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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2018 (UNAUDITED)

EY
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 31 March 2018 and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity 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. 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, although the Group has reported profit of KD 178,533 during the three months period ended 31 March 2018 (three months ended 31 March 2017: loss of KD 875,768). As of that date, the Group's accumulated losses were KD 9,921,201 (31 December 2017(restated): KD 10,114,363 and 31 March 2017: KD 10,277,963) 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. During the previous year, on 1 November 2017, the regulatory authorities in the State of Kuwait requested the management of the Parent Company to provide a plan detailing how the Parent Company would fulfil its obligations that are due. The management of the Parent Company provided the plan to the regulatory authorities, which has been rejected by the authorities. Further, the Parent Company's license for carrying out security activities has been revoked and the Parent Company has been removed from the regulatory authority's register of licensed companies. 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 the Group's assets and liabilities as at 31 March 2018.

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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. (CONTINUED)

Disclaimer conclusion
Because of the significance of the matter discussed in the Basis for Disclaimer Conclusion paragraph above, 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.

Report on Other Legal and Regulatory Requirements
Furthermore, based on our review, due to the matter described in the "Basis for Disclaimer Conclusion" section of our report, we were unable to determine whether any adjustments are necessary to the carrying values of the Group's assets and liabilities and accordingly unable to conclude whether 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, due to the matter described in the "Basis for Disclaimer Conclusion" section of our report, we were unable to determine whether there were 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 three months period ended 31 March 2018 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, during the three months period ended 31 March 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
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EY
AL AIBAN AL OSAIMI & PARTNERS

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

15 May 2018
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2018

	Notes	*Three months ended 31 March* 2018 KD	2017 KD
INCOME			
Unrealised loss on financial assets at fair value through profit or loss	5	(477)	(22,282)
Share of results of associates	7	**329,002**	32,087
Other income		**7,602**	5,942
TOTAL INCOME		**336,127**	15,747
EXPENSES			
Administrative expenses		**(32,578)**	(47,731)
Staff cost		**(97,556)**	(112,891)
Foreign exchange loss		**(2,317)**	(3,948)
Impairment loss on financial assets available for sale	6	-	(286,354)
Murabaha charges		-	(410,595)
Investment expenses		**(25,143)**	(29,996)
TOTAL EXPENSES		**(157,594)**	(891,515)
PROFIT (LOSS) FOR THE PERIOD		**178,533**	(875,768)
Attributable to:			
Equity holders of the Parent Company		**178,533**	(875,768)
Basic and diluted earnings (loss) per share attributable to equity holders of the Parent Company (fils)	3	**1.09**	(5.33)

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2018

	Three months ended 31 March	
	2018	*2017*
	KD	*KD*
PROFIT (LOSS) FOR THE PERIOD	**178,533**	(875,768)
Other comprehensive income:		
Items that are or may be reclassified subsequently to interim condensed consolidated statement of income:		
Financial assets available for sale		
- Net change in fair values	-	(962,543)
- Transfer to interim condensed consolidated statement of income on impairment	-	286,354
Share of other comprehensive loss of associates	**(231,993)**	(38,173)
Foreign currency translation adjustments	**(37,892)**	49,373
Net other comprehensive loss for the period that are or may be be reclassified subsequently to interim condensed consolidated statement of income in snbsequent periods	**(269,885)**	(664,989)
Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods		
Change in fair value of equity instruments at fair value through other comprehensive income	**(307,033)**	-
Net comprehensive loss that will not be reclassified to interim condensed statement of income in subsequent periods	**(307,033)**	-
Other comprehensive loss for the period	**(576,918)**	(664,989)
Total comprehensive loss for the period	**(398,385)**	(1,540,757)
Attributable to:		
Equity holders of the Parent Company	**(395,910)**	(1,545,786)
Non-controlling interests	**(2,475)**	5,029
	(398,385)	(1,540,757)

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2018

	Notes	*31 March 2018 KD*	*(Audited) 31 December 2017 (Restated)* KD*	*31 March 2017 KD*
ASSETS				
Bank balances and short-term deposits	4	**1,926,650**	1,742,360	1,673,161
Financial assets at fair value through profit or loss	5	**896,209**	209,832	227,458
Financial assets available for sale	6	-	5,002,273	5,426,757
Financial assets at fair value through other comprehensive income	6	**4,008,386**	-	-
Investment in associates	7	**34,381,021**	34,736,403	32,906,750
Investment properties		**3,233,398**	3,271,289	3,455,741
Other assets		**53,367**	40,319	49,830
TOTAL ASSETS		**44,499,031**	45,002,476	43,739,697
LIABILITIES AND EQUITY				
Liabilities				
Murabaha payables	8	**35,644,764**	35,644,764	34,758,358
Other liabilities		**1,011,248**	1,116,308	935,574
TOTAL LIABILITIES		**36,656,012**	36,761,072	35,693,932
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		**932,980**	1,486,635	1,435,059
Foreign currency translation reserve		**(76,561)**	(41,144)	(27,803)
Accumulated losses		**(9,921,201)**	(10,114,363)	(10,277,963)
Equity attributable to equity holders of the Parent Company		**7,698,551**	8,094,461	7,892,626
Non-controlling interests		**144,468**	146,943	153,139
TOTAL EQUITY		**7,843,019**	8,241,404	8,045,765
TOTAL LIABILITIES AND EQUITY		**44,499,031**	45,002,476	43,739,697

Khaled Suhail Al Ajlan
Chairman

Bashar N. Al-Tuwaijri
Chief Executive Officer

** Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2017 and reflect adjustments made as detailed in Note 12.*

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2018

	Notes	*Three months ended 31 March* 2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit (loss) for the period		**178,533**	(875,768)
Adjustments to reconcile profit (loss) for the period to net cash flows:			
Depreciation		**92**	275
Share of results of associates	7	**(329,002)**	(32,087)
Impairment loss on financial assets available for sale	6	-	286,354
Murabaha charges		-	410,595
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		477	22,282
Other assets		**(13,140)**	(10,640)
Other liabilities		**(103,973)**	(11,907)
Net cash flows used in operating activities		**(267,013)**	(210,896)
INVESTING ACTIVITIES			
Capital redemption of financial assets available for sale		-	8,615
Dividends received from associates	7	**452,391**	783,396
Net cash flows from investing activities		**452,391**	792,011
FINANCING ACTIVITIES			
Dividends paid	4	**(1,087)**	(1,379)
Repayment of murabaha payables		-	(316,466)
Murabaha charges paid		-	(459,929)
Movement in restricted bank accounts	4	**1,087**	1,379
Net cash flows used in financing activities		-	(776,395)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**185,378**	(195,280)
Cash and cash equivalents at beginning of the period		**1,042,226**	1,724,477
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4	**1,227,604**	1,529,197

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2018

	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 2018 (as previously reported)	16,420,244	343,089	1,486,635	(41,144)	(10,667,601)	7,541,223	146,943	7,688,166
Effect of restatement (refer note 12)	-	-	-	-	553,238	553,238	-	553,238
As at 1 January 2018 (restated)	16,420,244	343,089	1,486,635	(41,144)	(10,114,363)	8,094,461	146,943	8,241,404
Impact on adoption IFRS 9 at 1 January 2018 (refer note 2.3)	-	-	(14,629)	-	14,629	-	-	-
As at 1 January 2018 (restated)	16,420,244	343,089	1,472,006	(41,144)	(10,009,734)	8,094,461	146,943	8,241,404
Profit for the period	-	-	-	-	178,533	178,533	-	178,533
Other comprehensive loss for the period	-	-	(539,026)	(35,417)	-	(574,443)	(2,475)	(576,918)
Total comprehensive (loss) income for the period	-	-	(539,026)	(35,417)	178,533	(395,910)	(2,475)	(398,385)
As at 31 March 2018	**16,420,244**	**343,089**	**932,980**	**(76,561)**	**(9,921,201)**	**7,698,551**	**144,468**	**7,843,019**
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)
As at 31 March 2017	16,420,244	343,089	1,435,059	(27,803)	(10,277,963)	7,892,626	153,139	8,045,765

** Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2017 and reflect adjustments made as detailed in Note 12.*

The attached notes 1 to 12 form part of this interim condensed consolidated financial information

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 31 March 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 15 May 2018.

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. The shares of the Parent Company are listed on Kuwait stock exchange.

During the period ended 31 March 2018, the Parent Company has been removed from the registry of Capital Markets Authority ("CMA") and hence is no more registered as investment company with CMA as at 31 March 2018.

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 2017 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 2017 have not yet been approved by the shareholders. The interim condensed consolidated financial information for the three months period ended 31 March 2018 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 2017.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

During the period, although the Group reported a profit of KD 178,533 (31 March 2017: loss of KD 875,768), however the accumulated losses as at 31 March 2018 were KD 9,921,201 (31 December 2017 (restated): KD 10,114,363 and 31 March 2017: KD 10,277,963) which are 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 year ended 31 December 2017, the lender has initiated legal proceedings for the recovery of the entire outstanding murabaha payable. In addition, during early 2018, one of 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. The management submitted a restructuring plan (the "Plan") to Capital Market Authority ("CMA") to demonstrate how the Group would continue as a going concern, which was rejected by CMA on 1 March 2018. In addition, the Parent Company's license for carrying out security activities has been revoked and the Parent Company has been removed from the regulatory authority's register of licensed companies, due to violations of Law No 7 of 2010 concerning CMA. However, CMA has removed the suspension of trading of the Parent Company's shares on the Kuwait Stock Exchange, provided that the Parent Company's shares are not suspended for any other reason.

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.

2.2 BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

The consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the previous financial year, except for the adoption of IFRS 9: Financial Instruments ("IFRS 9") and IFRS 15: Revenue from Contracts with Customers ("IFRS 15") from 1 January 2018 as explained below.

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 2017. The Group has adopted IFRS 9: Financial Instruments, effective 1 January 2018, except for the requirement of Expected Credit Losses ("ECL") on financing facilities, which have been replaced by the CBK's requirement for credit losses. The accounting policies for these new standards are disclosed in the Note 2.3. The Group has also adopted IFRS 15: Revenue from Contracts with Customers from 1 January 2018.

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 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9: Financial Instruments that requires retrospective application. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarised below:

IFRS 15: Revenue from Contracts with Customers
The Group has adopted IFRS 15 Revenue from Contracts with Customers effective from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. The adoption of this standard does not have any material effect on the Group's interim condensed consolidated financial information.

IFRS 9 Financial Instruments
The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018, with the exception of requirements of the expected credit losses on financing facilities as noted above in Note 2.2. IFRS 9 replaces IAS 39: Financial Instruments: Recognition and Measurement ("IAS 39") and represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Classification of financial assets and financial liabilities
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

2.3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 Financial Instruments (continued)

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Measurement categories of financial assets and liabilities

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

2.3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 Financial Instruments (continued)

Measurement categories of financial assets and liabilities (continued)

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Debt instruments at amortised cost

Classification

A financial asset which is a debt instrument, is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

Bank balances and short-term deposits and other assets are classified as debt instruments at amortised cost.

Subsequent measurement

Debt instruments catogorised at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to statement of income. Dividends are recognised in statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity. Equity investments at FVOCI are included in investment securities in the statement of financial position.

Financial asset at FVTPL

The Group classifies financial assets at fair value through profit or loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, financing income and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVPL. The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

2.3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective profit rate.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied with effect from 1 January 2018, as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.

b) The following assessments have been made based on the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

Impact of Adopting IFRS 9

The impact of this change in accounting policy as at 1st January 2018 has been to increase the accumulated losses and fair value reserve by KD 14,629 as follows:

	Accumulated losses *KD*	*Cumulative changes in fair value reserve* *KD*
Closing balance under IAS 39 (31 December 2017) (restated)	**(10,114,363)**	**1,486,635**
Impact on reclassification and re-measurements:		
Fair value adjustment on financial assets available for sale	**14,629**	**(14,629)**
Opening balance under IFRS 9 on date of initial application at 1 January 2018	**(10,099,734)**	**1,472,006**

2.3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 Financial Instruments (continued)

Transition (continued)

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original classification categories and carrying value in accordance with IAS 39 and the new classification categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39 KD*	*Transition Adjustments (reclassification) KD*	*New carrying amount under IFRS 9 KD*
Bank balances and short-term deposits	Loans and receivables	Amortised Cost	**1,742,360**	-	**1,742,360**
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial asset at FVTPL	**209,832**	**686,854**	**896,686**
Financial assets available for sale – equity securities	Financial assets available for sale	Equity instruments at FVOCI	**4,315,419**	-	**4,315,419**
Financial assets available for sale - funds	Financial assets available for sale	Financial asset at FVTPL	**686,854**	**(686,854)**	-
Other assets	Loans and receivables	Amortised cost	**40,073**	-	**40,073**
Total financial assets			**6,994,538**	-	**6,994,538**

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

Expected credit losses (ECL)

The adoption of the ECL requirements of IFRS 9 on debt financial assets, other than financing activities, did not result in any change in impairment allowances of the Group's debt financial assets as at 1 January 2018.

Hedge accounting

The Group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Group is not dealing in any derivative instruments.

3 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share is computed by dividing the profit (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 earnings (loss) and share data used in the basic and diluted earnings (loss) per share computations:

	Three months ended 31 March	
	2018	*2017*
	KD	*KD*
Profit (loss) for the period attributable to equity holders of the Parent Company	**178,533**	(875,768)
	Shares	*Shares*
Weighted average number of shares outstanding during the period	**164,202,440**	164,202,440
	Fils	*Fils*
Basic and diluted earnings (loss) per share attributable to equity holders of the Parent Company	**1.09**	(5.33)

As there are no dilutive instruments outstanding, basic and diluted earnings (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:

	31 March 2018 KD	*(Audited) 31 December 2017 KD*	*31 March 2017 KD*
Bank balances and short-term deposits	**1,926,650**	1,742,360	1,673,161
Less: balances in restricted bank accounts*	**(558,362)**	(558,362)	(143,964)
Less: dividend restricted bank accounts **	**(140,684)**	(141,772)	-
	1,227,604	1,042,226	1,529,197

The short terms deposits have original maturity of three months or less and carry profit in the range of 0.5% to 2.5% (2017: 0.5% to 2.5%) per annum.

* Restricted bank balances held by the Ministry of Justice relate to a legal case filed by a lender for the recovery of outstanding murabaha payable.

**Relates to amount set apart to meet unclaimed dividend balances, as and when they are claimed by the shareholders. An amount of KD 1,087 (31 December 2017: KD 3,571 and 31 March 2017: KD 1,379) 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

	31 March 2018 KD	*(Audited) 31 December 2017 KD*	*31 March 2017 KD*
Designated at fair value through profit or loss:			
Unquoted securities	**199,723**	192,897	210,522
Unquoted funds managed by external fund managers	**696,486**	16,935	16,936
	896,209	209,832	227,458

Unrealised loss is analysed as follows:

	Three months ended 31 March	
	2018 KD	*2017 KD*
Designated at fair value through profit or loss:		
Unquoted securities	**6,826**	(14,466)
Unquoted funds managed by external fund managers	**(7,303)**	(7,816)
	(477)	(22,282)

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 199,724 (31 December 2017: KD 192,897 and 31 March 2017: KD 210,522) are pledged as collateral against murabaha payables obtained from a related party bank (Note 8).

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AVAILABLE FOR SALE

	31 March 2018 KD	*(Audited) 31 December 2017 KD*	*31 March 2017 KD*
Financial assets at fair value through other comprehensive income	**4,008,386**	-	-
Financial assets available for sale:			
Quoted securities	-	808,575	1,155,106
Unquoted equity securities	-	3,506,844	3,495,175
Unquoted funds managed by external fund managers	-	686,854	776,476
	4,008,386	5,002,273	5,426,757

Management had 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 in the interim condensed consolidated statement of income for the period ended 31 March 2017.

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 other comprehensive income amounting to KD 2,842,383 (31 December 2017:KD 3,142,201and 31 March 2017: KD 3,318,891) are pledged as collateral against murabaha payables obtained from a related party bank (Note 8).

7 INVESTMENT IN ASSOCIATES

	31 March 2018 KD	*(Audited) 31 December 2017 (Restated) KD*	*31 March 2017 KD*
Carrying amount of investment in associates			
Balance at the beginning of the period/ year	**34,736,403**	33,696,232	33,696,232
Effect of restatement (Note 12)	-	553,238	-
Share of results	**329,002**	1,291,175	32,087
Share of other comprehensive (loss) income	**(231,993)**	168,678	(38,173)
Dividends	**(452,391)**	(972,920)	(783,396)
Balance at the end of the period/year	**34,381,021**	34,736,403	32,906,750

Shares of certain associates amounting to KD 31,356,861 (31 December 2017: KD 32,775,399 and 31 March 2017: KD 30,774,149) are pledged as collateral against murabaha payables obtained from a related party bank (Note 8).

8 MURABAHA PAYABLES

	31 March 2018 KD	*(Audited) 31 December 2017 KD*	*31 March 2017 KD*
Gross amount	**35,644,764**	35,644,764	34,969,452
Less: deferred cost	-	-	(211,094)
	35,644,764	35,644,764	34,758,358

8 MURABAHA PAYABLES (continued)

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 previous year, the Bank initiated legal proceedings against the Parent Company for the recovery of the murabha 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. 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 by issuing an injuction order.

The regulatory authorities in the State of Kuwait 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. The Group submitted a plan to the CMA for the settlement of the murabaha payable (Note 2.1), which has been rejected by CMA on 1 March 2018.

The Group has not recorded murabaha charges during the period as the Murabaha payable is an Islamic financing and as per the contractual arrangements, the Parent Company is not obligated to finance charges once the murabaha agreement is matured or expired. The average effective profit rate attributable to murabaha payables is nil (31 March 2017: 3.54%) per annum.

Murabaha payables are secured by certain financial assets at fair value through profit or loss (Note 5), financial assets at fair value through other comprehensive income (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:

	Major shareholder	***31 March 2018***	*(Audited) 31 December 2017*	*31 March 2017*
	KD	***KD***	*KD*	*KD*
Bank balances	**439,939**	**439,939**	12,950	98,919
Murabaha payables	**35,644,764**	**35,644,764**	35,644,764	34,758,358

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

	Major shareholder	*Three months ended 31 March*	
		2018	*2017*
	KD	***KD***	*KD*
Murabaha charges	-	-	410,595

9 RELATED PARTY TRANSACTIONS (continued)

Key management compensation:

	Three months ended 31 March	
	2018	*2017*
	KD	*KD*
Salaries and other short-term benefits	**18,063**	30,528
Terminal benefits	**1,397**	993
	19,460	31,521

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 and trading investment properties.

	Investment	***Real estate***	***Unallocated***	***Total***
	KD	***KD***	***KD***	***KD***
Three months ended 31 March 2018				
Segment income	**328,526**	**-**	**7,602**	**336,128**
Segment result	**303,383**	**-**	**(124,850)**	**178,533**
As at 31 March 2018				
Segment assets	**41,265,480**	**3,233,398**	**153**	**44,499,031**
Segment liabilities	**35,644,764**	**-**	**1,011,248**	**36,656,012**

	Investment	*Real estate*	*Unallocated*	*Total*
	KD	*KD*	*KD*	*KD*
As at 31 December 2017				
Segment assets(restated)	41,730,942	3,271,289	245	45,002,476
Segment liabilities	35,644,764	-	1,116,308	36,761,072
Three months ended 31 March 2017				
Segment income	9,805	-	5,942	15,747
Segment result	(717,141)	-	(158,627)	(875,768)
As at 31 March 2017				
Segment assets	40,282,887	3,455,741	1,069	43,739,697
Segment liabilities	34,758,358	-	935,574	35,693,932

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. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate.

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:

31 March 2018	*Level: 1 KD*	*Level: 3 KD*	*Total fair value KD*
Financial assets at fair value through profit or loss:			
- Unquoted securities	-	199,723	199,723
- Unquoted funds managed by external fund managers	-	696,486	696,486
	-	896,209	896,209
Financial assets at fair value through other comprehensive income:	577,552	3,430,834	4,008,386
	577,552	**4,327,043**	**4,904,595**

31 December 2017	*Level: 1 KD*	*Level: 3 KD*	*Total fair value KD*
Financial assets at fair value			
Financial assets at fair value through profit or loss			
- Unquoted equity securities	-	192,897	192,897
- Unquoted funds	-	16,935	16,935
	-	209,832	209,832
Financial assets available for sale:			
- Quoted equity securities	808,575	-	808,575
- Unquoted equity securities	-	3,506,845	3,506,845
- Unquoted funds	-	189,238	189,238
	808,575	3,905,915	4,714,490

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

31 March 2017	*Level: 1* *KD*	*Level: 3* *KD*	*Total fair value* *KD*
Financial assets at fair value through profit or loss:			
- Unquoted securities	-	210,522	210,522
- Unquoted funds managed by external fund managers	-	16,936	16,936
	-	227,458	227,458
Financial assets available for sale:			
- 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	3,997,063	5,152,169

There were no transfers between fair values hierarchies during the period ended 31 March 2018.

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%.

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Movement in Level 3 financial instrument is as follows:

	At 1 January 2018 KD	*IFRS 9 adjustments KD*	*At 1 January 2018 (after IFRS 9 adjustments) KD*	*Unrealised loss recorded in the Interim condensed consolidated statement of income KD*	*Unrealised loss recorded in interim condensed consolidated statement of comprehensive income KD*	*At 31 March KD*
31 March 2018:						
Assets measured at fair value						
Financial assets at fair value through profit or loss:						
- Unquoted equity securities	192,897	-	192,897	6,826	-	199,723
- Unquoted funds	16,935	686,854	703,789	(7,303)	-	696,486
Financial assets available for sale:						
- Unquoted equity securities	3,506,845	(3,506,845)	-	-	-	-
- Unquoted funds	189,238	(189,238)	-	-	-	-
Financial assets at fair value through other comprehensive income	-	3,506,845	3,506,845	-	(76,011)	3,430,834
	3,905,915	**497,616**	**4,403,531**	**(477)**	**(76,011)**	**4,327,043**

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

12 EFFECT OF RESTATEMENT

The Group had not recorded the share of results amounting to KD 553,238 from one of its associates during the year ended 31 December 2017. Accordingly, the Group restated the carrying value of investment in associates and the accumulated losses as at 31 December 2017 in accordance with IAS 8: Accounting policies, changes in accounting estimates and errors in the interim condensed consolidated financial information. The restatement has no impact on the comparative period of 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 period ended 31 March 2017 for the period ended 31 March 2017 as the revenue recognition criteria from the sale of properties in the associate was met only in May 2017 and hence wouldn't have impacted the share of result at the Group level for the comparative three month period. The impact of restatement in the consolidated statement of financial position as at 31 December 2017 is shown as below:

As at 31 December 2017	*As previously reported as at 31 December 2017* *KD*	*Effect of restatement* *KD*	*Restated balance as at 31 Dec 2017* *KD*
Investment in associates	34,183,165	553,238	34,736,403
Accumulated losses	(10,667,601)	553,238	(10,114,363)