

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION**

30 SEPTEMBER 2017 (UNAUDITED)



Building a better
working world

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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 were engaged to review the accompanying interim condensed consolidated statement of financial position of Gulf Investment House K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") as at 30 September 2017 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and nine months periods then ended and the related interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the nine 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. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Basis for Disclaimer Conclusion

As disclosed in Note 2.1 to the interim condensed consolidated financial information, the Group has incurred a net loss of KD 1,080,032 during the nine months period ended 30 September 2017 (nine months ended 30 September 2016: loss of KD 615,635). As of that date, the Group's accumulated losses were KD 10,482,227 (31 December 2016: KD 9,402,195 and 30 September 2016: KD 8,330,030) which is in excess of 50% of the paid up share capital. Further, as disclosed in Note 8 to the interim condensed consolidated financial information, the Group has significant debt exposure and was unable to meet the repayment terms at the maturity date and accordingly the lender has initiated legal proceedings for the recovery of outstanding murabaha payables. Subsequent to the reporting date, the regulatory authorities in the State of Kuwait have suspended trading of the Parent Company's shares on Kuwait Stock Exchange and requested the management of the Parent Company to provide a plan detailing how the Parent Company would fulfil its obligations that are due. As of the date of this report, the management is still in the process of preparing the plan and also to demonstrate how the Group would continue as a going concern. Accordingly, we are unable to obtain sufficient appropriate evidence to determine whether the Group would continue as a going concern in the near future. Consequently, we are unable to determine whether any adjustments are necessary to the carrying value of assets and liabilities as at 30 September 2017.

Disclaimer conclusion

Because of the significance of the matters discussed in the Basis for Disclaimer Conclusion paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for our conclusion on the accompanying interim condensed consolidated financial information. Accordingly, we do not express a conclusion on the interim condensed consolidated financial information.



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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

Furthermore, based on our review, due to the matters described in the “Basis for Disclaimer Conclusion” section of our report, we were not able to conclude that proper books of account have been kept by the Parent Company and the interim condensed consolidated financial information are in accordance therewith. 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, as amended, and its Executive Regulations, as amended, or of the Parent Company’s Articles of Association and Memorandum of Incorporation during the nine months period ended 30 September 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

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 nine months period ended 30 September 2017 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN AL OSAIMI & PARTNERS

14 November 2017
Kuwait

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)

For the period ended 30 September 2017

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		KD	KD	KD	KD
INCOME					
Unrealised gain (loss) on financial assets at fair value through profit or loss	5	8,302	50,858	(22,197)	1,135
Net realised gain on sale of financial assets available for sale		33,634	-	40,136	-
Share of results of associates	7	677,707	369,563	1,139,529	1,624,950
Dividend income		-	-	-	6,023
Other income		2,790	26,586	20,816	91,254
TOTAL INCOME		722,433	447,007	1,178,284	1,723,362
EXPENSES					
Administrative expenses		(48,527)	(54,759)	(134,823)	(148,497)
Staff cost		(216,721)	(112,266)	(433,215)	(341,145)
Foreign exchange loss		(2,272)	(1,355)	(9,869)	(12,364)
Impairment loss on financial assets available for sale	6	(11,864)	(206,246)	(309,153)	(861,224)
Murabaha charges		(462,931)	(383,735)	(1,285,904)	(897,147)
Investment expenses		(28,191)	(25,958)	(85,352)	(78,620)
TOTAL EXPENSES		(770,506)	(784,319)	(2,258,316)	(2,338,997)
LOSS FOR THE PERIOD		(48,073)	(337,312)	(1,080,032)	(615,635)
Attributable to:					
Equity holders of the Parent Company		(48,073)	(337,312)	(1,080,032)	(615,635)
Basic and diluted loss per share attributable to equity holders of the Parent Company (fils)					
	3	(0.29)	(2.05)	(6.58)	(3.75)

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 30 September 2017

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2017 KD</i>	<i>2016 KD</i>	<i>2017 KD</i>	<i>2016 KD</i>
LOSS FOR THE PERIOD	(48,073)	(337,312)	(1,080,032)	(615,635)
Other comprehensive income:				
<i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income:</i>				
Financial assets available for sale				
- Net change in fair values	2,815	(322,980)	(1,119,797)	(737,899)
- Transfer to interim condensed consolidated statement of income on sale of financial assets available for sale	(33,634)	-	(40,136)	-
- Transfer to interim condensed consolidated statement of income on impairment	11,864	206,246	309,153	861,224
Share of other comprehensive (loss) income of associates	(13,666)	296,666	165,746	283,788
Foreign currency translation adjustments	(13,695)	1,483	39,725	(16,931)
Other comprehensive (loss) income for the period	(46,316)	181,415	(645,309)	390,182
Total comprehensive loss for the period	(94,389)	(155,897)	(1,725,341)	(225,453)
Attributable to:				
Equity holders of the Parent Company	(93,738)	(157,448)	(1,731,788)	(224,582)
Non-controlling interests	(651)	1,551	6,447	(871)
	(94,389)	(155,897)	(1,725,341)	(225,453)

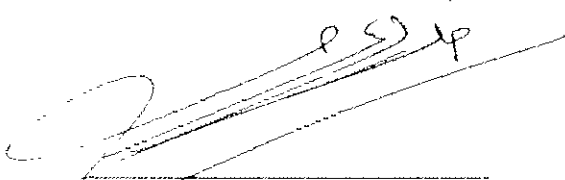
The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

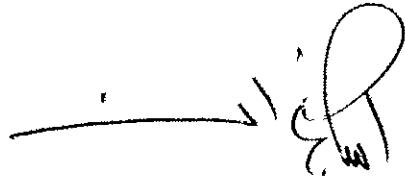
Gulf Investment House K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2017

		30 September 2017 KD	(Audited) 31 December 2016 KD	30 September 2016 KD
ASSETS				
Bank balances and short-term deposits	4	1,773,826	1,869,820	2,162,712
Financial assets at fair value through profit or loss	5	227,543	249,740	492,522
Financial assets available for sale	6	4,986,838	6,397,915	5,748,411
Investment in associates	7	34,028,586	33,696,232	33,980,784
Investment properties		3,446,093	3,406,368	3,437,038
Other assets		49,110	39,465	49,301
TOTAL ASSETS		44,511,996	45,659,540	45,870,768
LIABILITIES AND EQUITY				
Liabilities				
Murabaha payables	8	35,633,667	35,124,158	35,024,078
Other liabilities		1,017,148	948,860	914,515
TOTAL LIABILITIES		36,650,815	36,073,018	35,938,593
Equity				
Share capital		16,420,244	16,420,244	16,420,244
Statutory reserve		343,089	343,089	343,089
Cumulative changes in fair values		1,464,387	2,149,421	1,462,696
Foreign currency translation reserve		(38,869)	(72,147)	(104,097)
Accumulated losses		(10,482,227)	(9,402,195)	(8,330,030)
Equity attributable to equity holders of the Parent Company		7,706,624	9,438,412	9,791,902
Non-controlling interests		154,557	148,110	140,273
TOTAL EQUITY		7,861,181	9,586,522	9,932,175
TOTAL LIABILITIES AND EQUITY		44,511,996	45,659,540	45,870,768


Khaled Suhail Al Ajlan
Chairman


Bashar N. Al-Tuwaijri
Chief Executive Officer

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2017

	Notes	<i>Nine months ended 30 September</i>	
		<i>2017</i>	<i>2016</i>
		<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES			
Loss for the period		(1,080,032)	(615,635)
<i>Adjustments to reconcile loss for the period to net cash flows:</i>			
Depreciation		824	825
Share of results of associates	7	(1,139,529)	(1,624,950)
Dividend income		-	(6,023)
Realised gain on sale of financial asset available for sale		(40,136)	-
Impairment loss on financial assets available for sale		309,153	861,224
Murabaha charges		1,285,904	897,147
<i>Changes in operating assets and liabilities:</i>			
Financial assets at fair value through profit or loss		22,197	119,610
Other assets		(10,469)	71,112
Other liabilities		71,717	(172,668)
Net cash flows used in operating activities		<u>(580,371)</u>	<u>(469,358)</u>
INVESTING ACTIVITIES			
Capital redemption of financial assets available for sale		119,960	106,199
Addition in financial assets available for sale		-	(1,004,685)
Dividends received from associates	7	972,921	802,890
Proceeds from sale of financial assets available for sale		171,320	-
Dividends received from others		-	6,023
Net cash flows from (used in) investing activities		<u>1,264,201</u>	<u>(89,573)</u>
FINANCING ACTIVITIES			
Dividends paid	4	(3,429)	(9,288)
Repayment of murabaha payables		(459,929)	(1,630,340)
Murabaha charges paid		(316,466)	(633,629)
Movement in restricted bank accounts	4	3,429	9,288
Net cash flows used in financing activities		<u>(776,395)</u>	<u>(2,263,969)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(92,565)	(2,822,900)
Cash and cash equivalents at beginning of the period		<u>1,724,477</u>	<u>4,839,351</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4	<u><u>1,631,912</u></u>	<u><u>2,016,451</u></u>

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 30 September 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	-	-	-	-	(1,080,032)	(1,080,032)	-	(1,080,032)
Other comprehensive (loss) income for the period	-	-	(685,034)	33,278	-	(651,756)	6,447	(645,309)
Total comprehensive (loss) income for the period	-	-	(685,034)	33,278	(1,080,032)	(1,731,788)	6,447	(1,725,341)
As at 30 September 2017	16,420,244	343,089	1,464,387	(38,869)	(10,482,227)	7,706,624	154,557	7,861,181
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
Loss for the period	-	-	-	-	(615,635)	(615,635)	-	(615,635)
Other comprehensive income (loss) for the period	-	-	407,113	(16,060)	-	391,053	(871)	390,182
Total comprehensive income (loss) for the period	-	-	407,113	(16,060)	(615,635)	(224,582)	(871)	(225,453)
As at 30 September 2016	16,420,244	343,089	1,462,696	(104,097)	(8,330,030)	9,791,902	140,273	9,932,175

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2017

1 CORPORATE INFORMATION

This interim condensed consolidated financial information of Gulf Investment House K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") for the period ended 30 September 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 13 November 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.

On 30 May 2017, the shareholders at the Annual General Meeting of the Parent Company approved the consolidated financial statements for the year ended 31 December 2016.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

During the period, the Group incurred a loss of KD 1,080,032 (30 September 2016: loss of KD 615,635) and the accumulated losses as at 30 September 2017 were KD 10,482,227 (31 December 2016: KD 9,402,195 and 30 September 2016: KD 8,330,030) which is in excess of 50% of the paid up share capital. Further, the Parent Company could not honour 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 was under discussions with the lender for the renewal of the facility. However, during the current period, the lender has initiated legal proceedings for the recovery of the entire outstanding murabaha payable. In addition, subsequent to the reporting date, the regulatory authorities in the State of Kuwait have suspended the trading of Parent Company's shares on Kuwait Stock Exchange and requested the management of the Parent Company to provide a detailed plan showing how the Parent Company would fulfil its obligations that are due. As at 30 September 2017, the management was still in the process of preparing the plan and also to demonstrate how the Group would continue as a going concern.

If the Group is unable to continue in operational existence for the foreseeable future, it may be unable to discharge its liabilities in the normal course of business. Accordingly, adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the interim condensed consolidated statement of financial position. In addition, the Group may have to reclassify non-current assets and liabilities as current, and certain commitments and contingent liabilities may crystallize. No such adjustments have been made to this interim condensed consolidated financial information and accordingly this interim condensed consolidated financial information has been prepared on a going concern assumption.

2.2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial information is presented in Kuwaiti Dinar ("KD"), which is also the functional currency of the Parent Company.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2017

2.2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

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 nine months period ended 30 September 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 PER SHARE

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

The following reflects the losses and share data used in the basic and diluted loss per share computations:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Loss for the period attributable to equity holders of the Parent Company	(48,073)	(337,312)	(1,080,032)	(615,635)
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares outstanding during the period	164,202,440	164,202,440	164,202,440	164,202,440
	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
Basic and diluted loss per share attributable to equity holders of the Parent Company	(0.29)	(2.05)	(6.58)	(3.75)

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

4 CASH AND CASH EQUIVALENTS

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

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2017</i>	<i>31 December</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and short-term deposits	1,773,826	1,869,820	2,162,712
Less: balances in restricted bank accounts	(141,914)	(145,343)	(146,261)
	1,631,912	1,724,477	2,016,451

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2017

4 CASH AND CASH EQUIVALENTS (continued)

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 3,429 (31 December 2016: KD 10,206 and 30 September 2016: KD 9,288) 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>30 September</i> <i>2017</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD</i>	<i>30 September</i> <i>2016</i> <i>KD</i>
<i>Designated at fair value through profit or loss:</i>			
Quoted securities	-	-	199,608
Unquoted securities	210,608	224,988	268,163
Unquoted funds managed by external fund managers	16,935	24,752	24,751
	<u>227,543</u>	<u>249,740</u>	<u>492,522</u>

Unrealised gain (loss) is analysed as follows:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2017</i> <i>KD</i>	<i>2016</i> <i>KD</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	-	27,854	-	33,334
Unquoted securities	8,302	23,004	(14,381)	(32,199)
Unquoted funds managed by external fund managers	-	-	(7,816)	-
	<u>8,302</u>	<u>50,858</u>	<u>(22,197)</u>	<u>1,135</u>

Fair values of unquoted securities and unquoted funds managed by external fund managers 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 amounting to KD 210,607 (31 December 2016: KD 224,988 and 30 September 2016: KD 268,162) are pledged as collateral against murabaha payables obtained from a related party bank (Note 8).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

30 September 2017

6 FINANCIAL ASSETS AVAILABLE FOR SALE

	30 September 2017	<i>(Audited)</i> 31 December 2016	30 September 2016
	KD	KD	KD
Quoted securities	808,575	1,778,864	840,920
Unquoted equity securities	3,487,270	3,826,013	4,055,126
Unquoted funds managed by external fund managers	690,993	793,038	852,365
	<u>4,986,838</u>	<u>6,397,915</u>	<u>5,748,411</u>

Certain unquoted equity securities and unquoted managed funds amounting to KD 498,276 (31 December 2016: KD 503,313 and 30 September 2016: KD 464,780) 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 309,153 (2016: KD 861,224) in the interim condensed consolidated statement of income. Management is of the view that no further impairment provision is required as at 30 September 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 amounting to KD 3,120,992 (31 December 2016: KD 4,269,555 and 30 September 2016: KD 3,577,562) are pledged as collateral against murabaha payables obtained from a related party bank (Note 8).

7 INVESTMENT IN ASSOCIATES

	30 September 2017	<i>(Audited)</i> 31 December 2016	30 September 2016
	KD	KD	KD
<i>Carrying amount of investment in associates</i>			
Balance at the beginning of the period	33,696,232	32,874,936	32,874,936
Capital redemption	-	(10,079)	-
Share of results	1,139,529	1,664,180	1,624,950
Share of other comprehensive income (loss)	165,746	(29,915)	283,788
Dividends	(972,921)	(802,890)	(802,890)
	<u>34,028,586</u>	<u>33,696,232</u>	<u>33,980,784</u>

Shares of certain associates amounting to KD 31,522,189 (31 December 2016: KD 30,944,252 and 30 September 2016: KD 30,463,559) are pledged as collateral against murabaha payables obtained from a related party bank (Note 8).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 September 2017

8 MURABAHA PAYABLES

	<i>30 September</i> 2017 KD	<i>(Audited)</i> 31 December 2016 KD	<i>30 September</i> 2016 KD
Gross amount	35,644,761	35,435,252	35,435,172
Less: deferred cost	(11,094)	(311,094)	(411,094)
	<u>35,633,667</u>	<u>35,124,158</u>	<u>35,024,078</u>

During the year ended 31 December 2016, the Group was able to successfully reschedule its murabaha facility with a financial institution (the "Bank") which is also a related party. Under the rescheduled agreement, the terms of repayment were extended over a period of 5 years up to 2021 and the entire amount was renewable every six months after settling the profit.

However, the Parent Company could not honor the principal payment of the murabaha payable amounting to KD 1,099,502 that was due on 31 December 2016, under the rescheduled agreement, and was in negotiation with the Bank to renew the entire murabaha facility. However, during the current period, the Bank initiated legal proceedings against the Parent Company for the recovery of the murabaha payable. On 25 September 2017, the Kuwaiti Court ("the Court") ruled in favor of the Bank by giving the Bank the execution right to the assets pledged as collateral for the murabaha facility. Subsequent to the reporting date, the Parent Company filed a counter claim against the Bank stating that the amount claimed by the Bank is in excess of the actual due amount and requested the Court to reverse the previous ruling and to involve a specialist to determine the actual amount that is payable to the Bank. The Court has accepted the claim filed by the Parent Company and has scheduled a court hearing on 6 December 2017 by issuing an injunction order.

The Group has recorded murabaha charges amounting to KD 1,285,904 for the period ended 30 September 2017 (30 September 2016: KD 897,147) at a profit rate of 1% above the CBK discount rate. The average effective profit rate attributable to murabaha payables is 3.75% (30 September 2016: 3.25%) 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>shareholder</i> KD	<i>30 September</i> 2017 KD	<i>(Audited)</i> 31 December 2016 KD	<i>30 September</i> 2016 KD
Bank balances	330,182	330,182	89,977	227,685
Murabaha payables	35,633,667	35,633,667	35,124,158	35,024,078

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

	<i>Major</i> <i>shareholder</i> KD	<i>Nine months ended</i> <i>30 September</i>	
		2017 KD	2016 KD
Murabaha charges	1,285,904	1,285,904	897,147

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

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9 RELATED PARTY TRANSACTIONS (continued)

Key management compensation:

	<i>Nine months ended 30 September</i>	
	<i>2017 KD</i>	<i>2016 KD</i>
Salaries and other short-term benefits	91,584	91,584
Terminal benefits	73,623	3,022
	<u>165,207</u>	<u>94,606</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 KD</i>	<i>Real estate KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Nine months ended 30 September 2017				
Segment income	<u>1,157,468</u>	<u>-</u>	<u>20,816</u>	<u>1,178,284</u>
Segment result	<u>(522,942)</u>	<u>-</u>	<u>(557,090)</u>	<u>(1,080,032)</u>
As at 30 September 2017				
Segment assets	<u>41,065,383</u>	<u>3,446,094</u>	<u>519</u>	<u>44,511,996</u>
Segment liabilities	<u>35,633,667</u>	<u>-</u>	<u>1,017,148</u>	<u>36,650,815</u>
As at 31 December 2016				
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>-</u>	<u>948,860</u>	<u>36,073,018</u>
Nine months ended 30 September 2016				
Segment income	<u>1,632,108</u>	<u>-</u>	<u>91,254</u>	<u>1,723,362</u>
Segment result	<u>(204,883)</u>	<u>-</u>	<u>(410,752)</u>	<u>(615,635)</u>
As at 30 September 2016				
Segment assets	<u>42,432,112</u>	<u>3,437,038</u>	<u>1,618</u>	<u>45,870,768</u>
Segment liabilities	<u>35,024,078</u>	<u>-</u>	<u>914,515</u>	<u>35,938,593</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 498,276 (31 December 2016: KD 503,313 and 30 September 2016: KD 464,780), 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.

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

	<i>Level: 1</i> KD	<i>Level: 3</i> KD	<i>Total fair value</i> KD
30 September 2017			
<i>Financial assets at fair value through profit or loss:</i>			
- Unquoted securities	-	210,608	210,608
- Unquoted funds managed by external fund managers	-	16,935	16,935
	-	<u>227,543</u>	<u>227,543</u>
<i>Financial assets available for sale:</i>			
- Quoted equity security	808,575	-	808,575
- Unquoted equity securities	-	3,487,270	3,487,270
- Unquoted funds managed by external fund managers	-	192,717	192,717
	<u>808,575</u>	<u>3,679,987</u>	<u>4,488,562</u>
31 December 2016			
<i>Financial assets at fair value through profit or loss</i>			
- Unquoted equity securities	-	224,988	224,988
- Unquoted funds	-	24,752	24,752
	-	<u>249,740</u>	<u>249,740</u>
<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
	<u>1,778,864</u>	<u>4,115,738</u>	<u>5,894,602</u>

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11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

30 September 2016	Level: 1 KD	Level: 3 KD	Total fair value KD
<i>Financial assets at fair value through profit or loss:</i>			
- Quoted securities	199,608	-	199,608
- Unquoted securities	-	268,163	268,163
- Unquoted funds managed by external fund managers	-	24,751	24,751
	<u>199,608</u>	<u>292,914</u>	<u>492,522</u>
<i>Financial assets available for sale:</i>			
- Quoted equity security	840,920	-	840,920
- Unquoted equity securities	-	4,055,126	4,055,126
- Unquoted funds managed by external fund managers	-	387,585	387,585
	<u>840,920</u>	<u>4,442,711</u>	<u>5,283,631</u>

There were no transfers between fair values hierarchies during the period ended 30 September 2017.

The impact on the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of income would be immaterial if the relevant risk variables used to fair value the unquoted securities and unquoted funds managed by external fund managers were altered by 5%.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
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11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Movement in Level 3 financial instrument is as follows:

	At 1 January KD	Transfer from carried at cost KD	Unrealised loss recorded in the interim consolidated statement of income KD	Unrealised gain (loss) recorded in interim condensed consolidated statement of comprehensive income KD	Impairment recorded in interim consolidated statement of income KD	Redemption/ Net sales KD	At 30 September KD
30 September 2017:							
Assets measured at fair value							
<i>Financial assets at fair value through profit or loss:</i>							
- Unquoted equity securities	224,988	-	(14,380)	-	-	-	210,608
- Unquoted funds	24,752	-	(7,817)	-	-	-	16,935
<i>Financial assets available for sale:</i>							
- Unquoted equity securities	3,826,013	-	-	109,103	(309,153)	(138,693)	3,487,270
- Unquoted funds	289,725	-	-	22,952	-	(119,960)	192,717
	<u>4,365,478</u>	<u>-</u>	<u>(22,197)</u>	<u>132,055</u>	<u>(309,153)</u>	<u>(258,653)</u>	<u>3,907,530</u>
30 September 2016:							
Assets measured at fair value							
<i>Financial assets at fair value through profit or loss:</i>							
- Unquoted equity securities	300,361	-	(32,198)	-	-	-	268,163
- Unquoted funds	24,751	-	-	-	-	-	24,751
<i>Financial assets available for sale:</i>							
- Unquoted equity securities	4,563,962	62,182	-	(49,134)	(521,884)	-	4,055,126
- Unquoted funds	496,899	-	-	(3,115)	-	(106,199)	387,585
	<u>5,385,973</u>	<u>62,182</u>	<u>(32,198)</u>	<u>(52,249)</u>	<u>(521,884)</u>	<u>(106,199)</u>	<u>4,735,625</u>