

**Privatization Holding Company K.P.S.C.
and its subsidiaries
State of Kuwait**

Interim condensed consolidated financial information (Unaudited)
and review report for the six month period ended 30 June 2017

**Privatization Holding Company K.P.S.C.
and its subsidiaries
State of Kuwait**

**Interim condensed consolidated financial information (Unaudited) and review report
For the six month period ended 30 June 2017**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

**To the Board of Directors of Privatization Holding Company K.P.S.C.
State of Kuwait**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of income of Privatization Holding Company K.P.S.C. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2017, and the related interim condensed consolidated statements of comprehensive income, financial position, changes in equity and cash flows for the six month period then ended. The Parent Company's 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 the International Standard on Review Engagements 2410, "Review of Interim Condensed Consolidated Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated 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 IAS 34 "Interim Financial Reporting".

Other matter

The consolidated financial information/statements of Privatization Holding Company K.P.S.C. for the period and year ended 30 June 2016 and 31 December 2016, respectively, were reviewed/audited by another auditor who expressed an unmodified conclusion/opinion on those statements on 15 August 2016 and 30 March 2017, respectively.

Report on other legal and regulatory requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that nothing has come to our attention indicating any contravention 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, during the six month period ended 30 June 2017 that might have had a material effect on the business or the consolidated financial position of the Group.



Qais M. Al Nisf
License No. 38-A
BDO Al Nisf & Partners

Kuwait: 10 August 2017

**Privatization Holding Company K.P.S.C.
and its subsidiaries
State of Kuwait**

Interim condensed consolidated statement of income (Unaudited)
For the six month period ended 30 June 2017

	Notes	For the three months ended		For the six months ended	
		30 June		30 June	
		2017	2016	2017	2016
		KD	KD	KD	KD
Continuing operations					
Revenue					
Revenue from sales and services		1,867,783	1,159,554	3,550,773	2,478,207
Change in fair value of investments at fair value through profit or loss		(318,734)	(107,828)	230,531	(241,140)
Gain on sale of investments at fair value through profit or loss		-	4,273	-	3,777
Gain/(loss) on sale of available for sale investments		3,093	(510,553)	40,995	(1,830,206)
Share of results of associates	4	146,800	480,200	320,007	624,645
Loss on partial sale of investment in associates		(70,678)	-	(70,678)	-
Gain/(loss) on sale of investment properties		3,960	-	3,960	(22)
Dividend income		668,869	1,013,491	823,997	1,151,345
Interest income		19,308	14,593	37,197	43,193
Foreign exchange gain/(loss)		36,067	(2,985)	114,112	(66,878)
Other income		236,580	42,629	275,660	65,621
Total revenue		2,593,048	2,093,374	5,326,554	2,228,542
Expenses and other charges					
Cost of sales and services		(1,588,268)	(795,751)	(3,061,255)	(1,795,357)
General and administrative expenses		(692,242)	(749,867)	(1,305,225)	(1,376,993)
Portfolio management fees		(32,662)	(12,982)	(51,087)	(27,184)
Finance costs		(731,086)	(416,809)	(1,206,155)	(859,530)
Total expenses		(3,044,258)	(1,975,409)	(5,623,722)	(4,059,064)
(Loss)/profit for the period from continuing operations before taxation		(451,210)	117,965	(297,168)	(1,830,522)
National Labour Tax (NLST)		(57,617)	-	(64,913)	-
(Loss)/profit for the period from continuing operations		(508,827)	117,965	(362,081)	(1,830,522)
Profit from discontinued operations	3	2,783,424	605,217	3,039,994	1,241,931
Net profit/(loss) for the period		2,274,597	723,182	2,677,913	(588,591)
Attributable to:					
Shareholders of the Parent Company		2,298,140	772,848	2,674,028	(707,452)
Non-controlling interests		(23,543)	(49,666)	3,885	118,861
Net profit/(loss) for the period		2,274,597	723,182	2,677,913	(588,591)
Basic and diluted earnings/(loss) (fils) from continued and discontinued operations					
From continuing operations (fils)	5	3.77	1.13	4.38	(1.04)
From discontinued operations (fils)	5	(0.79)	0.24	(0.60)	(2.85)
From discontinued operations (fils)	5	4.56	0.89	4.98	1.81

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

**Privatization Holding Company K.P.S.C.
and its subsidiaries
State of Kuwait**

Interim condensed consolidated statement of comprehensive income (Unaudited)
For the six month period ended 30 June 2017

	Note	For the three month period ended 30 June		For the six month period ended 30 June	
		2017	2016	2017	2016
		KD	KD	KD	KD
Net Profit/(loss) for the period		<u>2,274,597</u>	<u>723,182</u>	<u>2,677,913</u>	<u>(588,591)</u>
Other comprehensive income items:					
<i>Items that may be reclassified subsequently to the Interim condensed consolidated statement of income</i>					
Available for sale investments:					
- Changes in fair value		(375,791)	(1,877,472)	870,615	(4,854,205)
- Reversal due to sales		(3,093)	510,553	(40,995)	1,830,206
Reversal of reserve upon disposal of associate		293	-	293	-
Exchange differences arising on translation of foreign operations		(293)	(1,140)	(679)	(1,244)
Share of other comprehensive loss of associates	4	(169,622)	(422,668)	(37,845)	(705,409)
Other comprehensive (loss)/ income for the period		<u>(548,506)</u>	<u>(1,790,727)</u>	<u>791,389</u>	<u>(3,730,652)</u>
Total comprehensive income/ (loss) for the period		<u>1,726,091</u>	<u>(1,067,545)</u>	<u>3,469,302</u>	<u>(4,319,243)</u>
Attributable to:					
Shareholders of the Parent Company		<u>1,789,927</u>	<u>(3,772,784)</u>	<u>3,559,163</u>	<u>(4,058,707)</u>
Non-controlling interests		<u>(63,836)</u>	<u>2,705,239</u>	<u>(89,861)</u>	<u>(260,536)</u>
		<u>1,726,091</u>	<u>(1,067,545)</u>	<u>3,469,302</u>	<u>(4,319,243)</u>

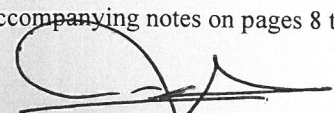
The accompanying notes on pages 8 to 22 form an integral part of this interim condensed consolidated financial information.


**Privatization Holding Company K.P.S.C.
and its subsidiaries
State of Kuwait**

**Interim condensed consolidated statement of financial position (Unaudited)
As at 30 June 2017**

		30 June 2017	31 December 2016 (Audited)	30 June 2016
	Notes	KD	KD	KD
Assets				
Non-current assets				
Property, plant and equipment		11,963,607	27,219,658	24,309,261
Intangible assets		-	2,492,905	2,492,905
Investment properties		2,696,378	2,717,526	3,356,705
Investment in associates	4	46,469,866	45,107,752	43,815,930
Available for sale investments	6	40,659,760	39,891,196	37,919,732
Held-to-maturity investment		1,503,932	1,504,470	1,505,896
Accounts receivable and other debit balances	7	6,357,865	5,043,423	-
		<u>109,651,408</u>	<u>123,976,930</u>	<u>113,400,429</u>
Current assets				
Inventories		1,321,693	2,006,193	737,644
Accounts receivable and other debit balances	7	20,101,654	18,243,881	19,202,067
Investments at fair value through profit or loss	8	14,133,561	13,926,168	13,443,222
Fixed deposits	9	128,532	1,277,431	-
Cash and cash equivalents	10	9,403,747	5,275,996	10,719,547
		<u>45,089,187</u>	<u>40,729,669</u>	<u>44,102,480</u>
Total assets		<u>154,740,595</u>	<u>164,706,599</u>	<u>157,502,909</u>
Equity and liabilities				
Equity				
Share capital		61,000,000	61,000,000	73,828,000
Share premium		24,761,544	24,761,544	24,761,544
Treasury shares		-	-	(2,865,881)
Treasury shares reserve		-	-	1,815,085
Statutory reserve		1,497,548	1,497,548	1,497,548
General reserve		5,526,986	5,526,986	1,072,302
Fair value reserve		3,822,643	2,849,238	(4,103,713)
Foreign currency translation reserve		622,070	710,340	549,278
Other reserves		(478,439)	(574,267)	(100,146)
Retained earnings (accumulated losses)		340,115	(2,333,913)	(557,784)
Equity attributable to shareholders of the Parent Company		<u>97,092,467</u>	<u>93,437,476</u>	<u>95,896,233</u>
Non-controlling interests		1,713,985	3,621,164	3,133,093
Total equity		<u>98,806,452</u>	<u>97,058,640</u>	<u>99,029,326</u>
Liabilities				
Non-current liabilities				
Term loans	11	26,997,209	31,641,595	27,559,168
Employees' end of service benefits		889,543	1,255,167	1,139,585
		<u>27,886,752</u>	<u>32,896,762</u>	<u>28,698,753</u>
Current liabilities				
Term loans	11	20,875,490	21,163,149	20,360,539
Accounts payable and other credit balances	12	7,096,148	13,572,928	9,170,278
Bank overdraft	10	75,753	15,120	244,013
		<u>28,047,391</u>	<u>34,751,197</u>	<u>29,774,830</u>
Total liabilities		<u>55,934,143</u>	<u>67,647,959</u>	<u>58,473,583</u>
Total equity and liabilities		<u>154,740,595</u>	<u>164,706,599</u>	<u>157,502,909</u>

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


Reyadh S. A. Edrees
Chairman


Mohammed Al Asfor
Vice Chairman

Privatization Holding Company K.P.S.C.
and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of changes in equity (Unaudited)
For the six month period ended 30 June 2017

	Equity attributable to shareholders of the Parent Company												
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	General reserve KD	Fair value reserve KD	Foreign currency translation reserve KD	Other reserves KD	Retained earnings/(accumulated losses) KD	Total KD	Non-controlling interests KD	Total equity KD
At 1 January 2017 (Audited)	61,000,000	24,761,544	-	-	1,497,548	5,526,986	2,849,238	710,340	(574,267)	(2,333,913)	93,437,476	3,621,164	97,058,640
Profit for the period	-	-	-	-	-	-	-	-	-	2,674,028	2,674,028	3,885	2,677,913
Other comprehensive income/(loss) items:													
Available for sale investments:													
- Change in fair value	-	-	-	-	-	-	964,361	-	-	-	964,361	(93,746)	870,615
- Realised on sale	-	-	-	-	-	(40,995)	-	-	-	-	(40,995)	-	(40,995)
Reversal of reserve upon partial disposal of associate	-	-	-	-	-	-	342	(49)	-	-	293	-	293
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(679)	-	-	(679)	-	(679)
Share of other comprehensive profit of associates (Note 4)	-	-	-	-	-	-	49,697	(87,542)	-	-	(37,845)	-	(37,845)
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	973,405	(88,270)	-	-	885,135	(93,746)	791,389
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	973,405	(88,270)	-	2,674,028	3,559,163	(89,861)	3,469,302
Share of other reserves of associate (Note 4)	-	-	-	-	-	-	-	-	8,093	-	8,093	-	8,093
Disposal of a subsidiary (Note 3)	-	-	-	-	-	-	-	-	(402,854)	-	(402,854)	(1,788,318)	(2,191,172)
Reclassifying to associate (Note 3)	-	-	-	-	-	-	-	-	489,694	-	489,694	-	489,694
Reversal of reserve upon disposal of associate	-	-	-	-	-	-	-	-	895	-	895	-	895
Dividends distribution	-	-	-	-	-	-	-	-	-	-	-	(50,000)	(50,000)
Arising on incorporation of subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	-	-	21,000	21,000
At 30 June 2017	61,000,000	24,761,544	-	-	1,497,548	5,526,986	3,822,643	622,070	(478,439)	340,115	97,092,467	1,713,985	98,806,452

**Privatization Holding Company K.P.S.C.
and its subsidiaries
State of Kuwait**

Interim condensed consolidated statement of changes in equity (Unaudited)
For the six month period ended 30 June 2017

	Equity attributable to the shareholders of the Parent Company													
	Share capital KD	Share premium KD	Treasury shares		Statutory reserve KD	General reserve KD	Fair value reserve KD	Foreign currency translation reserve		Other reserves KD	Retained earnings/ (accumulated losses) KD	Total KD	Non-controlling interests KD	Total equity KD
			shares KD	reserve KD				reserve KD	reserve KD					
At 1 January 2016 (Audited)	73,828,000	24,761,544	(2,865,881)	1,815,085	1,497,548	1,072,302	(820,748)	617,568	(77,567)	149,668	99,977,519	2,015,905	101,993,424	
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(707,452)	(707,452)	118,861	(588,591)	
Other comprehensive loss items:														
Available for sale investments :														
- Change in fair value	-	-	-	-	-	-	(4,474,808)	-	-	-	(4,474,808)	(379,397)	(4,854,205)	
- Transferred to statement of income on sale	-	-	-	-	-	-	1,830,206	-	-	-	1,830,206	-	1,830,206	
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(1,244)	(1,244)	-	-	(1,244)	-	(1,244)	
Share of other comprehensive loss of associates (Note 4)	-	-	-	-	-	-	(638,363)	(67,046)	-	-	(705,409)	-	(705,409)	
Other comprehensive loss for the period	-	-	-	-	-	-	(3,282,965)	(68,290)	-	-	(3,351,255)	(379,397)	(3,730,652)	
Total comprehensive loss for the period	-	-	-	-	-	-	(3,282,965)	(68,290)	-	(707,452)	(4,058,707)	(260,536)	(4,319,243)	
Share of other reserves of associate (Note 4)	-	-	-	-	-	-	-	-	(22,579)	-	(22,579)	-	(22,579)	
Arising on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	(557,784)	95,896,233	3,133,093	99,029,326	
At 30 June 2016	73,828,000	24,761,544	(2,865,881)	1,815,085	1,497,548	1,072,302	(4,103,713)	549,278	(100,146)	(557,784)	95,896,233	3,133,093	99,029,326	

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

**Privatization Holding Company K.P.S.C.
and its subsidiaries
State of Kuwait**

**Interim condensed consolidated statement of cash flows (Unaudited)
For the six month period ended 30 June 2017**

	Notes	For the six month period ended 30 June	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit/(loss) for the period		2,677,913	(588,591)
<i>Adjustments for:</i>			
Depreciation		624,500	715,243
Provision for employees' end of service benefits		130,232	183,893
(Gain)/loss on sale of available of sale of investments		(40,995)	1,830,206
Loss on sale investments at fair value through profit or loss		-	(3,777)
Change in fair value on investments at fair value through profit or loss		(232,699)	244,456
Dividend income		(823,997)	(1,151,345)
Interest income		(37,197)	(62,362)
Finance costs		1,206,155	1,012,803
Foreign exchange (gain)/loss		(114,112)	68,201
Share of results of associates	4	(320,007)	(624,645)
Loss on partial sale of investment in associates		70,678	-
Gain on sale of investment in subsidiaries	3	(2,809,098)	-
(Gain)/ loss on sale of investment properties		(3,960)	22
		327,413	1,624,104
Change in operating assets and liabilities:			
Inventories		93,550	-
Accounts receivable and other debit balances		(896,340)	(991,002)
Investments at fair value through profit or loss		-	26,319
Accounts payable and other credit balances		(1,886,695)	(958,420)
Cash flows used in operating activities		(2,362,072)	(298,999)
Taxes paid		-	(56,653)
Employees' end of service benefits paid		(16,311)	(8,505)
Net cash flows used in operating activities		(2,378,383)	(364,157)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(23,884)	(10,660,104)
Proceeds on sale of property, plant and equipment		-	33,409
Proceeds on sale of investment in subsidiaries		6,632,733	-
Proceeds on partial sale of investment in associates		62,959	-
Proceeds on sale of investment properties		25,108	28,247
Dividends received from associates	4	595,920	1,214,387
Purchase of available for sale investments		(614,470)	(593,225)
Proceeds from sale of available for sale investments		716,531	7,532,314
Additions to investment in associates	4	-	(10,809)
Interest income received		35,969	30,858
Dividend income received		823,997	1,151,345
Proceeds from redemption of investment in held to maturity		1,765	32,590
Net cash from of investment in subsidiary		-	1,557,918
Net movement on fixed deposits		(97,726)	-
Net cash flows generated from investing activities		8,158,902	316,930
FINANCING ACTIVITIES			
Term loans obtained		8,792,066	26,255,076
Capital reduction		(300,695)	-
Repayment of term loans		(8,983,054)	(26,059,265)
Net movement on non-current controlling interest		(21,430)	-
Finance costs paid		(1,209,786)	(830,685)
Net cash flows used in financing activities		(1,722,899)	(634,874)
Net increase (decrease) in cash and cash equivalents		4,057,620	(682,101)
Foreign currency translation reserve		9,498	(1,244)
Cash and cash equivalents at beginning of the period		5,260,876	11,158,879
Cash and cash equivalents at end of the period	10	9,327,994	10,475,534

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

**Privatization Holding Company K.P.S.C.
and its subsidiaries
State of Kuwait**

Notes to the interim condensed consolidated financial information (Unaudited)
For the six month period ended 30 June 2017

1. Incorporation and activities

Privatization Holding Company – K.P.S.C. (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, 23rd Floor, P.O. Box 4323, Safat 13104, Kuwait.

The interim condensed consolidated financial information for the six month period ended 30 June 2017 comprises of the Parent Company and its subsidiaries together referred to as (“the Group”).

The interim condensed consolidated financial information for the six month period ended 30 June 2017 was authorised for issue by the Parent Company’s Board of Directors on 10 August 2017.

2. Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). This interim condensed consolidated financial information does not include all information and disclosures required for complete set of financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. In the opinion of the management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The financial results for the six month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further information, refer to the annual audited consolidated financial statements of the Group for the year ended 31 December 2016.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars (KD) which is the functional and presentation currency of the Parent Company.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2016, except for the adoption of the following new standards and amendments effective as of 1 January 2017. Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group.

**Privatization Holding Company K.P.S.C.
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Notes to the interim condensed consolidated financial information (Unaudited)
For the six month period ended 30 June 2017

2. Basis of preparation (Continued)

a) New standards, interpretations and amendments effective from 1 January 2017

Certain new and amended standards have been effective for the current period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

Amendments to IAS 7 Statement of cash flows: Disclosure initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the Group needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments require entities to apply them retrospectively. However on initial application thereof, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity as appropriate) without allocating the change between opening retained earnings and other components of equity. It is required that in case such relief is applied, this fact must be disclosed.

Annual improvements 2014-2016 Cycle

Amendments to IFRS 12 Disclosure of interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

b) Standards and interpretations 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 information 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.

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2. Basis of preparation (Continued)

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between and 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 and 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.

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.

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2. Basis of preparation (Continued)
b) Standards and interpretations issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

- 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.

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**2. Basis of preparation (Continued)
b) Standards and interpretations 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.

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3. Subsidiaries

During the period, the Group incorporated an 85% owned subsidiary in Kuwait named Fairy Hub General Trading Company – W.L.L. with a total share capital of KD 140,000. The subsidiary has not yet commenced its operations.

Discontinued operations

- a) During the period, the Parent Company disposed Global Commercial Privatization Company – W.L.L. (99% direct subsidiary). The disposal of this subsidiary resulted in a gain amounting to KD 10,000.
- b) During the period, the Parent Company disposed Combined Trust Real Estate Company –W.L.L. (99% direct subsidiary). The disposal of this subsidiary resulted in a gain amounting to KD 10,000.
- c) During the period, Board of Directors of the Parent Company decided to dispose of Gas and Oil Services Company (GOFSCO) K.S.C. (Closed) (90.1% indirect subsidiary) with total assets amounted to KD 29,891,045 and total liabilities amounted to KD 11,397,510 as at 31 March 2017. The Parent Company entered into a sale agreement to dispose off this subsidiary, which resulted in a gain amounted to KD 2,386,244. Additionally, during the period the Group reclassified gain of KD 402,854 from equity which arose from partial sale of GOFSCO during 2016. The disposal was completed during the period on which the control of this subsidiary was passed to the acquirer.

Below is a summary of business results related to the discontinued operations of GOFSCO for the period:

	For the three months ended 30 June		For the six months ended 30 June	
	2017	2016	2017	2016
	KD	KD	KD	KD
Revenues	-	9,946,039	3,901,673	16,199,336
Expenses	(25,674)	(9,340,822)	(3,670,777)	(14,957,405)
Net profit for the period related to discontinued operations	(25,674)	605,217	230,896	1,241,931
Gain on sale of subsidiaries (3 c)	2,789,098	-	2,789,098	-
	<u>2,763,424</u>	<u>605,217</u>	<u>3,019,994</u>	<u>1,241,931</u>

Subsequent to GOFSCO disposal, the Group reclassified 42.78% stake (Directly held) in Eastern United Petroleum Company – K.S.C. (Closed) to investment in associate along with goodwill that arose from step acquisition during 2016 amounting to KD 489,694 which was recognized in equity.

4. Investment in associates

The movement in investment in associates is as follows:

	30 June	31 December	30 June 2016
	2017	2016	
	KD	(Audited) KD	KD
Opening balance	45,107,752	46,742,183	46,742,183
Additions	-	10,809	10,809
Reclassified from/(to) Investment in subsidiary	1,801,754	(1,619,332)	(1,619,332)
Disposal	(133,975)	(92,893)	-
Dividends received	(595,920)	(1,214,387)	(1,214,387)
Share of results	320,007	1,580,057	624,645
Share of other comprehensive income	(37,845)	145,058	(705,409)
Other reserves	8,093	(443,743)	(22,579)
	<u>46,469,866</u>	<u>45,107,752</u>	<u>43,815,930</u>

The Group recognised its shares of results in Kuwait Building Material Company, First Equilease for Equipment and Transportation Company, Kingdom Electricity Company, Eastern United Petroleum and National Industry Company, based on management accounts.

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5. 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 shareholders of the Parent Company by the weighted average number of shares outstanding during the period, less treasury shares as follows:

	For the three month period ended 30 June		For the six month period ended 30 June	
	2017	2016	2017	2016
Profit/(loss) for the period attributable to shareholders of the Parent Company :	2,298,140	772,848	2,674,028	(707,452)
Net (loss)/profit for the period from continuing operations	<u>(485,284)</u>	<u>167,631</u>	<u>(365,966)</u>	<u>(1,949,383)</u>
Discontinued operations	<u>2,783,424</u>	<u>605,217</u>	<u>3,039,994</u>	<u>1,241,931</u>
Weighted average number of shares outstanding less treasury shares (No's)	<u>610,000,000</u>	<u>683,225,199</u>	<u>610,000,000</u>	<u>683,225,199</u>
Basic and diluted earnings /(loss) per share attributable to shareholders of the Parent Company (fils):	3.77	1.13	4.38	(1.04)
From continuing operations (fils)	<u>(0.79)</u>	<u>0.24</u>	<u>(0.60)</u>	<u>(2.85)</u>
From discontinued operations (fils)	<u>4.56</u>	<u>0.89</u>	<u>4.98</u>	<u>1.81</u>

6. Available for sale investments

	30 June	31 December	30 June
	2017	2016	2016
	KD	(Audited) KD	KD
Quoted equity securities	16,522,787	21,072,781	16,782,097
Unquoted equity securities	13,841,929	8,688,031	13,463,879
Mutual funds	10,295,044	10,130,384	7,673,756
	<u>40,659,760</u>	<u>39,891,196</u>	<u>37,919,732</u>

Mutual funds are carried at net asset values provided by the fund managers.

Unquoted equity securities of KD 3,562,290 (31 December 2016: KD 3,553,290 and 30 June 2016: KD 7,918,919) 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 14).

At 30 June 2017, the Group held certain equity securities of related parties with a carrying value of KD 9,508,998 (31 December 2016: KD 9,538,778, 30 June 2016: KD 7,457,395) (Note 14).

Available for sale investments amounting to KD 22,328,882 (31 December 2016: KD 22,002,386 and 30 June 2016: KD 17,909,773) are secured against certain term loan (Note 11).

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7. Account receivables and other debit balances

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	KD	KD	KD
Non-current			
Due from related parties	<u>6,357,865</u>	<u>5,043,423</u>	-
	<u>6,357,865</u>	<u>5,043,423</u>	-
Current			
Trade receivables	6,266,553	10,832,769	7,892,701
Interest receivables	3,000,000	3,000,000	3,003,085
Prepaid expenses and accrued income	212,214	379,671	954,732
Advances to suppliers	56,324	869,004	3,520,698
Due from related parties	592,385	466,106	637,954
Other receivables	9,974,178	2,696,331	3,192,897
	<u>20,101,654</u>	<u>18,243,881</u>	<u>19,202,067</u>
	<u>26,459,519</u>	<u>23,287,304</u>	<u>19,202,067</u>

8. Investments at fair value through profit or loss

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	KD	KD	KD
Quoted equity securities	3,405,439	3,197,488	2,651,996
Unquoted equity securities	10,672,634	10,672,634	10,672,634
Mutual funds	55,488	56,046	118,592
	<u>14,133,561</u>	<u>13,926,168</u>	<u>13,443,222</u>

At 30 June 2017, the Group held certain shares of related parties (Note 14).

Investments at fair value through profit or loss amounting to KD 14,091,682 (31 December 2016: KD 13,741,723 and 30 June 2016: KD 13,340,646) 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. Fixed deposits

The average effective interest rate on bank deposits was 0.6% to 9.5% as at 30 June 2017 (31 December 2016: ranging from 0.6% to 7% and 30 June 2016: Nil).

10. Cash and cash equivalents

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	KD	KD	KD
Cash on hand and at banks	8,582,190	4,825,138	9,392,266
Cash in portfolios	791,068	250,755	463,064
Fixed deposits with original maturity less than three months	30,489	200,103	864,217
Cash and cash equivalents	<u>9,403,747</u>	<u>5,275,996</u>	<u>10,719,547</u>
Less: bank overdraft	(75,753)	(15,120)	(244,013)
Cash and cash equivalents	<u>9,327,994</u>	<u>5,260,876</u>	<u>10,475,534</u>

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11. Term loans

	<u>30 June 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 June 2016</u>
	KD	KD	KD
Term loan 1	10,808,314	10,909,394	11,190,037
Term loan 2	9,000,000	9,000,000	9,000,000
Term loan 3	3,062,050	6,993,723	3,163,542
Term loan 4	11,500,000	12,000,000	-
Term loan 5 (see a below)	9,218,535	9,580,927	13,500,000
Term loan 6	4,283,800	4,320,700	8,687,373
Islamic finance facilities	-	-	2,378,755
	<u>47,872,699</u>	<u>52,804,744</u>	<u>47,919,707</u>
Installments due after next twelve months	26,997,209	31,641,595	27,559,168
Installments due within next twelve months	20,875,490	21,163,149	20,360,539
	<u>47,872,699</u>	<u>52,804,744</u>	<u>47,919,707</u>

An instalment equivalent to KD 1,016,029 of this loan matured on 17 April 2017 was subsequently settled on 11 July 2017.

Certain available for sale investments and investments at fair value through profit or loss are secured against term loans (Note 6 and 8).

12. Account payable and other credit balances

	<u>30 June 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 June 2016</u>
	KD	KD	KD
Account payable	445,515	2,322,765	1,962,721
Due to related parties	3,725,964	2,726,922	1,631,316
Accrued expenses and other liabilities	2,924,669	8,523,241	5,576,241
	<u>7,096,148</u>	<u>13,572,928</u>	<u>9,170,278</u>

13. Annual General Assembly

The Annual General Assembly of the Parent Company for the year ended 31 December 2016 held on 9 July 2017 approved the consolidated financial statements for the year ended 31 December 2016 as well as not to distribute cash dividends or bonus shares for the year then ended.

14. 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.

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14. Related party balances and transactions (continued)

Transactions and balances with related parties included in the consolidated financial statements are as follows:

	Three months ended		Six months ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	KD	KD	KD	KD
Transactions included in consolidated statement of income:				
Interest expense	(34,738)	-	(34,738)	-
Dividend income	1,000	33,705	1,000	33,705
Portfolio management fees	(28)	(52)	(57)	(52)

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

	30 June	31 December	30 June
	2017	2016 (Audited)	2016
	KD	KD	KD
Interim condensed consolidated statement of financial position			
Cash with portfolio manager	5,306	1,738	1,738
Available for sale investments (Note 6)	9,508,998	9,538,778	7,457,395
Investments at fair value through profit or loss (Note 8)	142,474	146,573	64,992
Due from related parties (Note 7)	6,950,250	5,509,529	637,954
Due to related parties (Note 12)	(3,725,964)	(2,726,922)	(1,631,316)

The amounts 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:

	For the three month period ended 30 June		For the six month period ended 30 June	
	2017	2016	2017	2016
	KD	KD	KD	KD
Interim condensed consolidated statement of income:				
Short term benefits	154,029	198,510	294,773	517,010
End of service benefits	15,828	2,757	57,540	86,169

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14. Related party balances and transactions (continued)

Other information

The following financial assets are managed by related parties:

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Available for sale investments			
Quoted equity securities	105,312	111,444	101,639
Unquoted equity securities	301,100	301,100	-
Mutual funds	87,254	88,131	86,895
Investments at fair value through profit or loss			
Quoted equity securities	15,982	37,872	37,584

The equity securities classified as available for sale investments with a carrying value of KD 2,875,530, (quoted KD 201,201 and unquoted KD 2,674,329), (31 December 2016: KD 2,914,820, (quoted KD 240,490, unquoted KD 2,674,330)), (30 June 2016: KD 3,272,540, (quoted KD 598,210 and unquoted KD 2,674,330)) 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.

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.

15. Commitments and contingencies

	30 June 2017	31 December 2016 (Audited)	30 June 2016
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Commitments			
Purchase of available for sale investments	3,027,806	2,808,269	2,944,112
Purchase of investment in associates	-	-	2,146,869
Other commitments	456,239	1,616,681	1,625,169

Contingencies

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 5,157,866 (31 December 2016: KD 8,204,791 and 30 June 2016: KD 6,345,519) 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 KD 57,387,502 (31 December 2016: KD 57,387,502 and 30 June 2016: KD 72,672,640) assigned to a third party during 2012. This loan was rescheduled during 2013 and the principal (excluding interest) is repayable in eleven annual instalments commencing 15 June 2016.

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16. 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:

	<u>Investment</u> KD	<u>Other</u> KD	<u>Total</u> KD
Six months ended 30 June 2017			
Segment income	<u>1,386,132</u>	<u>3,826,310</u>	<u>5,212,442</u>
Segment profit before finance costs, foreign exchange gain or loss	<u>595,965</u>	<u>198,910</u>	<u>794,875</u>
Finance costs, net of foreign exchange gain/(loss)	<u>(722,047)</u>	<u>(369,996)</u>	<u>(1,092,043)</u>
Profit before taxation	<u>(126,082)</u>	<u>(171,086)</u>	<u>(297,168)</u>
Segment assets	<u>124,110,913</u>	<u>30,629,682</u>	<u>154,740,595</u>
Segment liabilities	<u>5,893,160</u>	<u>2,168,284</u>	<u>8,061,444</u>
Segment net assets before term loans	<u>118,217,753</u>	<u>28,461,398</u>	<u>146,679,151</u>
Term loans	<u>31,308,314</u>	<u>16,564,385</u>	<u>47,872,699</u>
Net assets	<u>86,909,439</u>	<u>11,897,013</u>	<u>98,806,452</u>
Six months ended 30 June 2016			
Segment (loss)/income	<u>(206,692)</u>	<u>2,502,112</u>	<u>2,295,420</u>
Segment (loss)/profit before finance costs, foreign exchange gain or loss	<u>(1,089,090)</u>	<u>184,976</u>	<u>(904,114)</u>
Finance costs, net of foreign exchange loss	<u>(904,180)</u>	<u>(22,228)</u>	<u>(926,408)</u>
(Loss)/profit before taxation	<u>(1,993,270)</u>	<u>162,748</u>	<u>(1,830,522)</u>
Segment assets	<u>109,114,784</u>	<u>48,388,125</u>	<u>157,502,909</u>
Segment liabilities	<u>2,670,411</u>	<u>7,883,465</u>	<u>10,553,876</u>
Segment net assets before term loans	<u>106,444,373</u>	<u>40,504,660</u>	<u>146,949,033</u>
Term loans	<u>33,690,037</u>	<u>14,229,670</u>	<u>47,919,707</u>
Net assets	<u>72,754,336</u>	<u>26,274,990</u>	<u>99,029,326</u>

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17. Fair value measurement

17.1 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.

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).

17.2 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:

	<u>30 June 2017</u> KD	<u>31 December 2016 (Audited)</u> KD	<u>30 June 2016</u> KD
Financial assets:			
<i>Loans and receivables at amortised cost:</i>			
Accounts receivable and other debit balances	26,190,981	22,038,629	18,247,335
Fixed deposits	128,532	1,277,431	-
Cash and cash equivalents	9,403,747	5,275,996	10,719,547
<i>Available for sale investments:</i>			
Available for sale investments at cost	3,562,290	3,553,290	7,918,919
Available for sale investments at fair value	37,097,470	36,337,906	30,000,813
<i>Held-to-maturity investment at amortised cost:</i>			
Held-to-maturity investment	1,503,932	1,504,470	1,505,896
<i>Investments at fair value through profit or loss at fair value:</i>			
Investments at fair value through profit or loss	14,133,561	13,926,168	13,443,222
	<u>92,020,513</u>	<u>83,913,890</u>	<u>81,835,732</u>
Financial liabilities:			
<i>Financial liabilities at amortised cost:</i>			
Term loans	47,872,699	52,804,744	47,919,707
Banks overdraft	75,753	15,120	244,013
Accounts payable and other credit balances	6,988,743	12,384,928	9,170,278
	<u>54,937,195</u>	<u>65,204,792</u>	<u>57,333,998</u>

**Privatization Holding Company K.P.S.C.
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Notes to the interim condensed consolidated financial information (Unaudited)
For the six month period ended 30 June 2017

17. Fair value measurement (Continued)

17.2 Fair value measurement of financial instruments (continued)

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.

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:

30 June 2017

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Quoted securities	(a)	2,420,993	-	858,672	3,279,665
Managed funds	(b)	-	55,488	-	55,488
Unquoted securities	(c)	-	-	10,798,408	10,798,408
Available for sale investments					
Quoted securities	(a)	9,835,852	-	6,686,935	16,522,787
Managed funds	(b)	-	10,295,044	-	10,295,044
Unquoted securities	(c)	-	4,830,355	5,449,284	10,279,639
		<u>12,256,845</u>	<u>15,180,887</u>	<u>23,793,299</u>	<u>51,231,031</u>

31 December 2016

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
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
Available for sale investments					
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
		<u>12,055,908</u>	<u>14,989,974</u>	<u>23,218,192</u>	<u>50,264,074</u>

30 June 2016

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss					
Quoted securities	(a)	2,651,996	-	-	2,651,996
Managed funds	(b)	-	118,592	-	118,592
Unquoted securities	(c)	-	-	10,672,634	10,672,634
Available for sale investments					
Quoted securities	(a)	16,782,097	-	-	16,782,097
Managed funds	(b)	-	7,673,756	-	7,673,756
Unquoted securities	(c)	-	-	5,544,960	5,544,960
		<u>19,434,093</u>	<u>7,792,348</u>	<u>16,217,594</u>	<u>43,444,035</u>

**Privatization Holding Company K.P.S.C.
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Notes to the interim condensed consolidated financial information (Unaudited)
For the six month period ended 30 June 2017

17. Fair value measurement (Continued)

17.2 Fair value measurement of financial instruments (continued)

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

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:

	<u>30 June 2017</u> KD	<u>31 December 2016 (Audited)</u> KD	<u>30 June 2016</u> KD
Opening balances	23,218,192	16,217,594	16,217,594
Transfer from level 1	-	12,214,361	-
Additions	609,458	612,500	-
Transfer to level 2	-	(5,544,960)	-
Gains/(loss) recognized in:			
-Profit or loss	31,419	(281,303)	-
-Other comprehensive income	(65,770)	-	-
Closing balance	<u>23,793,299</u>	<u>23,218,192</u>	<u>16,217,594</u>

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

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

18. Comparative figures

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