Mohamed Abdulrahman AlMutawa Ibrahim Abbas Sukhi Eissa Yousef AlShamlan Mustafa Ismail Abdelrassoul Mohamed Ebrahim AlHammadi Yusuf Mohamed AlThawadi	☒ Deputy Chairman - Chief Executive Officer
<b>Executive committee</b>	Abdullah Meshari AlHumaidhi Mohamed Abdulrahman AlMutawa Ibrahim Abbas Sukhi	☒ Chairman
<b>Audit committee</b>	Mohamed Ebrahim AlHammadi Eissa Yousef AlShamlan Yusuf Mohamed AlThawadi	- Chairman
<b>Shari'a Supervisory Advisor</b>	Isam Mohammed Ishaq Dr. Isam Khalif Alanzi Dr. Abdul aziz Alqassar	- Chairman
<b>Registered office</b>	Al-Zamil Towers Government Avenue PO Box 75751 Manama Kingdom of Bahrain	
<b>Bankers</b>	Bahrain Islamic Bank Ahli Bank of Kuwait City Bank Khaleeji Commercial Bank	
<b>Auditors</b>	BDO 17 <sup>th</sup> Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

## Review report on the condensed interim financial information to the Board of Directors of Investment Dar Bank B.S.C. (c)

### Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Investment Dar Bank B.S.C. (c) (“the Bank”) and its subsidiaries (collectively referred to as “the Group”) as at 30 September 2016, the condensed consolidated interim statement of income, the condensed consolidated interim statement of changes in owners’ equity, the condensed consolidated interim statement of cash flows for the quarter and nine months period then ended, and selected explanatory notes. The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Shari’a Rules and Principles as determined by the Shari’a Supervisory Advisor of the Group. Our responsibility is to express a conclusion on this condensed consolidated interim 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 condensed consolidated 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 consolidated condensed interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 September 2016, and of its financial performance and its cash flows for the quarter and nine months then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Sharia’a Rules and Principles as determined by the Sharia’a Supervisory Advisor of the Company.

### Emphasis of matter

#### (1) Going concern

As explained in Note 7, the Group has Wakala placements totalling US\$75,914,947 with The Investment Dar K.S.C. (“the Parent Company” or “TID”) and a related party which has been fully provided for as at 30 September 2016. Further, as explained in Note 11, the Group has acted as an agent in Wakala investments totalling US\$481,102,675 where various investors and financial institutions have placed funds with the Parent Company and others. The Parent Company, a related party of the Group, and others have defaulted on repayments of these Wakala and restricted investment accounts. The repayments were rescheduled under a stipulated court judgment served on the Parent Company by the Kuwaiti Special Circuit Court of Appeal in June 2011.

**Review report on the condensed interim financial information  
to the Board of Directors of Investment Dar Bank B.S.C. (c) (continued)**

**(1) Going concern (continued)**

After first repayment, the Parent Company did not repay any subsequent tranches. In 2014 and 2015, under the Financial Stability Law the protection was lifted and withheld upon the appeal of the Parent company. However, on 11 February 2016, the Special Circuit Court of Appeal hearing rejected TID's application under the Financial Stability Law and accordingly, the protection was lifted again. TID is studying alternative settlement plans including the preventive arrangement scheme to protect the rights of its creditors and had already secured its shareholder approval for that. The condensed consolidated interim financial information has been prepared using the going concern assumption given that the alternative settlement plan is being considered and the fact that the Bank has no obligation to sell directly any assets owned by the Company or liquidate the Company to settle the liabilities of the Parent Company. Management's view on the going concern assumption is explained in Note 10.

**(2) Title of investment in real estate held-for-use**

During 2012, an overdue Murabaha debt receivable of US\$50,986,836 as detailed in Note 8(a) was settled through a transfer of real estate assets to the Group. The Group had US\$15,705,723 impairment provision recognised against this debt receivable as at 31 December 2012. The assets are valued in the books of the Bank at US\$35,281,113, an amount equivalent to the value of outstanding Murabaha payables less of impairment provision. The assets comprise a majority shareholding in two companies whose principal assets are ownership rights over certain real estate. Absolute title to this real estate is held in trust by a third party, pending sub-division of title. The subsidiary companies holding the underlying real estate are consolidated in this financial information as at 30 September 2016.

*BDO*


Manama, Kingdom of Bahrain  
6 November 2016





Investment Dar Bank B.S.C. (c)  
 Condensed consolidated interim statement of financial position as at 30 September 2016  
 (Reviewed)  
 (Expressed in US Dollars)

	<u>Notes</u>	<u>Reviewed 30 September 2016</u>	<u>Audited 31 December 2015</u>
<b>ASSETS</b>			
Cash and bank balances	4	7,743,811	9,001,462
Prepayments and other assets	5	86,287	93,878
Investment securities	6	12,573,275	13,189,689
Investment in real estate held-for-use	8	46,391,588	46,391,588
Property and equipment		<u>17,156,114</u>	<u>17,157,168</u>
<b>Total assets</b>		<b><u>83,951,075</u></b>	<b><u>85,833,785</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Accruals and other payables		<u>2,562,990</u>	<u>2,517,007</u>
<b>Equity</b>			
Share capital	9	200,000,000	200,000,000
Statutory reserve		851,737	851,737
Property fair value reserve	8	1,225,164	1,225,164
Investments fair value reserve		431,265	1,069,647
Foreign currency translation reserve		(324,857)	(346,825)
Accumulated losses		<u>(123,291,372)</u>	<u>(121,979,093)</u>
Non-controlling interest		78,891,937	80,820,630
		<u>2,496,148</u>	<u>2,496,148</u>
		<u>81,388,085</u>	<u>83,316,778</u>
<b>Total liabilities and equity</b>		<b><u>83,951,075</u></b>	<b><u>85,833,785</u></b>
<b><u>Off-statement of financial position items</u></b>			
Restricted investment accounts	11	<u>481,102,675</u>	<u>481,102,675</u>

The Reviewed condensed consolidated interim financial information, set out on pages 5 to 18, was approved for issue by the Board of Directors on 6 November 2016 and signed on their behalf by:

  
 Abdullah Meshari AlHumaidhi  
 Deputy Chairman

  
 Ibrahim Abbas Sukhi  
 Director


  
 Mohamed Abdulrahman AlMutawa  
 Director and Chief Executive Officer


Investment Dar Bank B.S.C. (c)  
 Condensed consolidated interim statement of income for the quarter and nine months period ended  
 30 September 2016  
 (Reviewed)  
 (Expressed in US Dollars)

	Notes	Reviewed quarter ended 30 September 2016	Reviewed quarter ended 30 September 2015	Reviewed nine months ended 30 September 2016	Reviewed nine months ended 30 September 2015
<b>Income</b>					
Gain on Murabaha settlement	7(c)	-	-	-	1,575,023
Gain on sale of investment securities		-	1,098,306	-	1,098,306
Other income	12	<u>91,363</u>	<u>116,561</u>	<u>274,087</u>	<u>312,548</u>
		<u>91,363</u>	<u>1,214,867</u>	<u>274,087</u>	<u>2,985,877</u>
<b>Expenses</b>					
Staff costs		(361,620)	(313,443)	(991,212)	(907,680)
Other operating expenses		(142,157)	(76,061)	(595,154)	(347,624)
Impairment on Wakala and Murabaha placements	7(a)	-	-	-	(21,618,897)
<b>Total expenses</b>		<u>(503,777)</u>	<u>(389,504)</u>	<u>(1,586,366)</u>	<u>(22,874,201)</u>
<b>Net (loss)/profit for the period</b>		<u>(412,414)</u>	<u>825,363</u>	<u>(1,312,279)</u>	<u>(19,888,324)</u>
<b>Basic and diluted (losses)/earnings per share (in US\$ cents)</b>	13	<u>(0.21)</u>	<u>0.41</u>	<u>(0.66)</u>	<u>(9.94)</u>

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 Deputy Chairman

  
 Ibrahim Abbas Sukhi  
 Director

  
 Mohamed Abdulrahman ALMutawa  
 Director and Chief Executive Officer

Investment Dar Bank B.S.C. (c)  
Condensed consolidated interim statement of changes in owners' equity for the nine months period ended 30 September 2016  
(Reviewed)  
(Expressed in US Dollars)

	Share capital	Statutory reserve	Property fair value reserve	Investment fair value reserve	Foreign currency translation reserve	Accumulated losses	Total	Non- controlling interests	Total
At 31 December 2014									
(as restated)	200,000,000	851,737	1,225,164	2,703,985	(267,133)	(101,559,224)	102,954,529	2,496,148	105,450,677
Net loss for the period	-	-	-	-	-	(19,888,324)	(19,888,324)	-	(19,888,324)
Unrealised fair value gain on investment securities	-	-	-	98,790	-	-	98,790	-	98,790
Reversal of reserves on sale of investment securities	-	-	-	(1,470,768)	59,185	-	(1,411,583)	-	(1,411,583)
Foreign currency translation loss on investment securities (Note 6)	-	-	-	-	(132,223)	-	(132,223)	-	(132,223)
At 30 September 2015	<u>200,000,000</u>	<u>851,737</u>	<u>1,225,164</u>	<u>1,332,007</u>	<u>(340,171)</u>	<u>(121,447,548)</u>	<u>81,621,189</u>	<u>2,496,148</u>	<u>84,117,337</u>
At 31 December 2015	200,000,000	851,737	1,225,164	1,069,647	(346,825)	(121,979,093)	80,820,630	2,496,148	83,316,778
Net loss for the period	-	-	-	-	-	(1,312,279)	(1,312,279)	-	(1,312,279)
Foreign currency translation gain on investment securities (Note 6)	-	-	-	-	21,968	-	21,968	-	21,968
Unrealised fair value loss on investment securities (Note 6)	-	-	-	(638,382)	-	-	(638,382)	-	(638,382)
At 30 September 2016	<u>200,000,000</u>	<u>851,737</u>	<u>1,225,164</u>	<u>431,265</u>	<u>(324,857)</u>	<u>(123,291,372)</u>	<u>78,891,937</u>	<u>2,496,148</u>	<u>81,388,085</u>



Investment Dar Bank B.S.C. (c)  
Condensed consolidated interim statement of cash flows for the nine months ended  
30 September 2016  
(Reviewed)  
(Expressed in US Dollars)

	<u>Notes</u>	Reviewed nine months period ended 30 September <b>2016</b>	Reviewed nine months period ended 30 September <b>2015</b>
<b>Operating activities</b>			
Net loss for the period		(1,312,279)	(19,888,324)
Adjustments for:			
Depreciation		3,002	3,238
Gain on Murabaha settlement	7(c)	-	(1,575,023)
Gain on sale of investment security		-	(1,098,306)
Impairment on Wakala and Murabaha placements	7	-	21,618,897
Changes in operating assets and liabilities:			
Prepayments and other assets		7,591	(102,071)
Accruals and other liabilities		<u>45,983</u>	<u>(59,159)</u>
Net cash used in operating activities		<u>(1,255,703)</u>	<u>(1,100,748)</u>
<b>Investing activities</b>			
Cash proceeds on sale of investment securities		-	1,970,917
Purchase of equipment		<u>(1,948)</u>	<u>(183)</u>
Net cash (used in)/provided by investing activities		<u>(1,948)</u>	<u>1,970,734</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,257,651)</b>	<b>869,986</b>
Cash and cash equivalents, beginning of the period		<u>9,001,462</u>	<u>8,513,640</u>
Cash and cash equivalents, end of the period	4	<u><b>7,743,811</b></u>	<u><b>9,383,626</b></u>

Investment Dar Bank B.S.C. (c)  
 Selected explanatory notes to the condensed consolidated interim financial information  
 for the nine months ended 30 September 2016  
 (Reviewed)  
 (Expressed in US Dollars)

**1 Organisation and activities**

Investment Dar Bank B.S.C. (c) (“the Bank”) is a Bahraini closed shareholding company registered with the Ministry of Industry and Commerce in the Kingdom of Bahrain and operates under commercial registration number 66163 obtained on 8 August 2007. The “Parent Company” of the Bank is The Investment Dar K.S.C., a Kuwaiti incorporated Company listed on Kuwait Stock Exchange, which owns directly and indirectly more than 50% of the share capital of the Bank.

The Bank operates as an Islamic Wholesale Bank under a license granted by the Central Bank of Bahrain (“CBB”) and accordingly activities are regulated by the CBB and supervised by a Religious Supervisory Board (“the Shari’a Board”).

The principal activities of the Bank include investment banking services, which comply with the Islamic rules and principles according to the opinion of the Bank’s Shari’a Board.

As at 30 September 2016 and 31 December 2015, the Bank owned the following subsidiaries:

Name	Country of Incorporation	Proportion of ownership interest		Non-controlling ownership interest	
		2016	2015	2016	2015
Darco Real Estate Investment Co. W.L.L.	Kingdom of Bahrain	100%	100%	-	-
Al Honaniya Real Estate Co. W.L.L.	Kuwait	100%-Indirect holding	100%-Indirect holding	-	-
North Victoria Limited *	Jersey, Channel Islands	100%	100%	-	-
Gibson North Limited *	Jersey, Channel Islands	77.425%	77.425%	22.575%	22.575%

This financial information has been prepared on a consolidated basis and comprises the financial information of the Bank and its subsidiaries (together referred as “the Group”).

(\*)The Bank acquired the shares of North Victoria Limited and Gibson North Limited (“the Subsidiaries”) as part of a settlement of a Murabaha placement with a related party of the Parent Company during 2012 (Refer Note 8(a)). As per the settlement contract, the liabilities as on the date of settlement in the books of these companies were not transferred to the Bank. The main asset in the books of the subsidiaries was the value of islands in “The World”, Dubai, UAE, which have been treated as investment properties on consolidation. The value of the investment properties was restricted to the value of the Murabaha carried in the books of the Bank prior to settlement.

**2 Basis of preparation**

The condensed consolidated financial statements have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (‘AAOIFI’), the Shari’a Rules and Principles as determined by the Shari’a Supervisory Advisor of the Group, the Central Bank of Bahrain, Financial Institutions Law and the CBB Rule Book (Volume 2) and CBB directives, regulations and associated resolutions, rules and procedures of the Company’s memorandum and articles of association in accordance with the requirements of AAOIFI. For matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards (‘the IFRS’) issued by International Accounting Standards Board.

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 Selected explanatory notes to the condensed consolidated interim financial information  
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**2 Basis of preparation (continued)**

Therefore, in absence of relevant standards in AAOIFI relating to interim financial statements, the guidance from International Accounting Standard 34 - "Interim Financial Reporting" is used in preparation of this interim condensed consolidated financial information for the quarter and nine months period ended 30 September 2016.

**3 Accounting policies**

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the audited consolidated financial statements of the Group prepared as at, and for the year ended 31 December 2015, as described in those financial statements. The condensed consolidated interim financial information should therefore be read in conjunction with the audited consolidated financial statements prepared as at, and for the year ended 31 December 2015, which have been prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and International Financial Reporting Standards.

**4 Cash and bank balances**

	Reviewed 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Balances with banks	8,476,141	9,733,792
Cash on hand	1,295	1,295
Impairment of balance held with a financial institution	<u>(733,625)</u>	<u>(733,625)</u>
<b>Total</b>	<b><u>7,743,811</u></b>	<b><u>9,001,462</u></b>

Impairment relates to balances held with a financial institution, which the management has significant doubts of recovery. However, the Group has filed a case against the financial institution to recover this amount.

**5 Prepayments and other assets**

	Reviewed 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Wakala fees receivable	1,253,356	1,253,356
Less: Provision on doubtful wakala fees receivables	<u>(1,253,356)</u>	<u>(1,253,356)</u>
	-	-
Receivable due on Murabaha settlement	1,750,000	1,750,000
Less: Provision on Murabaha settlement	<u>(1,750,000)</u>	<u>(1,750,000)</u>
	-	-
Rent receivables	71,883	71,883
Less: Provision on rent receivables	<u>(71,883)</u>	<u>(71,883)</u>
	-	-
Staff Advances	-	2,122
Prepaid expenses	<u>86,287</u>	<u>91,756</u>
	<b><u>86,287</u></b>	<b><u>93,878</u></b>

Investment Dar Bank B.S.C. (c)  
 Selected explanatory notes to the condensed consolidated interim financial information  
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**5 Prepayments and other assets (continued)**

During 2011, the Group settled a Murabaha balance with a related party. As part of the consideration, a sum of US\$3,000,000 was originally payable to the Group in tranches at a later date. The Group has made a provision for the entire amount receivable of USD3,000,000 from the related party. The Group has received US\$1,250,000 since then.

The movement in provision on rent receivables during the period/year was as follows:

	Reviewed 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Opening balance	71,883	110,345
Reversal of provision	<u>-</u>	<u>(38,462)</u>
Closing balance	<u>71,883</u>	<u>71,883</u>

**6 Investment securities**

	Reviewed 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Opening balance	13,189,689	6,375,342
Additions during the period/year	-	9,430,964
Sale of investment securities during the period/year	-	(2,284,194)
Provision for impairment during the period/year	-	(27,943)
Foreign currency translation gains/(losses) for the period/year	21,968	(140,910)
Unrealised fair value losses for the period/year	<u>(638,382)</u>	<u>(163,570)</u>
Closing balance	<u>12,573,275</u>	<u>13,189,689</u>

As of 30 September 2016, the investment securities include quoted and unquoted investments of five companies. These investments have been fair valued during the period based on the latest audited financial statements of the investee companies' at the most indicative prices available through the secondary markets or the Kuwaiti Stock Exchange.

Investment Dar Bank B.S.C. (c)  
 Selected explanatory notes to the condensed consolidated interim financial information  
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6 Investment securities (continued)

During 2015, an unquoted investment security in a company in Kuwait with a cost value of US\$872,611 was sold for US\$1,970,917 resulting in a gain of US\$1,098,306. The movement is shown below:

	Reviewed 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Carrying value of investment	-	2,284,194
Net movement through investment fair value reserve	-	(1,470,768)
Net movement through foreign currency translation reserve	<u>-</u>	<u>59,185</u>
Cost value of investment	-	872,611
Sales consideration	<u>-</u>	<u>1,970,917</u>
Gain on sale of investment	<u>-</u>	<u>1,098,306</u>

Impairment loss recognised in statement of income during the period/year is as below:

	Reviewed 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Impairment loss on investment securities	-	27,943
Net movement through foreign currency translation reserve in statement of changes in Owners' equity	<u>-</u>	<u>2,033</u>
	<u>-</u>	<u>29,976</u>

	Reviewed 30 September <u>2016</u>	Audited 31 December <u>2015</u>
<b>Analysis of investments</b>		
Investment in equity-type instruments - Quoted	3,915,782	3,449,089
Investment in equity-type instruments - Unquoted	<u>8,657,493</u>	<u>9,740,600</u>
	<u>12,573,275</u>	<u>13,189,689</u>

All investment securities are denominated in Kuwaiti Dinars.

Investment securities geographical location and currency denomination are as follows:

<u>Country</u>	<u>Currency</u>	Reviewed 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Kuwait	Kuwaiti Dinars	4,164,173	3,758,725
Bahrain	Bahraini Dinars	<u>8,409,102</u>	<u>9,430,964</u>
		<u>12,573,275</u>	<u>13,189,689</u>

Investment Dar Bank B.S.C. (c)  
 Selected explanatory notes to the condensed consolidated interim financial information  
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7 Wakala and Murabaha placements

	Reviewed 30 September <u>2016</u>	Audited 31 December <u>2015</u>
Gross commodity Wakala	75,914,947	75,914,947
Gross commodity Murabaha	<u>-</u>	<u>-</u>
	75,914,947	75,914,947
Less: specific provision	<u>(75,914,947)</u>	<u>(75,914,947)</u>
	<u>-</u>	<u>-</u>
Movement in impairment loss provision is as follows:		
Opening balance	75,914,947	59,695,132
Less: Murabaha settled	-	(5,399,082)
Impairment loss for the year - specific provision	<u>-</u>	<u>21,618,897</u>
	<u>75,914,947</u>	<u>75,914,947</u>

The details of the amounts due on maturity of these Wakala and Murabaha placements are as follows:

	<u>Amount accrued</u>	<u>Specific provision</u>	<u>Net</u>	
Parent Company (Wakala placements)	22,746,770	22,746,770	-	Refer 7(a)
Parent Company (Wakala placements)	9,963,743	9,963,743	-	Refer 7(a)
Parent Company (Wakala placements)	<u>9,811,534</u>	<u>9,811,534</u>	<u>-</u>	Refer 7(a)
	<u>42,522,047</u>	<u>42,522,047</u>	<u>-</u>	
Related party of the Group (Wakala placements)	<u>33,392,900</u>	<u>33,392,900</u>	<u>-</u>	Refer 7(b)
	<u>75,914,947</u>	<u>75,914,947</u>	<u>-</u>	

Based on Shari'a principles, the Group has not accrued any profit on the matured Wakala and Murabaha placements with the Parent Company and a related party of the Group, after the maturity date.

7 **Wakala and Murabaha placements (continued)**

7(a) Wakala and Murabaha placements with the Parent Company

The Kuwaiti Special Circuit Court of Appeal approved the restructuring plan on 2 June 2011 under the protection of the Kuwait Financial Stability Law whereby the Parent Company will settle all liabilities to the Group in five tranches by 30 June 2017 together with profits. Under the stipulated court judgment, the Group was entitled to profit starting from 1 January 2009 on the overdue Wakala trades at a profit rate of 5% per annum. The Group has not accrued for this profit up to 30 September 2016 amounting to US\$15,176,701 (up to 31 December 2015: US\$14,556,638), and will conservatively account for the profit only when received in cash or in kind. The first tranche payment amounting to US\$2,518,205 was due from the Parent Company on 30 June 2013, which was not received until that date. However, the Group received an offer from the Parent Company to settle the first tranche in kind by offering a cash generating asset (right to use of a property in Kuwait) (Note 8(b)). The Group accepted the offer and recorded the property in its books as investment in real estate held-for-use after the rights and benefits were legally transferred to the Group. The second tranche payment amounting to US\$7,332,718 was due from the Parent Company on 30 June 2014 and was not received as of 30 September 2016.

During 2015, the Group's management decided to create a full provision of US\$21,618,897 against its Wakala placements with the Parent Company.

7(b) Wakala placements with a related party of the Parent Company

The Kuwaiti Special Circuit Court of Appeal approved a restructuring plan on 27 December 2012 under the protection of the Kuwait Financial Stability Law whereby a related party of the Group will settle all liabilities to the Group by 2018 together with profits. However, no stipulated judgment has been received from the Kuwaiti Court as 30 September 2016.

7(c) Murabaha placements

The Group was in the process of negotiating a settlement of a Wakala placement of US\$12,822,057 (excluding accrued profit) which was overdue from a related party. During 2013, the related party, through an agency contract, transferred the rights to plots of land as part of the settlement. However, title to the land has not yet been transferred to the Group.

Based on this settlement, as all the conditions in the original contract entered in January 2009 have been satisfied, the Wakala contract was converted into a Murabaha contract.

During 2015, a Murabaha placement amounting to US\$13,255,023 has been settled, which was carried in the books at US\$7,855,941 (net off provision US\$5,399,082). The settlement was made by transferring shares of a company, whose principal assets are ownership of real estate, to the Group. The settlement contract contains a repurchase clause and restricts the Group to sell the shares to a third party within three years from the contract date. The fair value of the shares transferred amounted to US\$9,430,964, resulted in a gain of US\$1,575,023.

During the period no profit was accrued on the Murabaha placement (2015: US\$Nil).

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8 Investments in real estate held-for-use

		Reviewed 30 September 2016	Audited 31 December 2015
North Victoria Limited, Dubai	(a)	24,223,982	24,223,982
Gibson North Limited, Dubai	(a)	13,553,280	13,553,280
Industrial mall in Shwaikh third Area, Kuwait	(b)	<u>8,614,326</u>	<u>8,614,326</u>
		<u>46,391,588</u>	<u>46,391,588</u>

Investments in real estate held-for-use represent:

- (a) During 2012, two islands in “The World” project in Dubai were received as part of the settlement of the Murabaha placement with a related party of the Parent Company. The settlement was made by transferring the majority shareholding in two companies to the Group whose principal assets are ownership of real estate. As a result of that, the Group owns shares in the following companies:

	<u>Ownership interest</u>
North Victoria Limited	100%
Gibson North Limited	77.425%

The average of two valuations of these islands amounted to US\$73,757,898 obtained by the counterparty as on 31 December 2012 which was higher than the value recorded on settlement. The value of the lands held by these subsidiaries were restricted to the net carrying value of the Murabaha (US\$35,281,113) prior to settlement i.e. debt carrying value of US\$50,986,836 less impairment provision of US\$15,705,723. The fair value of these assets as of 31 December 2014 was estimated to be USD79,360,812 as per the external valuation report. Accordingly, the recorded carrying values were considered to be reasonable.

Embedded in the settlement contract is a put option which shall subsist and continue indefinitely in favour of the Group. This put option is eligible to be exercised resulting in the purchase of the settlement shares by the counterparty at price equivalent to settlement amount i.e. US\$73,757,898. Absolute title to this real estate is held in trust by a third party, pending sub-division of title.

- (b) A cash generating asset (right to use of a property in Kuwait) was received from the Parent Company for the settlement of its overdue first tranche due on 30 June 2013 (Note 7(a)). The fair value of the asset at the date of settlement amounting to US\$7,389,163 has been recorded in the books. The fair value of the property on the date of transfer was higher than the amount of first tranche receivable amounting to US\$2,518,205 by the Group. Therefore, the Parent Company also adjusted additional amounts payable to the Group amounting to US\$1,219,401 (Note 8(a)) and an amount of US\$3,639,430 was paid in cash by the Group to the Parent Company to compensate for the balance. The difference related to exchange gains. The management classified this investment in real estate as held-for-use.

During 2013, the Group had carried out a fair value of the asset and recognised a fair value gain amounting to US\$1,225,164. This fair value gain has been recognised in the property fair value reserve. The investment properties were last valued by an independent property valuer as at 31 December 2015 at open market values, which reflected the total value amounting to US\$8,614,326. The management believes that the fair value as of 30 September 2016 is not significantly different to that of 31 December 2015 hence no adjustment in the fair value has been made in 2016.



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9 Share capital

	Reviewed 30 September <u>2016</u>	Audited 31 December <u>2015</u>
<b>Authorised</b>		
1 billion (2015: 1 billion) shares of US\$1 each	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>Issued and fully paid-up</b>		
200 million (2015: 200 million) shares of US\$1 each	<u>200,000,000</u>	<u>200,000,000</u>

10 Going concern

a) Exposure to the Parent Company and related parties of the Group

The Group has significant exposures with its Parent Company and a related party of the Group, which has been fully provided as at 30 September 2016. The Kuwaiti Special Circuit Court of Appeal approved a restructuring plan on 2 June 2011 under the protection of the Kuwait Financial Stability Law whereby the Parent Company will settle all liabilities in 5 tranches by 30 June 2017, with profits. Investment Dar Bank B.S.C. (c) and its subsidiary have received a stipulated judgment letter from the Parent Company. The stipulated judgment letter has been authenticated by the notarisation office in the Ministry of Justice of Kuwait. The implementation of the restructuring plan has improved the ability of the Parent Company to repay its creditors including the Group. During the year 2013, the Parent Company had settled the first tranche by offering a right to use in a cash generating asset. However, the Group still has significant concentration risk associated to its exposure to the Parent Company and a related party of the Group, which may affect the going concern of the Group.

b) Legal cases relating to off statement of financial position - Restricted investment accounts

In previous years, the Group accepted from investors under a restricted Wakala (agency) investment contracts and has in turn placed these Wakala investments with its Parent Company and others. As at 30 September 2016, US\$481,102,675 (31 December 2015: US\$481,102,675) of the restricted investment accounts on Wakala contracts due to institutions was overdue. Under the terms of the Parent Company restructuring plan approved by the Kuwaiti Special Circuit Court of Appeal on 2 June 2011 under the protection of the Kuwait Financial Stability Law, all Wakala contracts relating to individuals and non-regulated companies have been paid by 31 December 2012 and the repayment of remaining Wakala contracts have been scheduled to be repaid over five tranches by 30 June 2017. The Parent Company settled debts amounting to US\$31,768,663 during 2013. Management has obtained more than one legal opinion which concludes that there is no legal obligation to sell directly any assets owned by the Bank in order to meet the Parent Company's commitment. The amount is already disclosed in the financial statement as an off-balance sheet due to the fact that the amounts are not yet settled by the Parent Company.

c) Conclusion

On 24 July 2014, a judgment was issued by the Special Circuit Court of Appeal in Kuwait under the Financial Stability Law which lifted the stay on litigation against The Investment Dar, the Parent Company. Subsequently on 5 August 2015, the Parent Company proposed a revised restructuring plan which was approved by the majority of investors and creditors for settlement of debts. The Court accepted the revised plan for further hearing, consequently all the litigation against the Parent Company were withheld until court passes a ruling on the revised plan. However, On 11 February 2016, the Special Circuit Court of Appeal hearing rejected TID's application under the Financial Stability Law and accordingly the protection was lifted again. TID is studying alternative settlement plans including the preventive arrangement scheme to protect the rights of its creditors and had already secured its shareholder approval for that.

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10 Going concern (continued)

c) Conclusion

In lights of the aforementioned developments the Board of Directors are confident of realising the Wakala placements from the Parent Company and a related party of the Group (also refer Note 10(b)), and also given that the Bank has no obligation to sell directly any assets owned by the Bank or liquidate the Company in order to meet the Parent company's liabilities. The Board of directors have no intention to liquidate the Bank and continue operate as a going concern business. Accordingly, the condensed consolidated interim financial information has been prepared on a going concern basis.

11 Restricted investment accounts

	Reviewed nine months ended 30 September 2016	Others Audited 31 December 2015
Restricted investment accounts	<u>481,102,675</u>	<u>481,102,675</u>

During 2013, the Bank terminated Wakala (agency) contracts with certain corporate Wakala clients amounting to US\$132,337,041. Consequently, the Bank has been released from the responsibility and the clients have a direct relationship with the Parent Company. All contracts pertaining to individual restricted investors and certain corporate Wakala clients have been paid by the Parent Company. Accordingly, the Bank has been provided with release letters from those clients. US\$453,906,872 is Wakala investments placed with the Parent Company and US\$27,195,803 is placed with other party.

Wakala investments represent amounts received from the investors under Wakala contracts where the Bank acts as a Wakil (agent) and are in turn placed investments with the Parent Company and other entities on a Wakala basis.

12 Other income

	Quarter ended 30 September 2016	Quarter ended 30 September 2015	Nine months ended 30 September 2016	Nine months ended 30 September 2015
Rental income received	91,363	91,363	274,087	274,087
Recovered impaired rental income	-	25,198	-	38,461
	<u>91,363</u>	<u>116,561</u>	<u>274,087</u>	<u>312,548</u>

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**13 Earnings per share**

	Quarter ended 30 September 2016	Quarter ended 30 September 2015	Nine months period ended 30 September 2016	Nine months period ended 30 September 2015
Net (loss)/profit for the period	<u>(412,414)</u>	<u>825,363</u>	<u>(1,312,279)</u>	<u>(19,888,324)</u>
Weighted average number of shares outstanding	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
(Losses)/earnings per share (in US cents)	<u>(0.21)</u>	<u>0.41</u>	<u>(0.66)</u>	<u>(9.94)</u>

The Group does not have any potentially dilutive ordinary shares; hence the diluted earnings and basic earnings per share are identical.

**14 Interim results**

The interim net loss for the nine months ended 30 September 2016 may not represent a proportionate share of the annual net profit or loss due to the variability in timing of the receipt of dividend and investment income.

**15 Subsequent events**

There were no significant events subsequent to 30 September 2016 and occurring before the date of signing of the condensed consolidated interim financial information that would have a significant impact on this condensed consolidated interim financial information.