

Interim condensed consolidated financial information and review report

Gulf Investment House – KPSC and Subsidiaries

Kuwait

30 September 2018 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the Board of Directors of
Gulf Investment House – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Investment House KPSC (the “Parent Company”) and its subsidiaries (together “the Group”) as of 30 September 2018 and the related interim condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 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 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.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the interim condensed consolidated financial information, which indicates that the accumulated losses of the Group as of the reporting date amounted to KD 9,989,250 which is in excess of 50% of the paid up share capital and the Group has significant debt exposure which is currently being restructured as part of debt equity swap. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Other matters

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2017 were reviewed by other auditors who issued an disclaimer of conclusion on 14 November 2017 and the same auditors were engaged to audit and review the consolidated financial statements for the year ended 31 December 2017 and the interim condensed consolidated financial information for the three-months period ended 31 March 2018 and they have issued a disclaimer of opinion on 29 March 2018 and disclaimer of conclusion on 15 May 2018, respectively.

Report on review of interim condensed consolidated financial information of Gulf Investment House – KPSC (continued)

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine-month period ended 30 September 2018 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, we have not become aware of any material 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 nine-months period ended 30 September 2018 that might have had a material effect on the business or financial position of the Parent Company.



Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
14 November 2018

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 September 2018 (Unaudited) KD	30 September 2017 (Unaudited) KD	30 September 2018 (Unaudited) KD	30 September 2017 (Unaudited) KD
Income					
Unrealised gain/(loss) on financial assets at fair value through profit or loss		3,783	8,302	3,361	(22,197)
Realised loss on financial assets at fair value through profit or loss		(15,822)	-	(15,822)	-
Realised gain on sale of financial assets available for sale		-	33,634	-	40,136
Share of results of associates	9	784,916	677,707	1,270,380	1,139,529
Dividend income		6,711	-	9,711	-
Other income		1,404	2,790	9,012	20,816
Total income		780,992	722,433	1,276,642	1,178,284
Expenses and other charges					
General, administrative and other expenses		36,107	48,527	104,248	134,823
Staff costs		86,186	216,721	270,697	433,215
Foreign exchange (gain)/loss		(244)	2,272	(1,292)	9,869
Impairment in value of available for sale investments	7	-	11,864	-	309,153
Murabaha charges		-	462,931	-	1,285,904
Investment expenses		19,297	28,191	63,634	85,352
		141,346	770,506	437,287	2,258,316
Profit/(loss) for the period		639,646	(48,073)	839,355	(1,080,032)
Attributable to:					
Owners of the Parent Company		639,646	(48,073)	839,355	(1,080,032)
Basic and diluted earnings/(loss) per share attributable the owners of the Parent Company (Fils)					
	4	3.90	(0.29)	5.11	(6.58)

The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.

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

	Three months ended		Nine months ended	
	30 September 2018 (Unaudited) KD	30 September 2017 (Unaudited) KD	30 September 2018 (Unaudited) KD	30 September 2017 (Unaudited) KD
Profit/(loss) for the period	639,646	(48,073)	839,355	(1,080,032)
Other comprehensive income:				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Available for sale investments:				
-Net changes in fair value arising during the period	-	2,815	-	(1,119,797)
-Transferred to interim condensed consolidated statement of profit or loss on sale	-	(33,634)	-	(40,136)
-Transferred to interim condensed consolidated statement of profit or loss on impairment	-	11,864	-	309,153
Share of other comprehensive income of associates	(26,447)	(13,666)	(258,440)	165,746
Exchange differences arising on translation of foreign operations	(89,164)	(13,695)	(151,072)	39,725
Total other comprehensive loss to be reclassified to profit or loss in subsequent periods	(115,611)	(46,316)	(409,512)	(645,309)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>				
Net changes in fair value of investments in equity instruments designated at FVOCI	(507,105)	-	(421,419)	-
Total other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(507,105)	-	(421,419)	-
Total other comprehensive loss for the period	(622,716)	(46,316)	(830,931)	(645,309)
Total comprehensive profit/(loss) for the period	16,930	(94,389)	8,424	(1,725,341)
Total comprehensive profit/(loss) attributable to:				
Owners of the Parent Company	25,635	(93,738)	23,603	(1,731,788)
Non-controlling interests	(8,705)	(651)	(15,179)	6,447
	16,930	(94,389)	8,424	(1,725,341)

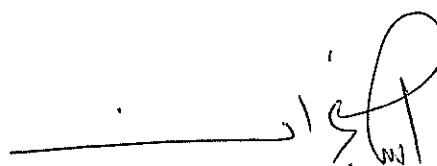
The notes set out on pages 8 to 23 an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 September 2018 (Unaudited) KD	(Restated) 31 December 2017 (Audited) KD	30 September 2017 (Unaudited) KD
Assets				
Bank balances and short term deposits	5	2,031,053	1,742,360	1,773,826
Financial assets at fair value through profit or loss	6	364,197	209,832	227,543
Financial assets available for sale	7	-	5,002,273	4,986,838
Financial assets at fair value through other comprehensive income	8	3,581,597	-	-
Investment in associates	9	34,147,435	34,736,403	34,028,586
Investment properties		3,120,218	3,271,289	3,446,093
Other assets		47,975	40,319	49,110
Total assets		43,292,475	45,002,476	44,511,996
Liabilities and equity				
Liabilities				
Murabaha payables	10	35,644,764	35,644,764	35,633,667
Other liabilities		1,009,725	1,116,308	1,017,148
Total liabilities		36,654,489	36,761,072	36,650,815
Equity				
Share capital	11	16,420,244	16,420,244	16,420,244
Statutory reserve	11	343,089	343,089	343,089
Cumulative changes in fair value		(90,824)	1,486,635	1,464,387
Foreign currency translation reserve		(177,037)	(41,144)	(38,869)
Accumulated losses		(9,989,250)	(10,114,363)	(10,482,227)
Equity attributable to the owners of the Parent Company		6,506,222	8,094,461	7,706,624
Non-controlling interests		131,764	146,943	154,557
Total equity		6,637,986	8,241,404	7,861,181
Total liabilities and equity		43,292,475	45,002,476	44,511,996



Abdulaziz A. Alsanad
Chairman



Bashar N. Al-Tuwajri
Chief Executive Officer

The notes set out on pages 8 to 23 an integral part of this interim condensed consolidated financial information.



Interim condensed consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company						Non-controlling interests		Total equity
	Share capital KD	Statutory reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub-Total KD	KD	KD	
Balance 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 (Note 15)	-	-	-	-	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	
Adjustment arising on adoption of IFRS 9 on 1 January 2018 (Note 3.1)	-	-	(897,600)	-	(704,310)	(1,601,910)	-	(1,601,910)	
Balance as at 1 January 2018	16,420,244	343,089	589,035	(41,144)	(10,818,673)	6,492,551	146,943	6,639,494	
Profit for the period	-	-	-	-	839,355	839,355	-	839,355	
Total other comprehensive loss for the period	-	-	(679,859)	(135,893)	-	(815,752)	(15,179)	(830,931)	
Total comprehensive loss for the period	-	-	(679,859)	(135,893)	839,355	23,603	(15,179)	8,424	
Realised loss on equity investments at FVOCI	-	-	-	-	(9,932)	(9,932)	-	(9,932)	
Balance as at 30 September 2018	16,420,244	343,089	(90,824)	(177,037)	(9,989,250)	6,506,222	131,764	6,637,986	
Balance 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)	
Total other comprehensive loss 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)	
Balance 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	

The notes set out on pages 8 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 September 2018 (Unaudited) KD	Nine months ended 30 September 2017 (Unaudited) KD
OPERATING ACTIVITIES			
Profit/(loss) for the period.		839,355	(1,080,032)
Adjustments:			
Depreciation		385	824
Share of results of associates	9	(1,270,380)	(1,139,529)
Realised gain on sale of financial assets available for sale		-	(40,136)
Impairment in value of available for sale investments		-	309,153
Dividend income		(9,711)	-
Murabaha charges		-	1,285,904
		(440,351)	(663,816)
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		50,695	22,197
Other assets		(8,043)	(10,469)
Other liabilities		(96,130)	71,717
Net cash used in operating activities		(493,829)	(580,371)
INVESTING ACTIVITIES			
Capital redemption of financial asset available for sale		-	119,960
Dividend received from associate		783,264	972,921
Proceeds from sale of financial assets available for sale		-	171,320
Dividend received		9,711	-
Net cash from investing activities		792,975	1,264,201
FINANCING ACTIVITIES			
Dividend paid		(10,453)	(3,429)
Repayments of murabaha payables		-	(459,929)
Murabaha charges paid		-	(316,466)
Movement in restricted bank accounts		10,453	3,429
Net cash used in financing activities		-	(776,395)
Net increase/(decrease) in cash and cash equivalents		299,146	(92,565)
Cash and cash equivalents at beginning of the period		1,042,226	1,724,477
Cash and cash equivalents at end of the period	5	1,341,372	1,631,912
Adjustment for non cash transactions:			
Transfer of financial assets at fair value through profit or loss (note 13)		(312,404)	-
Transfer of financial assets at fair value through other comprehensive income (note 13)		(497,616)	-
Additions to the investment in associates (note 9)		784,266	-

The notes set out on pages 8 to 23 form an integral part of this interim consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

This interim condensed consolidated financial information of Gulf Investment House - K.P.S.C (the “Parent Company”) and its subsidiaries (collectively the “Group”) for the period ended 30 September 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 14 November 2018.

The Parent Company is a Kuwaiti shareholding company registered and incorporated in the 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 is listed on Kuwait Stock Exchange.

The Parent Company was registered with the Capital Market Authority (“CMA”) as an investment company. However, during the period ended 30 September 2018, the Parent Company has been removed from the registry of the CMA and hence is no more registered as investment company with CMA as at 30 September 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 consolidated financial statements for the year ended 31 December 2017 were authorised for issuance by the Board of Directors on 28 March 2018 and approved by the shareholders at the Annual General Meeting held on 27 May 2018.

2 Fundamental accounting concept and basis of preparation

2.1 Fundamental accounting concept

The Group has prepared this interim condensed consolidated financial information under the going concern concept of accounting.

The Groups accumulated losses as at 30 September 2018 is KD 9,989,250, which is in excess of 50% of the paid up share capital. However, the Parent Company intends to set off accumulated losses as noted below. Further, though the Group’s current liabilities (KD 36,238,192) exceeded its current assets (KD2,438,088), majority of the Group current liabilities is represented by a Murabaha facility which is presently being restructured and is part of a debt to equity swap, as noted below. The Parent Company’s license for carrying out security activities has been revoked by the Capital Market Authority (CMA) 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.

On 15 May 2018, the Board of Directors of the Parent Company proposed to set off the accumulated losses of KD10,667,601 as of 31 December 2017, against the statutory reserve of KD343,089 and the share capital of KD10,324,512. Further, they proposed to increase the Parent Company’s share capital by KD34,553,834 (345,538,834 shares at par value of 100 Fils each), by way of issuing shares to the Parent Company’s lender to convert their debt in to equity in the Parent Company. These proposals are subject to the approval of the forthcoming Extraordinary General Meeting of the shareholders and the requisite consent of the relevant authorities.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

2.1 Fundamental accounting concept (continued)

Based on these facts, the Parent Company's management believes that the Group has adequate resources to continue for a foreseeable future and accordingly, the going concern basis continues to be adopted in preparing these condensed consolidated financial information. The ability of the Group to continue as a going concern is dependent on availability of the continued support from the murabaha lender and shareholders and the ability of the Group to improve future profitability and cash flows.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts or to the amount of liabilities to reflect the fact that the Group may be required to realize 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.

2.2 Basis of preparation

This interim condensed consolidated financial information of the Group for the nine-months period ended 30 September 2018 has been prepared in accordance with IAS 34, Interim Financial Reporting except as noted below.

The annual consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use by the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). The accounting policies used in the preparation of these 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 2017, except for the changes described in Note 3 arising from the partial adoption of IFRS 9 "Financial Instruments" effective from 1 January 2018 and adoption of IFRS 15 "Revenue from Contracts with Customers" effective from 1 January 2018.

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017, other than the changes described in Note 3.

Operating results for the nine-months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2017.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the Group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 7 Financial Instruments: Disclosures, relating to disclosures about the initial application of IFRS 9	1 January 2018

Several other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the interim condensed consolidated financial information of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but is not yet effective.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9, Financial Instruments effective from 1 January 2018 with the exception of requirements of the expected credit losses (ECL) on credit facilities which have been replaced by the provisioning requirements of Central Bank of Kuwait.

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

The main areas of impact are as follows:

- the classification and measurement of the financial assets are based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment is recognised on the trade receivables and investments in debt-type assets which were classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value are presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements are presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) are now recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI are now recognised in other comprehensive income (presented in the “cumulative change in fair value” reserve in equity), and transferred to retained earnings on derecognition and are not recycled to profit or loss. Dividend income on these assets continues to be recognised in profit or loss.

Based on the analysis of the Group’s financial assets and liabilities as at 1 January 2018 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the interim condensed consolidated financial information of the Group as follows:

Classification and measurement:

Group holds most debt type financial assets to hold and collect the associated cash flows and, therefore, these are to continue to be accounted for at amortised cost. However, certain financial assets are likely to be measured at Fair Value Through Profit or Loss (FVTPL) as the cash flows are not solely payments of principal and interest.

Equity investments are to be measured at FVTPL as well as FVOCI as certain existing investments in equity instruments qualify for designation as FVOCI category. The gains and losses on these investments will no longer be recycled to statement of profit or loss on subsequent measurement or on derecognition. Further, these investments are no longer subject to impairment test.

Bank balances, short terms deposits and other assets are all held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Groups’ s financials assets 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	At 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	At amortised cost	40,073	-	40,073
Total financial assets			6,994,538	-	6,994,538

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(AFS - Financial assets available for sale, FVOCI – Financial assets at fair value through other comprehensive income, FVTPL - Financial assets at fair value through profit or loss).

The following table summarises the new measurement categories under IFRS 9 by class of financial asset as at 1 January 2018:

	IFRS 9 Categories		
	Financial assets at Fair Value Through Profit or Loss (FVTPL) KD	Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) KD	Financial Assets at Amortised cost KD
Bank balances and short term deposits	-	-	1,742,360
Investments	896,686	4,315,419	-
Other assets	-	-	40,073
Balance at 1 January 2018	896,686	4,315,419	1,782,433

There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

Impairment:

The Group records expected credit losses (ECL) for debt instruments measured at amortised cost or FVOCI. ECL 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 interest rate. Under IFRS 9, the Group measures ECL as follows:

-12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

-lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Group has applied simplified approach to impairment for trade receivables as required or permitted under the standard. 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 debtors and the economic environment. The measurement of receivables under IFRS 9 did not have a material impact on the interim condensed consolidated statement of profit or loss of the Group.

Impairment of Credit facilities

The adoption of IFRS 9 did not result in any change in the classification and measurement of loans and advances to customers. These credit facilities are carried at amortised cost less amounts written off and provision for impairment, in accordance with the existing accounting policies for financial assets at amortised cost as detailed in the annual consolidated financial statements for the year ended 31 December 2017. The provision for impairment is based on the provisioning requirements of Central Bank of Kuwait.

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 does not result in an additional impairment allowances.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Summary of impact on application of IFRS 9:

As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement, and impairment requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in the retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for the comparative periods does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The implementation of IFRS 9 has resulted in the following impact:

	Balance at 31 December 2017 as reported KD	Adjustment KD	Balance at 1 January 2018 as restated KD
Assets			
Bank balances and short term deposits	1,742,360	-	1,742,360
Financial assets at fair value through profit or loss	209,832	686,854	896,686
Other assets *	40,073	-	40,073
Financial assets available for sale investments	5,002,273	(5,002,273)	-
Financial assets at fair value through other comprehensive income	-	4,315,419	4,315,419
Investment in associates ** (Note 15)	34,736,403	(1,601,910)	33,134,493

*Other assets excludes non-financial assets of KD246.

** The adjustments to “investment in associates” represent the Group’s share of the IFRS 9 impact related to the associates on 1 January 2018.

The following table analyses the impact on transition to IFRS 9 to retained earnings, reserves and non-controlling interest:

	Cumulative changes in fair value KD	Accumulated losses KD	Equity attributable to owners of the Parent Company KD	Non- controlling Interest KD	Total equity KD
Closing balance under IAS 39 – 31 December 2017 (as restated)	1,486,635	(10,114,363)	8,094,461	146,943	8,241,404
Impact of reclassifications & remeasurements:					
Fair value adjustment on financial assets available for sale	(14,628)	14,628	-	-	-
Group share of IFRS 9 adjustment done by associates	(882,972)	(718,938)	(1,601,910)	-	(1,601,910)
Opening balance under IFRS 9 - 1 January 2018	589,035	(10,818,673)	6,492,551	146,943	6,639,494

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

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

The five steps in the model are as follows:

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

The standard includes important guidance, such as

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

The adoption of this standard does not have any material effect on the Group’s interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

4 Basic and diluted earnings/(loss) per share

Basic and diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended		Nine months ended	
	30 September 2018 (Unaudited)	30 September 2017 (Unaudited)	30 September 2018 (Unaudited)	30 September 2017 (Unaudited)
Profit/(loss) for the period attributable to the owners of the Parent Company (KD)	639,646	(48,073)	839,355	(1,080,032)
Weighted average number of shares outstanding during the period	164,202,440	164,202,440	164,202,440	164,202,440
Basic and diluted earnings/(loss) per share (Fils)	3.90	(0.29)	5.11	(6.58)

5 Cash and cash equivalents

Cash and cash equivalents for the purpose of the interim condensed consolidated statement of cash flows are made up as follows:

	30 September 2018 (Unaudited) KD	31 December 2017 (Audited) KD	30 September 2017 (Unaudited) KD
Bank balances and short term deposits	2,031,053	1,742,360	1,773,826
Less: Balances in restricted bank accounts*	(558,362)	(558,362)	(141,914)
Less: Dividend restricted bank accounts **	(131,319)	(141,772)	-
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	1,341,372	1,042,226	1,631,912

The short terms deposits have original maturity of three months or less and carry profit in the range of 0.5% to 2.5% (31 December 2017: 0.5% to 2.5% and 30 September 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 10,453 (31 December 2017: KD3,571 and 30 September 2017: KD3,429) was paid during the current period, out of dividend payable which relates to dividend for prior years.

6 Financial assets at fair value through profit or loss

	30 September 2018 (Unaudited) KD	31 December 2017 (Audited) KD	30 September 2017 (Unaudited) KD
Unquoted securities	214,087	192,897	210,608
Unquoted funds managed by external fund managers	150,110	16,935	16,935
	364,197	209,832	227,543

Notes to the interim condensed consolidated financial information (continued)

6 Financial assets at fair value through profit or loss (continued)

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 14).

Certain financial assets at fair value through profit or loss amounting to KD214,087 (31 December 2017: KD192,897 and 30 September 2017: KD210,608) are pledged as collateral against Murabaha payables obtained (Note 10).

7 Financial assets available for sale

	30 September 2018 (Unaudited) KD	31 December 2017 (Audited) KD	30 September 2017 (Unaudited) KD
Quoted securities	-	808,575	808,575
Unquoted equity securities	-	3,506,845	3,487,270
Unquoted funds managed by external fund managers	-	686,853	690,993
	-	5,002,273	4,986,838

The Group has partially applied, IFRS 9 “Financial Instruments” as described in note 2 and 3 effective from 1 January 2018. Accordingly, the management of the Group has classified/re-measured its existing available for sale investments as described in note 3.

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 KD309,153 in the interim condensed consolidated statement of profit or loss for the period ended 30 September 2017.

8 Financial assets at fair value through other comprehensive income

	30 September 2018 (Unaudited) KD	31 December 2017 (Audited) KD	30 September 2017 (Unaudited) KD
Quoted securities	540,590	-	-
Unquoted equity securities	3,041,007	-	-
	3,581,597	-	-

Fair values of certain unquoted securities are determined using valuation techniques that are not based on observable market prices or rates (Note 14).

Certain financial assets at fair value through other comprehensive income amounting to KD2,699,988 (financial assets available for sale at 31 December 2017: KD3,142,201 and 30 September 2017: KD3,120,992) are pledged as collateral against murabaha payables obtained (previously from a related party) (Note 10).

Notes to the interim condensed consolidated financial information (continued)

9 Investment in associates

The movement of investment in associates is as follows:

	30 September 2018 (Unaudited) KD	31 December 2017 (Audited) KD	30 September 2017 (Unaudited) KD
Carry value as at beginning of the period/year	34,736,403	33,696,232	33,696,232
Effect of adjustment of IFRS 9	(1,601,910)	-	-
Additions during the period (Note 13)	784,266	-	-
Effect of restatements (Note 15)	-	553,238	-
Share of results	1,270,380	1,291,175	1,139,529
Share of other comprehensive income	(258,440)	168,678	165,746
Dividends	(783,264)	(972,920)	(972,921)
	34,147,435	34,736,403	34,028,586

During the current quarter as part of an assets SWAP agreement (Note 13) the Group acquired 1.64% of Gulf Real Estate Co. S.S.C (Closed) (an existing associate) for a consideration of KD784,266. At 30 September 2018 the group owns 13.48% of Gulf Real Estate Co. S.S.C (Closed).

Shares of certain associates amounting to KD31,607,302 (31 December 2017: KD32,775,399 and 30 September 2017: KD31,522,189) are pledged as collateral against murabaha payables (Note 10).

10 Murabaha payables

	30 September 2018 (Unaudited) KD	31 December 2017 (Audited) KD	30 September 2017 (Unaudited) KD
Gross amount	35,644,764	35,644,764	35,644,761
Less: deferred cost	-	-	(11,094)
	35,644,764	35,644,764	35,633,667

During the previous year, a local Islamic Bank (original murabaha lender) has initiated legal proceedings against the Parent Company to recover the due 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. 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 injunction order.

On 6 May 2018, the Bank transferred the Murabaha payable, to a Cayman Entity, GIH Financing Co.(GIHF), consequently the Murabaha liability is now shown in the books of the Parent Company as due to GIHF, since the Bank does not own GIHF. Further, during the period, as per the agreement between the Parent Company and GIHF, the parties have agreed to increase the share capital of the Parent Company by KD34,553,834 and accordingly the principal balance of the Murabaha payable will be swapped into equity of the Parent Company (refer note 11). Consequently, as mutually agreed, both the parties will withdraw the legal cases once all the formalities are completed.

Notes to the interim condensed consolidated financial information (continued)

10 Murabaha payables (continued)

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 (30 September 2017: 3.75%) per annum.

Murabaha payables are secured by certain financial assets at fair value through profit or loss (Note 6), financial assets at fair value through other comprehensive income (Note 8) and investment in associates (Note 9).

11 Share Capital and statutory reserve

The authorised, issued and paid up capital of the Parent Company amounts to KD16,420,244 distributed over 164,202,440 shares with 100 Fils par value each as of 30 September 2018, 31 December 2017 and 30 September 2017.

On 15 May 2018, the Board of Directors of the Parent Company proposed to set off the accumulated losses of KD10,667,601 as of 31 December 2017, against the statutory reserve of KD343,089 and then against the share capital of KD10,324,512.

Further, subject to the requisite consent of the relevant authorities and the approval of the Shareholders Extraordinary General Assembly, on 15 May 2018 the Board of Directors has proposed to increase the Parent Company's share capital by KD34,553,834 (distributed on 345,538,340 shares at par value of 100 Fils per share) to be issued to the Parent Company's lender by converting the murabaha debt into Capital of the Parent Company (refer note 10). The Extraordinary General Assembly of the shareholders of the Parent Company has to approve the above increase and the requisite consent of the relevant authorities to be obtained.

12 Segment analysis

The Group activities are concentrated in two main segments: Investments and Real Estate. These segments are regularly reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance assessment. Segment results include revenue and expense directly attributable to each reporting segment as the Group does not have any inter segment charges. Segment assets comprise those operating assets that are directly attributable to the segment.

	Investments KD	Real estate KD	Unallocated KD	Total KD
Nine months ended 30 September 2018				
Segment income	1,267,630	-	9,012	1,276,642
Segment result	1,203,996	-	(364,641)	839,355
Total assets	40,167,119	3,120,218	5,138	43,292,475
Total liabilities	35,644,764	-	1,009,725	36,654,489
As at 31 December 2017				
Total assets (restated)	41,614,669	3,271,289	245	44,886,203
Total liabilities	35,644,764	-	1,116,308	36,761,072

Notes to the interim condensed consolidated financial information (continued)

12 Segment analysis (continued)

	Investments KD	Real estate KD	Unallocated KD	Total KD
Nine months ended 30 September 2017				
Segment income	1,157,468	-	20,816	1,178,284
Segment result	(522,942)	-	(557,090)	(1,080,032)
Total assets	41,065,383	3,446,094	519	44,511,996
Total liabilities	35,633,667	-	1,017,148	36,650,815

13 Related party transactions

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

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

	30 September 2018 (Unaudited) KD	31 December 2017 (Audited) KD	30 September 2017 (Unaudited) KD	
Balances included in interim condensed consolidated statement of financial position				
Bank balances	-	12,950	330,182	
Murabaha payables	-	35,644,764	35,633,667	
	Three months ended		Nine months ended	
	30 September 2018 (Unaudited) KD	30 September 2017 (Unaudited) KD	30 September 2018 (Unaudited) KD	30 September 2017 (Unaudited) KD
Interim condensed consolidated statement of profit or loss				
Realised loss on financial assets at fair value through profit or loss*	(15,822)	-	(15,822)	-
Murabaha charges	-	(462,931)	-	1,285,904
Compensation of key management personnel of the Group				
Salaries and other short-term benefits	18,063	30,528	54,190	91,584
Terminal benefits	1,429	71,626	4,237	73,623
	19,492	102,154	58,427	165,207

* During the period, as per the assets SWAP agreement signed between the Parent Company and one of its associates, the Parent Company has transferred financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income with a total carrying value of KD810,020 against the equity shares of another existing associate of the Parent Company, realizing a loss of KD15,822 and KD9,932 which was recognized in the profit or loss and the retained earnings respectively, for the period ended 30 September 2018.

Notes to the interim condensed consolidated financial information (continued)

14 Summary of financial assets and liabilities by category and fair value measurement

14.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position may also be categorized as follows:

	30 September 2018 (Unaudited) KD	31 December 2017 (Audited) KD	30 September 2017 (Unaudited) KD
At amortised cost (2017: Loans and receivables) :			
• Bank balances and short term deposits	2,031,053	1,742,360	1,773,826
• Other assets (excluding non-financial assets)	42,838	40,073	49,110
	2,073,891	1,782,433	1,822,936
Financial assets at fair value through profit or loss:			
• Unquoted securities	214,087	192,897	210,608
• Unquoted funds managed by external fund managers	150,110	16,935	16,935
	364,197	209,832	227,543
Financial assets at fair value through other comprehensive income			
• Quoted securities	540,590	-	-
• Unquoted equity securities	3,041,007	-	-
	3,581,597	-	-
Financial assets available for sale			
• At fair value	-	4,504,657	4,488,562
• At cost / cost less impairment	-	497,616	498,276
	-	5,002,273	4,986,838
Total financial assets	6,019,685	6,994,538	7,037,317
Financial liabilities (at amortised costs) :			
• Murabaha payable	35,644,764	35,644,764	35,633,667
• Other liabilities	1,009,725	1,116,308	1,017,148
	36,654,489	36,761,072	36,650,815

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group measures financial instruments such as transaction amount at fair value through profit or loss and financial asset at fair value through other comprehensive income at fair value and measurement details are disclosed in Note 14.2 to the interim condensed consolidated financial information. In the opinion of the Group's management, except for certain murabaha facilities the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

Notes to the interim condensed consolidated financial information (continued)

14 Summary of financial assets and liabilities by category (continued)

14.2 Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

30 September 2018	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value through profit or loss				
• Unquoted securities	-	-	214,087	214,087
• Unquoted funds managed by external fund managers	-	-	150,110	150,110
Financial assets at fair value through other comprehensive income				
• Quoted securities	540,590	-	-	540,590
• Unquoted equity securities	-	-	3,041,007	3,041,007
Total financial assets at fair value	540,590		3,405,204	3,945,794

31 December 2017	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value:				
Financial assets at fair value through profit or loss				
• Unquoted securities	-	-	192,897	192,897
• Unquoted funds managed by external fund managers	-	-	16,935	16,935
Financial assets available for sale				
• Quoted securities	808,575	-	-	808,575
• Unquoted equity securities	-	-	3,506,845	3,506,845
• Unquoted funds managed by external fund managers	-	-	189,238	189,238
Total financial assets at fair value	808,575	-	3,905,915	4,714,490

Notes to the interim condensed consolidated financial information (continued)

14 Summary of financial assets and liabilities by category (continued)

14.2 Fair value hierarchy for financial instruments measured at fair value (continued)

30 September 2017	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value:				
Investments at fair value through profit or loss				
• Unquoted securities	-	-	210,608	210,608
• Unquoted funds managed by external fund managers	-	-	16,935	16,935
Financial assets available for sale				
• Quoted securities	808,575	-	-	808,575
• Unquoted equity securities	-	-	3,487,270	3,487,270
• Unquoted funds managed by external fund managers	-	-	192,717	192,717
Total financial assets at fair value	808,575	-	3,907,530	4,716,105

The methods and valuation techniques used for measuring fair values are unchanged compared to the previous reporting year/period.

Level 3 Fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 September 2018 (Unaudited) KD	31 December 2017 (Audited) KD	30 September 2017 (Unaudited) KD
Balance at the beginning of the period/year	3,905,915	4,365,478	4,365,478
Change in fair value	(144,608)	111,900	109,858
Redeemed / disposed during the period/year	(853,719)	(261,276)	(258,653)
Transferred from investment carried at cost	497,616	-	-
Impairment of level 3 investments	-	(310,187)	(309,153)
Balance at the end of the period/year	3,405,204	3,905,915	3,907,530

15 Effect of restatement

The Group had not recorded the share of results amounting to KD553,238 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 profit or loss, interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the period ended 30 September 2017 as the revenue recognition criteria from the sale of properties in the associate was met in 2017 and hence wouldn't have impacted the share of result at the Group level for the comparative nine month period. The impact of restatement in the consolidated statement of financial position as at 31 December 2017 is shown as below:

Notes to the interim condensed consolidated financial information (continued)

15 Effect of restatement (continued)

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

16 Comparative information

Other than what is noted in note 15, certain other comparative amounts for the previous period have been reclassified to be consistent with the presentation for the current period. Such classification did not affect previously reported results, cash flows, total assets or equity.