

**Gulf Investment House K.S.C.P. and  
Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION**

**31 MARCH 2017 (UNAUDITED)**



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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GULF INVESTMENT HOUSE K.S.C.P.**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Investment House K.S.C.P. (the "Parent Company") and its subsidiaries (the "Group") as at 31 March 2017 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with basis of presentation set out in Note 2.2. 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 condensed 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 2.2.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2.1 in the interim condensed consolidated financial information, which states that the Group is significantly exposed to Islamic finance payables and currently the Group is unable to meet the principal instalment payments. These conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the above facts, the interim condensed consolidated financial information have been prepared under the going concern concept as the management of the Parent Company has initiated certain actions, detailed in Note 2.1, to either meet or restructure its obligations. Our conclusion is not modified in respect of this matter.

### **Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, and its Executive Regulations, or of the Parent Company's Articles of Association and Memorandum of Incorporation, during the three months period ended 31 March 2017 that might have had a material effect on the business of the Parent Company or on its financial position.



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BAKER TILLY  
KUWAIT

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
TO THE BOARD OF DIRECTORS OF GULF INVESTMENT HOUSE K.S.C.P. (continued)**

**Report on Other Legal and Regulatory Requirements (continued)**

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any 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 provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three months period ended 31 March 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
EY  
AL AIBAN AL OSAIMI & PARTNERS

MOHAMMED HAMED AL SULTAN  
LICENSE NO. 100 A  
AL SULTAN AND PARTNERS  
MEMBER OF BAKER TILLY INTERNATIONAL

17 May 2017  
Kuwait

Gulf Investment House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 March 2017

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		<i>2017 KD</i>	<i>2016 KD</i>
<b>INCOME</b>			
Unrealised loss on financial assets at fair value through profit or Loss	5	(22,282)	(50,900)
Share of results of associates	7	32,087	873,727
Other income		5,942	62,681
<b>TOTAL INCOME</b>		<b>15,747</b>	<b>885,508</b>
<b>EXPENSES</b>			
Administrative expenses		(47,731)	(43,741)
Staff costs		(112,891)	(114,457)
Foreign exchange loss		(3,948)	(10,858)
Impairment loss on financial assets available for sale	6	(286,354)	(523,714)
Murabaha charges		(410,595)	(149,815)
Investment expenses		(29,996)	(29,383)
<b>TOTAL EXPENSES</b>		<b>(891,515)</b>	<b>(871,968)</b>
<b>(LOSS) PROFIT FOR THE PERIOD</b>		<b>(875,768)</b>	<b>13,540</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		(875,768)	13,540
<b>Basic and diluted (loss) earnings per share attributable to equity holders of the Parent Company (fils)</b>	3	<b>(5.33)</b>	<b>0.08</b>

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

Gulf Investment House K.S.C.P. and Subsidiaries  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
 COMPREHENSIVE INCOME (UNAUDITED)**

For the period ended 31 March 2017

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
<b>(LOSS) PROFIT FOR THE PERIOD</b>	<b>(875,768)</b>	<b>13,540</b>
<b>Other comprehensive loss:</b>		
<i>Items that are or may be reclassified subsequently to consolidated statement of income:</i>		
Financial assets available for sale		
- Net change in fair values	<b>(962,543)</b>	(547,260)
- Transfer to interim condensed consolidated statement of income on impairment	<b>286,354</b>	523,714
Share of other comprehensive loss of associates (Note 7)	<b>(38,173)</b>	(4,794)
Foreign currency translation adjustments	<b>49,373</b>	(28,165)
<b>Other comprehensive loss for the period</b>	<b>(664,989)</b>	<b>(56,505)</b>
<b>Total comprehensive loss for the period</b>	<b>(1,540,757)</b>	<b>(42,965)</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>(1,545,786)</b>	(41,499)
Non-controlling interests	<b>5,029</b>	(1,466)
	<b>(1,540,757)</b>	<b>(42,965)</b>

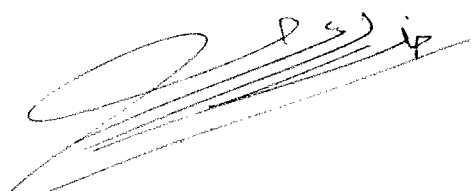
The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

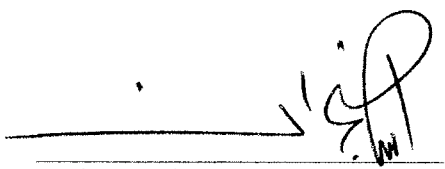
Gulf Investment House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2017

		(Audited)	
	Notes	31 March 2017 KD	31 December 2016 KD
		31 March 2016 KD	
<b>ASSETS</b>			
Bank balances and short-term deposits	4	1,673,161	1,869,820
Financial assets at fair value through profit or loss	5	227,458	249,740
Other assets		49,830	39,465
Financial assets available for sale	6	5,426,757	6,397,915
Investment in associates	7	32,906,750	33,696,232
Investment properties		3,455,741	3,406,368
<b>TOTAL ASSETS</b>		<b>43,739,697</b>	<b>45,659,540</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Murabaha payables	8	34,758,358	35,124,158
Other liabilities		935,574	948,860
<b>TOTAL LIABILITIES</b>		<b>35,693,932</b>	<b>36,073,018</b>
<b>Equity</b>			
Share capital		16,420,244	16,420,244
Statutory reserve		343,089	343,089
Cumulative changes in fair values		1,435,059	2,149,421
Foreign currency translation reserve		(27,803)	(72,147)
Accumulated losses		(10,277,963)	(9,402,195)
<b>Equity attributable to equity holders of the Parent Company</b>		<b>7,892,626</b>	<b>9,438,412</b>
Non-controlling interests		153,139	148,110
<b>TOTAL EQUITY</b>		<b>8,045,765</b>	<b>9,586,522</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>43,739,697</b>	<b>45,659,540</b>

  
Khaled Suhail Al Ajlan  
Chairman

  
Bashar N. Al-Tuwaijri  
Chief Executive Officer

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.



Gulf Investment House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2017

	Notes	Three months ended 31 March	
		2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
(Loss) profit for the period		(875,768)	13,540
<i>adjustments to reconcile (loss) profit for the period to net cash flows:</i>			
Depreciation		275	275
Share of results of associates	7	(32,087)	(873,727)
Impairment loss on financial assets available for sale		286,354	523,714
Murabaha charges		410,595	149,815
<i>Changes in operating assets and liabilities:</i>			
Financial assets at fair value through profit or loss		22,282	50,900
Other assets		(10,640)	(6,971)
Other liabilities		(11,907)	(1,349)
Net cash flows used in operating activities		(210,896)	(143,803)
<b>INVESTING ACTIVITIES</b>			
Dividends received from associates	7	783,396	377,843
Capital redemption of financial assets available for sale		8,615	(1,004,685)
Net cash flows from (used in) investing activities		792,011	(626,842)
<b>FINANCING ACTIVITIES</b>			
Dividends paid	4	(1,379)	(7,982)
Murabaha charges paid		(459,929)	(633,630)
Murabaha principal paid		(316,466)	-
Movement in restricted bank accounts	4	1,379	7,982
Net cash flows used in financing activities		(776,395)	(633,630)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(195,280)</b>	<b>(1,404,275)</b>
Cash and cash equivalents at beginning of the period		1,724,477	4,839,351
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	4	<b>1,529,197</b>	<b>3,435,076</b>

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

## Gulf Investment House K.S.C.P. and Subsidiaries

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2017

	Share capital KD	Statutory reserve KD	Cumulative changes in fair values KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2017	16,420,244	343,089	2,149,421	(72,147)	(9,402,195)	9,438,412	148,110	9,586,522
Loss for the period	-	-	-	-	(875,768)	(875,768)	-	(875,768)
Other comprehensive (loss) income for the period	-	-	(714,362)	44,344	-	(670,018)	5,029	(664,989)
Total comprehensive (loss) income for the period	-	-	(714,362)	44,344	(875,768)	(1,545,786)	5,029	(1,540,757)
<b>As at 31 March 2017</b>	<b>16,420,244</b>	<b>343,089</b>	<b>1,435,059</b>	<b>(27,803)</b>	<b>(10,277,963)</b>	<b>7,892,626</b>	<b>153,139</b>	<b>8,045,765</b>
As at 1 January 2016	16,420,244	343,089	1,055,583	(88,037)	(7,714,395)	10,016,484	141,144	10,157,628
Profit for the period	-	-	-	-	13,540	13,540	-	13,540
Other comprehensive loss	-	-	(28,341)	(26,698)	-	(55,039)	(1,466)	(56,505)
Total comprehensive (loss) income for the period	-	-	(28,341)	(26,698)	13,540	(41,499)	(1,466)	(42,965)
As at 31 March 2016	16,420,244	343,089	1,027,242	(114,735)	(7,700,855)	9,974,985	139,678	10,114,663



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

31 March 2017

**1 CORPORATE INFORMATION**

This interim condensed consolidated financial information of Gulf Investment House K.S.C.P. (the "Parent Company") and its subsidiaries (the "Group") for the period ended 31 March 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 17 May 2017.

The Parent Company is a Kuwaiti shareholding company registered and incorporated in State of Kuwait on 8 September 1998 under the Commercial Companies Law. The Parent Company is registered with the Central Bank of Kuwait as a finance company and Capital Markets Authority as an investment company. The shares of the Parent Company are listed on Kuwait stock exchange.

The Group is primarily engaged in investment activities and related financial and advisory services. All activities of the Group are carried out in compliance with the Noble Islamic Sharee'a, as approved by the Parent Company's Fatwa and Sharee'a Supervisory Board.

The Parent Company's registered head office is at Dar Al-Awadi Tower, Sharq, Kuwait City, P.O. Box 28808, 13149 Safat, Kuwait.

The Annual General Assembly for the year ended 31 December 2016 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 2016 have not yet been approved. The interim condensed consolidated financial information for the three months period ended 31 March 2017 do not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2016.

**2.1 FUNDAMENTAL ACCOUNTING CONCEPT**

During the period the Group has incurred a loss of KD 875,768 (31 March 2016 profit of KD 13,540) and the accumulated losses as at 31 March 2017 is KD 10,277,963 (31 December 2016: KD 9,402,195 and 31 March 2016: KD 7,700,855) which is in excess of 50% of the paid up share capital. Further, during the period, the Parent Company could not honor the principal payment of Murabaha payable amounting to KD 1,099,502 out of KD 3,000,000 that was due on 31 December 2016 and is currently under discussions with the lender for the renewal of the facility. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the above facts, the interim condensed consolidated financial information has been prepared under the going concern concept as the management of the Parent Company has initiated certain actions, as follows, to meet the obligations, when they fall due.

- a) The Parent Company is currently under discussions with the lender to renew the murabaha payable amounting to KD 34,758,358 at a profit rate of 1% above the CBK discount rate. Further, the lender is a major shareholder of the Parent Company and the Parent Company is also currently discussing with the lender to negotiate and conclude on the terms of a possible restructuring of the murabaha payable.
- b) The management of the Parent Company has approved a strategy to actively manage and generate cash flows from the assets of the Group to ensure Group's finance obligations are met, as they fall due.

The ability of the Group to continue as a going concern is dependent on implementation of the restructuring plan, continued support from the lender and future profitability.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts, or to the amounts of liabilities to reflect the fact the Group may be required to realise its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

31 March 2017

**2.2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The interim condensed consolidated financial information of the Group is prepared in accordance with IAS 34, "Interim Financial Reporting", except as noted below.

The audited consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collateral) that are not provided specifically.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2017 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Further, results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

**3 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE**

Basic and diluted (loss) earnings per share is computed by dividing the (loss) profit for the period attributable to equity holders of the Parent Company by the weighted average number of shares of the Parent Company.

The following reflects the earnings and share data used in the basic and diluted (loss) earnings per share computations:

	<i>Three months ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
(Loss) profit for the period attributable to equity holders of the Parent Company	<u>(875,768)</u>	<u>13,540</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares for basic and diluted (loss) earnings per share	<u>164,202,440</u>	<u>164,202,440</u>
	<i>Fils</i>	<i>Fils</i>
<b>Basic and diluted (loss) earnings per share attributable to equity holders of the Parent Company</b>	<u>(5.33)</u>	<u>0.08</u>

As there are no dilutive instruments outstanding, basic and diluted (loss) earnings per share are identical.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

31 March 2017

## 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the interim condensed consolidated statement of cash flows include the following amounts:

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Bank balances and short-term deposits	1,673,161	1,869,820	3,582,643
Less: balances in restricted bank accounts	(143,964)	(145,343)	(147,567)
	<u>1,529,197</u>	<u>1,724,477</u>	<u>3,435,076</u>

The short terms deposits have original maturity of three months or less and carry profit in the range of 0.5% to 2.5% (2016: 0.5% to 2.5%) per annum.

The balance in the restricted bank accounts relate to amount set apart to meet unclaimed dividend balances, as and when they are claimed by the shareholders. An amount of KD 1,379 (31 December 2016: KD 10,206 and 31 March 2016: KD 7,982) was paid during the current period, out of dividend payable which relates to dividend for prior years.

## 5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
<i>Designated at fair value through profit or loss:</i>			
Quoted securities	-	-	287,025
Unquoted securities	210,522	224,988	249,455
Unquoted funds managed by external fund managers	16,936	24,752	24,752
	<u>227,458</u>	<u>249,740</u>	<u>561,232</u>

Unrealised loss is analysed as follows:

	<i>Three months ended</i> <i>31 March</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
<i>Designated at fair value through profit or loss:</i>		
Quoted securities	-	6
Unquoted securities	(14,466)	(50,906)
Unquoted funds managed by external fund managers	(7,816)	-
	<u>(22,282)</u>	<u>(50,900)</u>

Fair values of certain unquoted securities are determined using valuation techniques that are not based on observable market prices or rates (Note 11).

Certain financial assets at fair value through profit or loss are pledged as collateral against murabaha payables obtained from a related party bank (Note 8).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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31 March 2017

**6 FINANCIAL ASSETS AVAILABLE FOR SALE**

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Quoted securities	<b>1,155,106</b>	1,778,864	665,341
Unquoted equity securities	<b>3,495,175</b>	3,826,013	4,357,301
Unquoted funds managed by external fund managers	<b>776,476</b>	793,038	1,022,607
	<b><u>5,426,757</u></b>	<u>6,397,915</u>	<u>6,045,249</u>

Certain unquoted equity securities and unquoted managed funds amounting to KD 502,046 (31 December 2016: KD 503,313 and 31 March 2016: KD 526,966) are carried at cost, less impairment, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments.

Management has performed a review of its financial assets available for sale to assess whether impairment has occurred in the value of these investments and recorded an impairment loss of KD 286,354 (2016: KD 523,714) in the interim condensed consolidated statement of income. Management is of the view that no further impairment provision is required as at 31 March 2017 in respect of these investments.

Fair values of certain unquoted securities are determined using valuation techniques that are not based on observable market prices or rates (Note 11).

Certain financial assets available for sale are pledged as collateral against murabaha payables obtained from a related party bank (Note 8).

**7 INVESTMENT IN ASSOCIATES**

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Balance at the beginning of the period	<b>33,696,232</b>	32,874,936	32,874,936
Capital redemption	-	(10,079)	-
Share of results	<b>32,087</b>	1,664,180	873,727
Share of other comprehensive loss	<b>(38,173)</b>	(29,915)	(4,794)
Dividends received	<b>(783,396)</b>	(802,890)	(377,843)
	<b><u>32,906,750</u></b>	<u>33,696,232</u>	<u>33,366,026</u>

Shares of certain associates are pledged against murabaha payable obtained from a related party bank (Note 8).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

31 March 2017

**8 MURABAHA PAYABLES**

	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Gross amount	34,969,452	35,435,252	36,551,332
Less: deferred cost	(211,094)	(311,094)	(644,247)
	<u>34,758,358</u>	<u>35,124,158</u>	<u>35,907,085</u>

During the year ended 31 December 2016, the Group successfully rescheduled its murabaha facilities with a financial institution which is also a related party. Under the rescheduled agreement, the terms of repayment have been extended over a period of 5 years up to 2021 and the entire amount is renewable every six months after settling the profit.

The Parent Company could not honor the principal payment of murabaha payable amounting to KD 1,099,502 that was due on 31 December 2016 and is currently in negotiation with the financial institution to renew the entire murabaha facility.

The Group has incurred murabaha charges amounting to KD 410,595 for the period ended 31 March 2017 (31 March 2016: KD 149,815) at a profit rate of 1% above the CBK discount rate.

The average effective profit rate attributable to murabaha payables is 3.54% (31 March 2016: 0.54%) per annum.

Murabaha payables are secured by certain financial assets at fair value through profit or loss (Note 5), financial assets available for sale (Note 6) and investment in associates (Note 7).

**9 RELATED PARTY TRANSACTIONS**

These represent transactions with associates, major shareholders, directors and executive officers of the Parent Company and entities controlled, jointly controlled or significantly influenced by such parties. The Parent Company's management approves pricing policies and terms of these transactions. Significant transactions with Group's related parties included are as follows:

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>31 March</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>31 March</i> <i>2016</i> <i>KD</i>
Bank balances	98,919	98,919	89,977	52,245
Murabaha payables	34,758,358	34,758,358	35,124,158	35,907,085

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>Major</i> <i>shareholders</i> <i>KD</i>	<i>Three months ended</i> <i>31 March</i>	
		<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</i>
Murabaha charges	410,595	410,595	149,815

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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**9 RELATED PARTY TRANSACTIONS (continued)****Key management compensation:**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>
Salaries and other short-term benefits	<b>30,528</b>	30,528
Terminal benefits	<b>993</b>	1,001
	<u><b>31,521</b></u>	<u>31,529</u>

**10 SEGMENT INFORMATION**

For management purposes, the Group is organised into two main business segments based on internal reporting provided to the chief operating decision maker:

Investment : Managing direct investments and investments in subsidiaries and associates; and  
Real estate : Managing trading and investment properties.

	<i>Investment</i>	<i>Real estate</i>	<i>Unallocated</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>31 March 2017</b>				
Segment income	<u>9,805</u>	-	<u>5,942</u>	<u>15,747</u>
Segment result	<u>(717,141)</u>	-	<u>(158,627)</u>	<u>(875,768)</u>
Segment assets	<u>40,282,887</u>	<u>3,455,741</u>	<u>1,069</u>	<u>43,739,697</u>
Segment liabilities	<u>34,758,358</u>	-	<u>935,574</u>	<u>35,693,932</u>
<b>31 December 2016</b>				
Segment assets	<u>42,251,828</u>	<u>3,406,368</u>	<u>1,344</u>	<u>45,659,540</u>
Segment liabilities	<u>35,124,158</u>	-	<u>948,860</u>	<u>36,073,018</u>
<b>31 March 2016</b>				
Segment income	<u>822,827</u>	-	<u>62,681</u>	<u>885,508</u>
Segment result	<u>119,915</u>	-	<u>(106,375)</u>	<u>13,540</u>
Segment assets	<u>43,680,914</u>	<u>3,425,805</u>	<u>2,169</u>	<u>47,108,888</u>
Segment liabilities	<u>35,907,085</u>	-	<u>1,087,140</u>	<u>36,994,225</u>

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**11 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. As at the reporting date, the fair values of financial instruments, with the exception of certain financial assets available for sale carried at cost amounting to KD 502,046 (31 December 2016: KD 503,313 and 31 March 2016: KD 526,966), are not materially different from their carrying values.

**Determination of fair value and fair value hierarchy:**

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: quoted prices in active market for the same instrument;

Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data ; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

Following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>Level: 1</i> <i>KD</i>	<i>Level: 3</i> <i>KD</i>	<i>Total fair value</i> <i>KD</i>
<b>31 March 2017</b>			
<i>Financial assets at fair value through profit or loss:</i>			
- Unquoted securities	-	210,522	210,522
- Unquoted funds managed by external fund managers	-	16,936	16,936
	-	227,458	227,458
<i>Financial assets available for sale:</i>			
- Quoted investments	1,155,106	-	1,155,106
- Unquoted investments	-	3,495,175	3,495,175
- Unquoted funds managed by external fund managers	-	274,430	274,430
	1,155,106	3,769,605	4,924,711
<b>31 December 2016</b>			
Financial assets at fair value			
<i>Financial assets at fair value through profit or loss</i>			
- Unquoted equity securities	-	224,988	224,988
- Unquoted funds	-	24,752	24,752
	-	249,740	249,740
<i>Financial assets available for sale:</i>			
- Quoted equity securities	1,778,864	-	1,778,864
- Unquoted equity securities	-	3,826,013	3,826,013
- Unquoted funds	-	289,725	289,725
	1,778,864	4,115,738	5,894,602

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## 11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

31 March 2016	<i>Level: 1</i> KD	<i>Level: 3</i> KD	<i>Total fair value</i> KD
<i>Financial assets at fair value through profit or loss:</i>			
- Quoted securities	287,025	-	287,025
- Unquoted securities	-	249,455	249,455
- Unquoted funds managed by external fund managers	-	24,752	24,752
	<u>287,025</u>	<u>274,207</u>	<u>561,232</u>
<i>Financial assets available for sale:</i>			
- Quoted investments	665,342	-	665,342
- Unquoted investments	-	4,357,301	4,357,301
- Unquoted funds managed by external fund managers	-	495,641	495,641
	<u>665,342</u>	<u>4,852,942</u>	<u>5,518,284</u>

There were no transfers between fair value hierarchies during the period ended 31 March 2017.



Gulf Investment House K.S.C.P. and Subsidiaries

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11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Movement in Level 3 financial instrument is as follows:

	At 1 January KD	Unrealised loss recorded in the interim consolidated statement of income KD	Unrealised loss recorded in interim consolidated statement of comprehensive income KD	Impairment recorded in interim consolidated statement of income KD	Redemption/ Net sales KD	At 31 March KD
<b>31 March 2017:</b>						
<b>Assets measured at fair value</b>						
<i>Financial assets at fair value through profit or loss:</i>						
- Unquoted equity securities	224,988	(14,466)	-	-	-	210,522
- Unquoted funds	24,752	(7,816)	-	-	-	16,936
<i>Financial assets available for sale:</i>						
- Unquoted equity securities	3,826,013	-	(44,484)	(286,354)	-	3,495,175
- Unquoted funds	289,725	-	(6,680)	-	(8,615)	274,430
	<u>4,365,478</u>	<u>(22,282)</u>	<u>(51,164)</u>	<u>(286,354)</u>	<u>(8,615)</u>	<u>3,997,063</u>

Gulf Investment House K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	At 1 January KD	Unrealised loss recorded in the interim consolidated statement of income KD	Unrealised loss recorded in interim consolidated statement of comprehensive income KD	Impairment recorded in interim condensed consolidated statement of income KD	At 31 March KD
31 March 2016:					
Assets measured at fair value					
Financial assets at fair value through profit or loss:					
- Unquoted equity securities	300,361	(50,906)	-	-	249,455
- Unquoted funds	24,752	-	-	-	24,752
Financial assets available for sale:					
- Unquoted equity securities	4,563,961	-	(22,289)	(184,371)	4,357,301
- Unquoted funds	496,899	-	(1,258)	-	495,641
	<u>5,385,973</u>	<u>(50,906)</u>	<u>(23,547)</u>	<u>(184,371)</u>	<u>5,127,149</u>