

Interim condensed consolidated financial information and review report

**Privatization Holding Company – KPSC and Subsidiaries**

**Kuwait**

31 March 2017 (Unaudited)

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## Report on review of interim condensed consolidated financial information

To the board of directors of  
Privatization Holding Company – KPSC  
Kuwait

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Privatization Holding Company (Kuwaiti Public Shareholding Company) (the “Parent Company”) and its subsidiaries (collectively the “Group”) as of 31 March 2017 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. 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 International Accounting Standard 34, “Interim Financial Reporting”.

### **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 violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the three-month period ended 31 March 2017 that might have had a material effect on the business or financial position of the Parent Company.

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of Grant Thornton – Al-Qatami, Al-Aiban & Partners

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Member of MAZARS

Kuwait  
15 May 2017

## Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
<b>Revenue</b>			
Loss on sale of investments at fair value through profit or loss		-	(496)
Change in fair value of investments at fair value through profit or loss		551,433	(135,334)
Gain/(loss) on sale of available for sale investments		37,902	(1,319,653)
Dividend income		155,128	137,854
Interest income		26,734	40,676
Share of results of associates	10	173,207	144,445
Loss on sale of investment properties		-	(22)
Revenue from sales and services		5,576,591	7,558,056
Foreign exchange gain/(loss)		75,104	(60,203)
Other income		39,080	23,142
<b>Total revenue</b>		<b>6,635,179</b>	<b>6,388,465</b>
<b>Expenses and other charges</b>			
Cost of sales and services		(4,724,662)	(6,071,338)
General and administrative expenses		(968,013)	(1,095,231)
Portfolio management fees		(18,425)	(14,202)
Finance costs		(513,188)	(519,467)
<b>Total expenses</b>		<b>(6,224,288)</b>	<b>(7,700,238)</b>
<b>Profit/(loss) for the period before taxation</b>		<b>410,891</b>	<b>(1,311,773)</b>
Taxation		(7,575)	-
<b>Profit/(loss) for the period</b>		<b>403,316</b>	<b>(1,311,773)</b>
<b>Attributable to:</b>			
Owners of the Parent Company		375,888	(1,480,300)
Non-controlling interests		27,428	168,527
<b>Profit/(loss) for the period</b>		<b>403,316</b>	<b>(1,311,773)</b>
<b>Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company</b>	6	<b>0.62 Fils</b>	<b>(2.17) Fils</b>

The notes set out on pages 8 to 22 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 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
<b>Profit/(loss) for the period</b>	<b>403,316</b>	<b>(1,311,773)</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to consolidated statement of profit or loss in subsequent periods:</i>		
Available for sale investments :		
- Change in fair value	1,246,406	(2,976,733)
- Transferred to consolidated statement of profit or loss on sale	(37,902)	1,319,653
Exchange difference arising on translation of foreign operations	(386)	(104)
Share of other comprehensive income/(loss) of associates	131,777	(282,741)
<b>Other comprehensive income/(loss) for the period</b>	<b>1,339,895</b>	<b>(1,939,925)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>1,743,211</b>	<b>(3,251,698)</b>
<b>Attributable to:</b>		
Owners of the Parent Company	1,769,236	(2,965,775)
Non-controlling interests	(26,025)	(285,923)
	<b>1,743,211</b>	<b>(3,251,698)</b>

*The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of financial position

	Notes	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
<b>Assets</b>				
Cash and cash equivalents	7	3,919,142	5,275,996	9,429,694
Fixed deposits	7	1,246,625	1,277,431	1,246,625
Investments at fair value through profit or loss	8	14,477,601	13,926,168	13,567,167
Accounts receivable and other assets		26,728,958	23,287,304	18,114,352
Available for sale investments	9	40,777,635	39,891,196	39,837,919
Held-to-maturity investment		1,503,408	1,504,470	1,506,609
Inventories		1,516,795	2,006,193	584,777
Investment in associates	10	45,421,770	45,107,752	44,975,584
Intangible assets		2,492,905	2,492,905	2,492,905
Investment properties		2,717,526	2,717,526	3,356,705
Property, plant and equipment		26,754,667	27,219,658	14,604,554
<b>Total assets</b>		<b>167,557,032</b>	<b>164,706,599</b>	<b>149,716,891</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		61,000,000	61,000,000	73,828,000
Share premium		24,761,544	24,761,544	24,761,544
Statutory reserve		1,497,548	1,497,548	1,497,548
General reserve		5,526,986	5,526,986	1,072,302
Other reserves		(565,233)	(574,267)	(97,347)
Treasury shares		-	-	(2,865,881)
Treasury shares reserve		-	-	1,815,085
Fair value reserve		4,283,004	2,849,238	(2,240,620)
Foreign currency translation reserve		669,922	710,340	551,965
Accumulated losses		(1,958,025)	(2,333,913)	(1,330,632)
<b>Equity attributable to owners of the Parent Company</b>		<b>95,215,746</b>	<b>93,437,476</b>	<b>96,991,964</b>
<b>Non-controlling interests</b>		<b>3,566,139</b>	<b>3,621,164</b>	<b>3,107,706</b>
<b>Total equity</b>		<b>98,781,885</b>	<b>97,058,640</b>	<b>100,099,670</b>
<b>Liabilities</b>				
Due to banks	7	580,959	15,120	365,949
Accounts payable and other liabilities		14,595,367	13,572,928	7,900,691
Term loans	11	52,262,178	52,804,744	40,277,636
Employees' end of service benefits		1,336,643	1,255,167	1,072,945
<b>Total liabilities</b>		<b>68,775,147</b>	<b>67,647,959</b>	<b>49,617,221</b>
<b>Total equity and liabilities</b>		<b>167,557,032</b>	<b>164,706,599</b>	<b>149,716,891</b>

  
Reyadh S.A. Edrees  
Chairman

  
Mohammad A. Al-Asfar  
Vice Chairman

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company										Non- controlling interests	Total equity	
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Other reserves KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Accumulated losses KD			Sub-total KD
At 1 January 2017 (audited)	61,000,000	24,761,544	1,497,548	5,526,986	(574,267)	-	-	2,849,238	710,340	(2,333,913)	93,437,476	3,621,164	97,058,640
Profit for the period	-	-	-	-	-	-	-	-	-	375,888	375,888	27,428	403,316
Other comprehensive income/(loss):													
Available for sale investments :													
- Change in fair value	-	-	-	-	-	-	-	1,299,859	-	-	1,299,859	(53,453)	1,246,406
- Transferred to statement of profit or loss on sale	-	-	-	-	-	-	-	(37,902)	-	-	(37,902)	-	(37,902)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	(386)	-	(386)	-	(386)
Share of other comprehensive profit/(loss) of associates (Note 10)	-	-	-	-	-	-	-	171,809	(40,032)	-	131,777	-	131,777
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	-	1,433,766	(40,418)	-	1,393,348	(53,453)	1,339,895
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	1,433,766	(40,418)	375,888	1,769,236	(26,025)	1,743,211
Share of other reserves of associate (Note 10)	-	-	-	-	9,034	-	-	-	-	-	9,034	-	9,034
Arising on acquisition of subsidiary (note 5)	-	-	-	-	-	-	-	-	-	-	-	21,000	21,000
Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	(50,000)	(50,000)
At 31 March 2017 (unaudited)	61,000,000	24,761,544	1,497,548	5,526,986	(565,233)	-	-	4,283,004	669,922	(1,958,025)	95,215,746	3,566,139	98,781,885

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company										Non-controlling interests	Total equity	
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Other reserves KD	Treasury shares KD	Treasury shares reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings/(accumulated losses) KD			Sub-total KD
At 1 January 2016 (audited)	73,828,000	24,761,544	1,497,548	1,072,302	(77,567)	(2,865,881)	1,815,085	(820,748)	617,568	149,668	99,977,519	2,015,905	101,993,424
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(1,480,300)	(1,480,300)	168,527	(1,311,773)
Other comprehensive income/(loss):													
Available for sale investments :													
- Change in fair value	-	-	-	-	-	-	-	(2,522,285)	-	-	(2,522,285)	(454,448)	(2,976,733)
- Transferred to statement of profit or loss on sale	-	-	-	-	-	-	-	1,319,653	-	-	1,319,653	-	1,319,653
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	(104)	-	(104)	-	(104)
Share of other comprehensive loss of associates (Note 10)	-	-	-	-	-	-	-	(217,240)	(65,499)	-	(282,739)	(2)	(282,741)
Other comprehensive loss for the period	-	-	-	-	-	-	-	(1,419,872)	(65,603)	-	(1,485,475)	(454,450)	(1,939,925)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(1,419,872)	(65,603)	(1,480,300)	(2,965,775)	(285,923)	(3,251,698)
Share of other reserves of associate (Note 10)	-	-	-	-	(19,780)	-	-	-	-	-	(19,780)	-	(19,780)
Arising on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	1,377,724	1,377,724
<b>At 31 March 2016 (unaudited)</b>	<b>73,828,000</b>	<b>24,761,544</b>	<b>1,497,548</b>	<b>1,072,302</b>	<b>(97,347)</b>	<b>(2,865,881)</b>	<b>1,815,085</b>	<b>(2,240,620)</b>	<b>551,965</b>	<b>(1,330,632)</b>	<b>96,991,964</b>	<b>3,107,706</b>	<b>100,099,670</b>

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.



## Interim condensed consolidated statement of cash flows

	Notes	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit/(loss) for the period		403,316	(1,311,773)
Adjustments for:			
Depreciation		506,028	351,112
Provision for employees' end of service benefits		97,786	108,996
(Gain)/loss on sale of available of sale of investments		(37,902)	1,319,653
Loss on sale investments at fair value through profit or loss		-	496
Change in fair value on investments at fair value through profit or loss		(551,433)	135,334
Dividend income		(155,128)	(137,854)
Interest income		(26,734)	(40,676)
Finance costs		513,188	519,467
Foreign exchange (gain)/loss		(75,104)	60,203
Share of results of associates	10	(173,207)	(144,445)
Loss on sale of investment properties		-	22
		500,810	860,535
<b>Change in operating assets and liabilities:</b>			
Inventories		489,398	(82,245)
Accounts receivable and other assets		(3,441,593)	343,078
Investments at fair value through profit or loss		-	7,223
Accounts payable and other liabilities		1,026,748	(2,173,241)
<b>Cash flows used in operating activities</b>		<b>(1,424,637)</b>	<b>(1,044,650)</b>
Employees' end of service benefits paid		(16,310)	(249)
<b>Net cash flows used in operating activities</b>		<b>(1,440,947)</b>	<b>(1,044,899)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(41,037)	(591,265)
Proceeds from sale of property, plant and equipment		-	33,409
Proceeds from sale of investment properties		-	28,247
Purchase of available for sale investments		(7,028)	(176,046)
Proceeds from sale of available for sale investments		367,005	7,074,423
Additions to investment in associates	10	-	(10,809)
Movement in fixed deposits with original maturity period exceeding three months		30,806	576,929
Interest income received		26,913	32,301
Dividend income received		155,128	137,854
Proceeds from redemption of investment in held to maturity		882	8,747
Net cash from acquisition of investment in subsidiary		-	1,557,918
<b>Net cash flows from investing activities</b>		<b>532,669</b>	<b>8,671,708</b>
<b>FINANCING ACTIVITIES</b>			
Finance costs paid		(251,493)	(448,777)
Share capital repayments		(266,004)	-
Term loans obtained		1,589,650	1,527,501
Repayment of term loans		(2,089,132)	(8,977,217)
Movement in non-controlling interests		(29,000)	-
<b>Net cash flows used in financing activities</b>		<b>(1,045,979)</b>	<b>(7,898,493)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,954,257)</b>	<b>(271,684)</b>
Foreign currency translation adjustment		31,564	104
Cash and cash equivalents at beginning of the period		5,260,876	9,335,325
<b>Cash and cash equivalents at end of the period</b>	7	<b>3,338,183</b>	<b>9,063,745</b>
<b>Non-cash transactions</b>			
Investment in associates		-	1,619,332
Investment in subsidiary		-	(1,619,332)

The notes set out on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.

# Notes to the interim condensed consolidated financial information

## 1 Corporate information

Privatization Holding Company - KPSC (the "Parent Company") is a Kuwaiti shareholding company registered on 10 October 1994 and is listed on the Kuwait Stock Exchange.

The Parent Company is licensed to:

- Invest in Kuwaiti and foreign shareholding companies and limited liability companies and to participate in the establishment and management of such entities,
- Lend to such entities and act as their guarantor,
- Utilization of excess funds in investment in financial portfolios or real estate portfolios through specialised parties inside or outside Kuwait,
- Invest in real estate, hold patents and copy rights, and advance loans to associates,
- Represent foreign consulting firms in local market.

The Parent Company's registered office is located in Sharq, Ahmad Al-Jaber Street, Dar Al-Awadi Tower, 23<sup>rd</sup> Floor, P.O. Box 4323, Safat 13104, Kuwait.

The interim condensed consolidated financial information of Privatization Holding Company - KPSC (the "Parent Company") and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2017 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 15 May 2017.

## 2 Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the most recent annual consolidated financial statements of the Group for the year ended 31 December 2016, except for adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars (KD) which is the functional and presentation currency of the Group.

This 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 management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the three-month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2016.

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies

#### 3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017 which have been adopted by the Group but did not have any significant impact on the financial position or the results for the period. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

#### *IAS 7 Statement of Cash Flows- Amendments*

The Amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and noncash changes)

The Amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses
  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

#### *IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments*

The Amendments to IAS 12 make the following changes:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

#### *Annual Improvements to IFRSs 2014-2016 Cycle*

*Amendments to IFRS 12* - Clarifies the scope of IFRS 12 by specifying that its disclosure requirements (except for those in IFRS 12. B17) apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5.

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's interim consolidated financial information.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 40 Investment Property - Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

#### ***IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments***

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

#### ***IFRS 9 Financial Instruments***

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.

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### *IFRS 9 Financial Instruments (continued)*

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the financial assets will need to be reviewed 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 will need to be recognised on the trade receivables and investments in debt-type assets currently 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 will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be 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 will be presented in other comprehensive income to the extent those changes relate to own credit risk.

##### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenues – 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
  - licencing
  - breakage
  - non-refundable upfront fees, and
  - consignment and bill-and-hold arrangements.

## Notes to the interim condensed consolidated financial information (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### *IFRS 16 Leases*

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

##### *IFRS 40 Investment Property - Amendments*

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

##### *Annual Improvements to IFRSs 2014-2016 Cycle*

*Amendments to IAS 28* - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture. Amendment is effective for annual periods beginning on or after 1 January 2018.

##### *IFRIC 22 Foreign Currency Transactions and Advance Consideration*

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

## Notes to the interim condensed consolidated financial information (continued)

### 4 Judgements and estimates

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 estimation uncertainty were the same as those that applied to the annual consolidated financial statements as at and for the year ended 31 December 2016.

### 5 Subsidiaries

During the period, the Group incorporated an 85% owned subsidiary in Kuwait named Fairy Hub General Trading Company – WLL with a total share capital of KD140,000. The subsidiary has not yet commenced its operations.

### 6 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 owners of the Parent Company by the weighted average number of shares outstanding during the period, less treasury shares as follows:

	Three months ended 31 March 2017 (Unaudited)	Three months ended 31 March 2016 (Unaudited)
Profit/(loss) for the period attributable to owners of the Parent Company (KD)	375,888	(1,480,300)
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	610,000,000	683,225,199
<b>Basic and diluted earnings/(loss) per share</b>	<b>0.62 Fils</b>	<b>(2.17) Fils</b>

### 7 Cash and cash equivalents

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents comprise of the following:

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Cash and bank balances	3,344,867	4,825,138	8,052,108
Cash with portfolio managers	413,330	250,755	200,018
Fixed deposits with original maturity less than three months	160,945	200,103	1,177,568
	<b>3,919,142</b>	<b>5,275,996</b>	<b>9,429,694</b>
Less: Due to banks	<b>(580,959)</b>	<b>(15,120)</b>	<b>(365,949)</b>
<b>Cash and cash equivalents as per statement of cash flows</b>	<b>3,338,183</b>	<b>5,260,876</b>	<b>9,063,745</b>
Fixed deposits with original maturity exceeding three months	1,246,625	1,277,431	1,246,625

## Notes to the interim condensed consolidated financial information (continued)

### 8 Investments at fair value through profit or loss

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
<b>Held for trading</b>			
Quoted equity securities	3,623,386	3,197,488	2,761,678
Unquoted equity securities	125,774	-	-
<b>Designated upon initial recognition</b>			
Unquoted equity security	10,672,634	10,672,634	10,672,634
Mutual funds	55,807	56,046	132,855
	<b>14,477,601</b>	<b>13,926,168</b>	<b>13,567,167</b>

At 31 March 2017, the Group also held certain shares of related parties (Note 13).

Investments at fair value through profit or loss amounting to KD14,412,591 (31 December 2016: KD13,741,723 March 2016: KD11,203,031) are pledged against certain term loans (Note 11). Management considers that the fair value of these financial assets has not materially changed compared to previous reporting date.

### 9 Available for sale investments

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Quoted equity securities	17,322,929	21,072,781	19,122,522
Unquoted equity securities	13,124,859	8,688,031	13,086,596
Mutual funds	10,329,847	10,130,384	7,628,801
	<b>40,777,635</b>	<b>39,891,196</b>	<b>39,837,919</b>

- Mutual funds are carried at net asset values provided by the fund managers.
- Unquoted equity securities of KD3,562,290 (31 December 2016: KD3,553,290 and 31 March 2016: KD7,541,636 ) are carried at cost, less impairment, if any, due to the unpredictable nature of their future cash flows and lack of other suitable methods for arriving at a reliable fair value of these investments. There is no active market for these financial assets and the Group intends to hold these securities for the long term.
- Some equity securities classified as available for sale investments are registered in the name of a major shareholder (Note 13).
- At 31 March 2017, the Group held certain equity securities of related parties with a carrying value of KD9,643,948 (31 December 2016: KD9,538,778, 31 March 2016: KD8,889,563) (Note 13).
- Available for sale investments amounting to KD22,828,974 (31 December 2016: KD22,002,386 and 31 March 2016: KD21,354,082) are secured against certain term loan (Note 11).



## Notes to the interim condensed consolidated financial information (continued)

### 10 Investment in associates

The movement in investment in associates is as follows:

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Opening balance	45,107,752	46,742,183	46,742,183
Additions	-	10,809	10,809
Reclassified to Investment in subsidiary	-	(1,619,332)	(1,619,332)
Disposal	-	(92,893)	-
Dividends received	-	(1,214,387)	-
Share of results	173,207	1,580,057	144,445
Cumulative changes in fair values	171,809	96,607	(217,240)
Foreign currency translation adjustment	(40,032)	48,451	(65,501)
Other reserves	9,034	(443,743)	(19,780)
	<b>45,421,770</b>	<b>45,107,752</b>	<b>44,975,584</b>

The Group recognised its shares of results in Kingdom Electricity Company – JSCC and Kuwait Pillars for Financial Investments Company – KSCC based on management accounts.

### 11 Term loans

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Term loan 1	-	-	13,417,266
Term loan 2	10,866,310	10,909,394	11,193,491
Term loan 3	9,000,000	9,000,000	9,000,000
Term loan 4	6,963,428	6,993,723	3,120,470
Term loan 5	12,000,000	12,000,000	-
Term loan 6 (see a below)	9,129,990	9,580,927	-
Term loan 7	4,302,450	4,320,700	-
Islamic finance facilities	-	-	3,546,409
	<b>52,262,178</b>	<b>52,804,744</b>	<b>40,277,636</b>
Instalments due within next twelve months	28,382,924	21,163,149	30,003,429
Instalments due after next twelve months	23,879,254	31,641,595	10,274,207
	<b>52,262,178</b>	<b>52,804,744</b>	<b>40,277,636</b>

- a) An installment equivalent to KD1,016,029 of this loan matured on 17 April 2017 and was not settled resulting into maturity of the entire outstanding loan. Management is currently negotiating restructuring of this loan with the bank. The entire outstanding amount due under this facility is shown as current liability.
- b) Certain investments at fair value and available for sale investments are secured against term loans (note 8 and 9).

## Notes to the interim condensed consolidated financial information (continued)

### 12 Annual general assembly

The Annual General Assembly for the year ended 31 December 2016 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2016 have not yet been approved. The interim condensed consolidated financial information for the three-month period ended 31 March 2017 does not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2016.

The board of directors of the Parent Company did not propose any dividends for the year ended 31 December 2016.

### 13 Related party balances and transactions

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Balances and transactions with related parties included in the interim condensed consolidated financial information are as follows:

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
<b>Interim condensed consolidated statement of financial position</b>			
Cash with portfolio manager	1,723	1,738	1,733
Available for sale investments (Note 9)	9,643,948	9,538,778	8,889,563
Investments at fair value through profit or loss (Note 8)	147,373	146,573	109,355
Due from related parties (included in accounts receivable and other assets)	7,278,191	5,509,529	637,554
Due to related parties (included in accounts payable and other liabilities)	(3,782,543)	(2,726,922)	(2,244,282)

The amount due from/to related parties are interest free and are receivable/payable on demand.

### Compensation of key management personnel

The remuneration of key management personnel of the Group during the period was as follows:

	Three months ended 31 March 2017 (Unaudited) KD	Three months ended 31 March 2016 (Unaudited) KD
Short-term employee benefits	238,708	318,500
End of service benefits	50,936	83,412

## Notes to the interim condensed consolidated financial information (continued)

### 13 Related party balances and transactions (continued)

#### Other information

- a) The following financial assets are managed by related parties:

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
<b>Available for sale investments</b>			
Quoted equity securities	101,666	111,444	100,363
Unquoted equity securities	301,100	301,100	-
Mutual funds	87,757	88,131	86,924
<b>Investments at fair value through profit or loss</b>			
Quoted equity securities	43,412	37,872	38,497

- b) The equity securities classified as available for sale investments with a carrying value of KD2,906,547: quoted KD232,218 and unquoted KD2,674,329, (31 December 2016: KD2,914,820, quoted KD240,490, unquoted KD2,674,329), (31 March 2016: KD3,271,536: quoted KD597,207 and unquoted KD2,674,330) are registered in the name of a major shareholder of the Parent Company who has confirmed in writing that it holds these equity securities on behalf of the Parent Company.
- c) The real estate properties in Egypt classified as investment properties are registered in the name of a key management personnel who has confirmed in writing that he holds the investment property on behalf of the Parent Company.

### 14 Commitments and contingencies

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
<b>Commitments</b>			
Purchase of available for sale investments	2,871,400	2,808,269	2,997,181
Purchase of investment in associates	-	-	2,146,902
Other commitments	1,602,268	1,616,681	-

#### Contingencies

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 8,774,875 (31 December 2016: KD8,204,791 and 31 March 2016: KD5,556,857) from which it is anticipated that no material liabilities will arise.

The Parent Company and Al Khair National for Stocks and Real Estate Company (related party) have provided a guarantee to NBK against a loan of KD57,387,502 (31 December 2016: KD57,387,502 and 31 March 2016: KD72,672,640) assigned to a third party during 2012. This loan was rescheduled during 2013 and the principal (excluding interest) is repayable in eleven annual installments commencing 15 June 2016.

## Notes to the interim condensed consolidated financial information (continued)

### 15 Segment information

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

The following table presents segment income and results information regarding the Group's business segments:

	Investment KD	Other KD	Total KD
<b>Three months ended 31 March 2017 (Unaudited)</b>			
Segment income	933,392	5,626,683	6,560,075
Segment profit before finance costs, foreign exchange gain or loss	592,923	256,052	848,975
Finance costs, net of foreign exchange gain/(loss)	(309,858)	(128,226)	(438,084)
Profit before taxation	283,065	127,826	410,891
Segment assets	111,156,624	56,400,408	167,557,032
Segment liabilities	(5,688,825)	(10,824,144)	(16,512,969)
Segment net assets before term loans	105,467,799	45,576,264	151,044,063
Term loans	(31,866,310)	(20,395,868)	(52,262,178)
Net assets	73,601,489	25,180,396	98,781,885
<b>Three months ended 31 March 2016 (Unaudited)</b>			
Segment (loss)/income	(1,142,584)	7,591,252	6,448,668
Segment (loss)/profit before finance costs, foreign exchange gain or loss	(1,522,066)	789,963	(732,103)
Finance costs, net of foreign exchange loss	(491,619)	(88,051)	(579,670)
(Loss)/profit before taxation	(2,013,685)	701,912	(1,311,773)
Segment assets	123,435,108	26,281,783	149,716,891
Segment liabilities	(5,068,674)	(4,270,911)	(9,339,585)
Segment net assets before term loans	118,366,434	22,010,872	140,377,306
Term loans	(34,798,901)	(5,478,735)	(40,277,636)
Net assets	83,567,533	16,532,137	100,099,670

### 16 Fair value measurement

#### 16.1 Fair value hierarchy

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.

## Notes to the interim condensed consolidated financial information (continued)

### 16 Fair value measurement (continued)

#### 16.1 Fair value hierarchy (continued)

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### 16.2 Fair value measurement of financial instruments

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

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
<b>Financial assets:</b>			
<i>Loans and receivables at amortised cost:</i>			
Cash and cash equivalents	3,919,142	5,275,996	9,429,694
Fixed deposits	1,246,625	1,277,431	1,246,625
Accounts receivable and other assets	24,528,631	22,038,629	12,638,478
<i>Investments at fair value through profit or loss at fair value:</i>			
Investments at fair value through profit or loss	14,477,601	13,926,168	13,567,167
<i>Available for sale investments:</i>			
Available for sale investments at cost	3,562,290	3,553,290	7,541,636
Available for sale investments at fair value	37,215,345	36,337,906	32,296,283
<i>Held-to-maturity investment at amortised cost:</i>			
Held-to-maturity investment	1,503,408	1,504,470	1,506,609
	<b>86,453,042</b>	<b>83,913,890</b>	<b>78,226,492</b>
<b>Financial liabilities:</b>			
<i>Financial liabilities at amortised cost:</i>			
Accounts payable and other liabilities	13,436,864	12,384,928	7,570,049
Term loans	52,262,178	52,804,744	40,277,636
Due to banks	580,959	15,120	365,949
	<b>66,280,001</b>	<b>65,204,792</b>	<b>48,213,634</b>

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

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.

## Notes to the interim condensed consolidated financial information (continued)

### 16 Fair value measurement (continued)

#### 16.2 Fair value measurement of financial instruments (continued)

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

#### 31 March 2017

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>Investments at fair value through profit or loss</b>					
Quoted securities	(a)	2,764,715	-	858,671	3,623,386
Managed funds	(b)	-	55,807	-	55,807
Unquoted securities	(c)	-	-	10,798,408	10,798,408
<b>Available for sale investments</b>					
Quoted securities	(a)	10,402,377	-	6,920,552	17,322,929
Managed funds	(b)	-	10,329,847	-	10,329,847
Unquoted securities	(c)	-	4,899,629	4,662,940	9,562,569
		13,167,092	15,285,283	23,240,571	51,692,946

#### 31 December 2016

<b>Investments at fair value through profit or loss</b>					
Quoted securities	(a)	2,244,457	-	953,031	3,197,488
Managed funds	(b)	-	56,046	-	56,046
Unquoted securities	(c)	-	-	10,672,634	10,672,634
<b>Available for sale investments</b>					
Quoted securities	(a)	9,811,451	-	11,261,330	21,072,781
Managed funds	(b)	-	10,130,384	-	10,130,384
Unquoted securities	(c)	-	4,803,544	331,197	5,134,741
		12,055,908	14,989,974	23,218,192	50,264,074

#### 31 March 2016

<b>Investments at fair value through profit or loss</b>					
Quoted securities	(a)	2,761,678	-	-	2,761,678
Managed funds	(b)	-	132,855	-	132,855
Unquoted securities	(c)	-	-	10,672,634	10,672,634
<b>Available for sale investments</b>					
Quoted securities	(a)	19,122,522	-	-	19,122,522
Managed funds	(b)	-	7,628,801	-	7,628,801
Unquoted securities	(c)	-	-	5,544,960	5,544,960
		21,884,200	7,761,656	16,217,594	45,863,450

There have been no transfers between levels 1 and 2 during the reporting period.

## Notes to the interim condensed consolidated financial information (continued)

### 16 Fair value measurement (continued)

#### 16.2 Fair value measurement of financial instruments (continued)

##### Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

##### a) Quoted securities

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (level 1) and if the market for an investment is not active, the Group has established fair value by using valuation techniques (Level 3).

##### b) Managed funds

The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

##### c) Unquoted securities

Unlisted securities are measured at fair value estimated using various models like discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates.

##### d) Financial liabilities

The Group does not have any financial liabilities at fair value.

##### Level 3 fair value measurements

The Group's financial assets classified in Level 3 use valuation techniques based on significant 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:

	31 March 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	31 March 2016 (Unaudited) KD
Opening balances	23,218,192	16,217,594	16,217,594
Transfer from level 1	-	12,214,361	-
Additions	-	612,500	-
Transfer to level 2	-	(5,544,960)	-
Gains/(loss) recognised in:			
- Profit or loss	31,414	(281,303)	-
- Other comprehensive income	(9,035)	-	-
Closing balance	<b>23,240,571</b>	23,218,192	16,217,594

## Notes to the interim condensed consolidated financial information (continued)

### **16 Fair value measurement (continued)**

#### 16.2 Fair value measurement of financial instruments (continued)

##### Level 3 fair value measurements (continued)

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

The impact on interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

### **17 Comparative amounts**

Certain comparative amounts have been reclassified to conform to the presentation in the current period. Such reclassification does not affect previously reported net assets, net equity and net result for the period.