

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

Interim condensed consolidated financial information (Unaudited)
and review report for the nine month period ended 30 September 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 nine month period ended 30 September 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 financial position of Privatization Holding Company K.P.S.C. ("the Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2017, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine 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 September 2016 and 31 December 2016, respectively, were reviewed/audited by another auditor who expressed an unmodified conclusion/opinion on those statements on 15 November 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 nine month period ended 30 September 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: 14 November 2017

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

Interim condensed consolidated statement of income (Unaudited)

For the nine month period ended 30 September 2017

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017	2016	2017	2016
		KD	KD	KD	KD
Continuing operations					
Revenue					
Revenue from sales and services		1,579,569	1,605,122	5,130,342	4,083,329
Change in fair value of investments at fair value through profit or loss		148,016	(81,366)	378,547	(322,506)
Gain on sale of investments at fair value through profit or loss		-	-	-	3,777
Gain/(loss) on sale of available for sale investments		-	485,084	40,995	(1,345,122)
Share of results of associates	4	509,250	1,100,448	829,257	1,725,093
Loss on partial sale of investment in associates		-	-	(70,678)	-
Gain on sale of investment properties		-	2,147	3,960	2,125
Dividend income		438,354	85,968	1,262,351	1,237,313
Interest income		32,158	23,987	69,355	67,180
Foreign exchange gain/(loss)		32,523	2,034	146,635	(64,844)
Other income		148,823	34,893	424,483	100,514
Total revenue		2,888,693	3,258,317	8,215,247	5,486,859
Expenses and other charges					
Cost of sales and services		(1,271,094)	(1,139,144)	(4,332,349)	(2,934,501)
General and administrative expenses		(598,665)	(507,149)	(1,903,890)	(1,884,142)
Portfolio management fees		(33,501)	(1,613)	(84,588)	(28,797)
Finance costs		(531,935)	(440,498)	(1,738,090)	(1,300,028)
Total expenses		(2,435,195)	(2,088,404)	(8,058,917)	(6,147,468)
Profit/(Loss) for the period from continuing operations before taxation		453,498	1,169,913	156,330	(660,609)
Taxation		(9,430)	(26,598)	(74,343)	(26,598)
Profit/(loss) for the period from continuing operations		444,068	1,143,315	81,987	(687,207)
Profit from discontinued operations	3	25,673	854,257	3,065,667	2,096,188
Net profit for the period		469,741	1,997,572	3,147,654	1,408,981
Attributable to:					
Shareholders of the Parent Company		395,123	1,765,257	3,069,151	1,057,805
Non-controlling interests		74,618	232,315	78,503	351,176
Net profit for the period		469,741	1,997,572	3,147,654	1,408,981
Basic and diluted earnings/(loss) (fils) from continued and discontinued operations					
	5	0.65	2.58	5.03	1.55
From continuing operations (fils)	5	0.61	1.33	0.01	(1.52)
From discontinued operations (fils)	5	0.04	1.25	5.02	3.07

The accompanying notes on pages 8 to 24 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 nine month period ended 30 September 2017

	For the three month period ended 30 September		For the nine month period ended 30 September	
	2017	2016	2017	2016
	KD	KD	KD	KD
Net Profit for the period	<u>469,741</u>	<u>1,997,572</u>	<u>3,147,654</u>	<u>1,408,981</u>
Other comprehensive income/(loss) 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	1,229,364	14,407	2,099,979	(4,839,798)
- Reversal due to sales	-	(485,084)	(40,995)	1,345,122
Reversal of reserve upon disposal of associate	-	-	293	-
Exchange differences arising on translation of foreign operations	(64,370)	1,199	(65,049)	(45)
Share of other comprehensive (loss)/income of associates	4 (114,707)	72,231	(152,552)	(633,178)
Other comprehensive income/(loss) for the period	<u>1,050,287</u>	<u>(397,247)</u>	<u>1,841,676</u>	<u>(4,127,899)</u>
Total comprehensive income/ (loss) for the period	<u>1,520,028</u>	<u>1,600,325</u>	<u>4,989,330</u>	<u>(2,718,918)</u>
Attributable to:				
Shareholders of the Parent Company	1,404,117	1,486,787	4,963,280	(2,571,920)
Non-controlling interests	115,911	113,538	26,050	(146,998)
	<u>1,520,028</u>	<u>1,600,325</u>	<u>4,989,330</u>	<u>(2,718,918)</u>

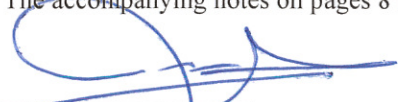
The accompanying notes on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.


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

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

		30 September 2017	31 December 2016 (Audited)	30 September 2016
	Notes	KD	KD	KD
Assets				
Non-current assets				
Property, plant and equipment		11,875,176	27,219,658	25,676,118
Intangible assets		465,859	2,492,905	2,492,905
Investment properties		2,696,378	2,717,526	3,318,754
Investment in associates	4	46,798,734	45,107,752	44,719,780
Available for sale investments	6	41,819,115	39,891,196	37,577,883
Held-to-maturity investment		1,503,044	1,504,470	1,505,183
Accounts receivable and other debit balances	7	7,039,176	5,043,423	-
		<u>112,197,482</u>	<u>123,976,930</u>	<u>115,290,623</u>
Current assets				
Inventories		1,336,917	2,006,193	1,947,814
Accounts receivable and other debit balances	7	19,921,477	18,243,881	22,051,250
Investments at fair value through profit or loss	8	14,281,576	13,926,168	13,363,751
Fixed deposits	9	33,231	1,277,431	359,701
Cash and cash equivalents	10	5,585,154	5,275,996	11,719,697
		<u>41,158,355</u>	<u>40,729,669</u>	<u>49,442,213</u>
Total assets		<u>153,355,837</u>	<u>164,706,599</u>	<u>164,732,836</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		4,923,082	2,849,238	(4,371,297)
Foreign currency translation reserve		530,625	710,340	538,392
Other reserves		(544,087)	(574,267)	(354,759)
Retained earnings/(accumulated losses)		735,238	(2,333,913)	1,207,473
Equity attributable to shareholders of the Parent Company		<u>98,430,936</u>	<u>93,437,476</u>	<u>97,128,407</u>
Non-controlling interests		1,804,200	3,621,164	3,232,415
Total equity		<u>100,235,136</u>	<u>97,058,640</u>	<u>100,360,822</u>
Liabilities				
Non-current liabilities				
Term loans	11	28,405,924	31,641,595	29,841,269
Employees' end of service benefits		922,920	1,255,167	1,188,699
		<u>29,328,844</u>	<u>32,896,762</u>	<u>31,029,968</u>
Current liabilities				
Term loans	11	18,399,409	21,163,149	19,868,785
Accounts payable and other credit balances	12	5,364,096	13,572,928	12,769,954
Bank overdraft	10	28,352	15,120	703,307
		<u>23,791,857</u>	<u>34,751,197</u>	<u>33,342,046</u>
Total liabilities		<u>53,120,701</u>	<u>67,647,959</u>	<u>64,372,014</u>
Total equity and liabilities		<u>153,355,837</u>	<u>164,706,599</u>	<u>164,732,836</u>

The accompanying notes on pages 8 to 24 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
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Interim condensed consolidated statement of changes in equity (Unaudited)

For the nine month period ended 30 September 2017

	Equity attributable to 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	(Accumulated losses)/retained earnings KD	Total KD	Non-controlling interests KD	Total equity KD
			shares KD	reserve KD				reserve KD	reserve 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	-	-	-	-	-	-	-	-	-	3,069,151	3,069,151	78,503	3,147,654	
Other comprehensive income/(loss) items:														
Available for sale investments:														
- Change in fair value	-	-	-	-	-	2,152,433	-	-	-	-	2,152,433	(52,454)	2,099,979	
- Reversal due to sale	-	-	-	-	-	(40,995)	-	-	-	-	(40,995)	-	(40,995)	
Reversal of reserve upon partial disposal of associate	-	-	-	-	-	343	(50)	-	-	-	293	-	293	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(65,049)	-	-	-	(65,049)	-	(65,049)	
Share of other comprehensive (loss)/ income of associates (Note 4)	-	-	-	-	-	(37,937)	(114,616)	-	-	-	(152,553)	1	(152,552)	
Other comprehensive income/(loss) for the period	-	-	-	-	-	2,073,844	(179,715)	-	-	-	1,894,129	(52,453)	1,841,676	
Total comprehensive income/(loss) for the period	-	-	-	-	-	2,073,844	(179,715)	-	-	3,069,151	4,963,280	26,050	4,989,330	
Share of other reserves of associate (Note 4)	-	-	-	-	-	-	-	-	(57,558)	-	(57,558)	(22)	(57,580)	
Disposal of a subsidiary (Note 3)	-	-	-	-	-	-	-	-	(402,854)	-	(402,854)	(3,126,052)	(3,528,906)	
Reclassifying to associate (Note 3)	-	-	-	-	-	-	-	-	489,694	-	489,694	1,312,060	1,801,754	
Reversal of reserve upon disposal of associate	-	-	-	-	-	-	-	-	898	-	898	-	898	
Dividends distribution	-	-	-	-	-	-	-	-	-	-	-	(50,000)	(50,000)	
Arising on incorporation of subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	-	-	21,000	21,000	
At 30 September 2017	61,000,000	24,761,544	-	-	1,497,548	5,526,986	4,923,082	530,625	(544,087)	735,238	98,430,936	1,804,200	100,235,136	

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

Interim condensed consolidated statement of changes in equity (Unaudited)

For the nine month period ended 30 September 2017

	Equity attributable to the 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		Retained earnings KD	Non-controlling interests KD	Total equity KD
								translation reserve KD	Other reserves 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	2,015,905	101,993,424
Profit for the period	-	-	-	-	-	-	-	-	-	1,057,805	351,176	1,408,981
Other comprehensive loss items:												
Available for sale investments:												
- Change in fair value	-	-	-	-	-	-	(4,341,626)	-	-	-	(498,172)	(4,839,798)
- Reversal due to sale	-	-	-	-	-	-	1,345,122	-	-	-	-	1,345,122
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	(45)	-	-	-	(45)
Share of other comprehensive loss of associates (Note 4)	-	-	-	-	-	-	(554,045)	(79,131)	-	-	(2)	(633,178)
Other comprehensive loss for the period	-	-	-	-	-	-	(3,550,549)	(79,176)	-	-	(498,174)	(4,127,899)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(3,550,549)	(79,176)	-	1,057,805	(146,998)	(2,718,918)
Share of other reserves of associate (Note 4)	-	-	-	-	-	-	-	-	(291,311)	-	(97)	(291,408)
Arising on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	1,377,724	1,377,724
Other Movements	-	-	-	-	-	-	-	-	14,119	-	(14,119)	-
At 30 September 2016	73,828,000	24,761,544	(2,865,881)	1,815,085	1,497,548	1,072,302	(4,371,297)	538,392	(354,759)	1,207,473	3,232,415	100,360,822

The accompanying notes on pages 8 to 24 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 nine month period ended 30 September 2017**

	Notes	For the nine month period ended 30 September	
		2017 KD	2016 KD
OPERATING ACTIVITIES			
Profit for the period			
<i>Adjustments for:</i>		3,147,654	1,408,981
Depreciation		729,330	1,128,174
Provision for employees' end of service benefits		164,243	263,680
(Gain)/loss on sale of available of sale of investments		(40,995)	1,345,122
Gain 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		(380,715)	323,926
Dividend income		(1,262,351)	(1,237,313)
Interest income		(69,355)	(88,433)
Finance costs		1,738,090	1,504,645
Foreign exchange (gain)/loss		(146,635)	68,427
Share of results of associates	4	(829,257)	(1,725,093)
Loss on partial sale of investment in associates		70,678	-
Gain on sale of investment in subsidiaries	3	(2,809,098)	-
Gain on sale of investment properties		(3,960)	(2,125)
		<u>307,629</u>	<u>2,986,214</u>
Change in operating assets and liabilities:			
Inventories		78,327	(1,310,621)
Accounts receivable and other debit balances		(1,416,595)	(3,753,778)
Investments at fair value through profit or loss		-	26,320
Accounts payable and other credit balances		(3,610,412)	2,792,723
Cash flows (used in)/generated from operating activities		<u>(4,641,051)</u>	<u>740,858</u>
Taxes paid		-	(56,653)
Employees' end of service benefits paid		(16,944)	(39,178)
Net cash flows (used in)/generated from operating activities		<u>(4,657,995)</u>	<u>645,027</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(40,283)	(12,439,892)
Proceeds on sale of property, plant and equipment		-	33,410
Purchase of intangible assets		(465,859)	-
Proceeds on sale of investment in subsidiaries		6,632,733	-
Proceeds on partial sale of investment in associates		64,487	-
Proceeds on sale of investment properties		25,108	68,345
Dividends received from associates	4	595,922	1,214,387
Purchase of available for sale investments		(613,178)	(768,113)
Proceeds from sale of available for sale investments		785,248	8,063,459
Additions to investment in associates	4	-	(10,809)
Interest income received		68,133	40,895
Dividend income received		1,262,351	1,237,313
Proceeds from redemption of investment in held to maturity		2,647	49,338
Net cash from of investment in subsidiary		-	1,557,918
Net movement on fixed deposits		(2,425)	(359,701)
Net cash flows generated from/(used in) investing activities		<u>8,314,884</u>	<u>(1,313,450)</u>
FINANCING ACTIVITIES			
Proceeds from term loans		12,142,378	29,387,134
Repayment of term loans		(13,372,559)	(27,387,160)
Capital reduction		(356,235)	-
Net movement on non-current controlling interest		(29,000)	-
Finance costs paid		(1,694,519)	(1,473,995)
Net cash flows (used in)/generated from financing activities		<u>(3,309,935)</u>	<u>525,979</u>
Net increase/(decrease) in cash and cash equivalents		<u>346,954</u>	<u>(142,444)</u>
Foreign currency translation reserve		(51,028)	(45)
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	<u>5,556,802</u>	<u>11,016,390</u>

The accompanying notes on pages 8 to 24 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 nine month period ended 30 September 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 nine month period ended 30 September 2017 comprises of the Parent Company and its subsidiaries (together referred to as “the Group”).

The interim condensed consolidated financial information for the nine month period ended 30 September 2017 was authorised for issue by the Parent Company’s Board of Directors on 14 November 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 nine month period ended 30 September 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 nine month period ended 30 September 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)

b) Standards and interpretations issued but not yet effective (continued)

<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.

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.

2. Basis of preparation (Continued)

b) Standards and interpretations issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

- 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
 - licensing
 - breakage
 - non-refundable upfront fees, and
 - consignment and bill-and-hold arrangements.

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.

2. Basis of preparation (Continued)

b) Standards and interpretations issued but not yet effective (continued)

IFRS 16 Leases (continued)

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. 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 of this subsidiary, which resulted in a gain amounting 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 September		For the nine months ended 30 September	
	2017	2016	2017	2016
	KD	KD	KD	KD
Revenues	-	4,420,041	3,901,673	20,619,377
Expenses	25,673	(3,565,784)	(3,645,104)	(18,523,189)
Net profit for the period related to discontinued operations	25,673	854,257	256,569	2,096,188
Gain on sale of subsidiaries (3 c)	-	-	2,789,098	-
	25,673	854,257	3,045,667	2,096,188

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.

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4. Investment in associates

The movement in investment in associates is as follows:

	30 September 2017	31 December 2016 (Audited)	30 September 2016
	KD	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	(595,922)	(1,214,387)	(1,214,387)
Share of results	829,257	1,580,057	1,725,093
Share of other comprehensive (loss)/income	(152,552)	145,058	(633,178)
Other reserves	(57,580)	(443,743)	(291,408)
	46,798,734	45,107,752	44,719,780

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, National Industry Company and Kuwait Pillars for Financial Investment Company based on management accounts.

5. Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit 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 September		For the nine month period ended 30 September	
	2017	2016	2017	2016
Profit for the period attributable to shareholders of the Parent Company :	395,123	1,765,257	3,069,151	1,057,805
Net profit for the period from continuing operations	369,450	911,000	3,484	(1,038,383)
Discontinued operations	25,673	854,257	3,065,667	2,096,188
Weighted average number of shares outstanding less treasury shares (No's)	610,000,000	683,225,199	610,000,000	683,225,199
Basic and diluted earnings/(loss) per share attributable to shareholders of the Parent Company (fils):	0.65	2.58	5.03	1.55
From continuing operations (fils)	0.61	1.33	0.01	(1.52)
From discontinued operations (fils)	0.04	1.25	5.02	3.07

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6. Available for sale investments

	<u>30 September 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 September 2016</u>
	KD	KD	KD
Quoted equity securities	17,647,896	21,072,781	16,758,596
Unquoted equity securities	13,921,625	8,688,031	13,433,826
Mutual funds	10,249,594	10,130,384	7,385,461
	<u>41,819,115</u>	<u>39,891,196</u>	<u>37,577,883</u>

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

Unquoted equity securities of KD 3,493,574 (31 December 2016: KD 3,553,290 and 30 September 2016: KD 7,888,866) 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 September 2017, the Group held certain equity securities of related parties with a carrying value of KD 9,662,350 (31 December 2016: KD 9,538,778, 30 September 2016: KD 7,221,217) (Note 14).

Available for sale investments amounting to KD 23,385,045 (31 December 2016: KD 22,002,386 and 30 September 2016: KD 17,848,572) are secured against certain term loan (Note 11).

7. Account receivables and other debit balances

	<u>30 September 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 September 2016</u>
	KD	KD	KD
Non-current			
Due from related parties	7,039,176	5,043,423	-
	<u>7,039,176</u>	<u>5,043,423</u>	<u>-</u>
Current			
Trade receivables	6,653,572	10,832,769	11,744,582
Interest receivables	3,000,000	3,000,000	3,000,000
Prepaid expenses and accrued income	413,942	379,671	1,904,558
Advances to suppliers	62,677	869,004	1,090,496
Due from related parties	592,384	466,106	630,459
Other receivables	9,198,902	2,696,331	3,681,155
	<u>19,921,477</u>	<u>18,243,881</u>	<u>22,051,250</u>
	<u>26,960,653</u>	<u>23,287,304</u>	<u>22,051,250</u>

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8. Investments at fair value through profit or loss

	<u>30 September 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 September 2016</u>
	KD	KD	KD
Quoted equity securities	3,427,836	3,197,488	2,572,683
Unquoted equity securities	10,798,407	10,672,634	10,672,634
Mutual funds	55,333	56,046	118,434
	<u>14,281,576</u>	<u>13,926,168</u>	<u>13,363,751</u>

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

Investments at fair value through profit or loss amounting to KD 14,248,868 (31 December 2016: KD 13,741,723 and 30 September 2016: KD 13,268,331) 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 9.5% to 13.5% as at 30 September 2017 (31 December 2016: 0.6% to 7% and 30 September 2016: 0.6% to 7%).

10. Cash and cash equivalents

	<u>30 September 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 September 2016</u>
	KD	KD	KD
Cash on hand and at banks	4,548,771	4,825,138	10,802,993
Cash in portfolios	559,469	250,755	550,102
Fixed deposits with original maturity less than three months	476,914	200,103	366,602
Cash and cash equivalents	5,585,154	5,275,996	11,719,697
Less: bank overdraft	(28,352)	(15,120)	(703,307)
Cash and cash equivalents	<u>5,556,802</u>	<u>5,260,876</u>	<u>11,016,390</u>

11. Term loans

	<u>30 September 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 September 2016</u>
	KD	KD	KD
Term loan 1	10,780,144	10,909,394	11,176,221
Term loan 2	9,000,000	9,000,000	9,000,000
Term loan 3	2,783,114	6,993,723	4,979,359
Term loan 4	11,500,000	12,000,000	13,500,000
Term loan 5	8,470,225	9,580,927	8,675,719
Term loan 6	4,271,850	4,320,700	-
Islamic finance facilities	-	-	2,378,755
	<u>46,805,333</u>	<u>52,804,744</u>	<u>49,710,054</u>
Installments due after next twelve months	28,405,924	31,641,595	29,841,269
Installments due within next twelve months	18,399,409	21,163,149	19,868,785
	<u>46,805,333</u>	<u>52,804,744</u>	<u>49,710,054</u>

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11. Term loans (Continued)

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

	30 September 2017	31 December 2016 (Audited)	30 September 2016
	KD	KD	KD
Account payable	648,771	2,322,765	3,767,787
Due to related parties	2,138,243	2,726,922	2,358,266
Accrued expenses and other liabilities	2,577,082	8,523,241	6,643,901
	<u>5,364,096</u>	<u>13,572,928</u>	<u>12,769,954</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.

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

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
	KD	KD	KD	KD
Transactions included in interim condensed consolidated statement of income:				
Interest expense	(1,177)	-	(35,915)	-
Dividend income	-	-	1,000	33,705
Portfolio management fees	(27)	(53)	(84)	(105)

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14. Related party balances and transactions (Continued)

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

	<u>30 September 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 September 2016</u>
	KD	KD	KD
Interim condensed consolidated statement of financial position			
Cash with portfolio manager	6,731	1,738	1,738
Available for sale investments (Note 6)	9,662,350	9,538,778	7,221,217
Investments at fair value through profit or loss (Note 8)	143,274	146,573	57,132
Due from related parties (Note 7)	7,631,560	5,509,529	630,459
Due to related parties (Note 12)	<u>(2,138,243)</u>	<u>(2,726,922)</u>	<u>(2,358,266)</u>

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:

	<u>For the three month period ended 30 September</u>		<u>For the nine month period ended 30 September</u>	
	2017	2016	2017	2016
	KD	KD	KD	KD
Interim condensed consolidated statement of income:				
Short term benefits	119,480	110,459	414,253	390,592
End of service benefits	15,959	13,302	73,499	66,529

Other information

The following financial assets are managed by related parties:

	<u>30 September 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 September 2016</u>
	KD	KD	KD
Available for sale investments			
Quoted equity securities	106,362	111,444	126,613
Unquoted equity securities	301,100	301,100	-
Mutual funds	87,010	88,131	86,780
Investments at fair value through profit or loss			
Quoted equity securities	15,209	37,872	38,289

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14. Related party balances and transactions (Continued)

The equity securities classified as available for sale investments with a carrying value of KD 2,910,692, (quoted KD 236,362 and unquoted KD 2,674,330), (31 December 2016: KD 2,914,820, (quoted KD 240,490, unquoted KD 2,674,330)), (30 September 2016: KD 2,844,678, (quoted KD 170,348 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 September 2017	31 December 2016 (Audited)	30 September 2016
	KD	KD	KD
Commitments			
Purchase of available for sale investments	3,120,994	2,808,269	2,970,712
Other commitments	442,582	1,616,681	725,957

Contingencies

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 6,061,966 (31 December 2016: KD 8,204,791 and 30 September 2016: KD 6,749,523) 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 September 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.

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.

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16. Segment information (Continued)

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
Nine months ended 30 September 2017			
Segment income	<u>2,710,909</u>	<u>5,357,703</u>	<u>8,068,612</u>
Segment profit before finance costs, foreign exchange gain	<u>1,378,524</u>	<u>294,918</u>	<u>1,673,442</u>
Finance costs, net of foreign exchange gain	<u>(1,086,447)</u>	<u>(505,008)</u>	<u>(1,591,455)</u>
Profit/loss before taxation	<u>292,077</u>	<u>(210,090)</u>	<u>81,987</u>
Segment assets	<u>120,953,652</u>	<u>32,402,185</u>	<u>153,355,837</u>
Segment liabilities	<u>(4,383,110)</u>	<u>(1,932,258)</u>	<u>(6,315,368)</u>
Segment net assets before term loans	<u>116,570,542</u>	<u>30,469,927</u>	<u>147,040,469</u>
Term loans	<u>(31,280,144)</u>	<u>(15,525,189)</u>	<u>(46,805,333)</u>
Net assets	<u>85,290,398</u>	<u>14,944,738</u>	<u>100,235,136</u>
Nine months ended 30 September 2016			
Segment income	<u>1,432,227</u>	<u>4,119,476</u>	<u>5,551,703</u>
Segment (loss)/profit before finance costs, foreign exchange loss	<u>(223,136)</u>	<u>900,801</u>	<u>677,665</u>
Finance costs, net of foreign exchange loss	<u>(1,315,640)</u>	<u>(49,232)</u>	<u>(1,364,872)</u>
(Loss)/profit before taxation	<u>(1,538,776)</u>	<u>851,569</u>	<u>(687,207)</u>
Segment assets	<u>110,051,803</u>	<u>54,681,033</u>	<u>164,732,836</u>
Segment liabilities	<u>(3,539,714)</u>	<u>(11,122,246)</u>	<u>(14,661,960)</u>
Segment net assets before term loans	<u>106,512,089</u>	<u>43,558,787</u>	<u>150,070,876</u>
Term loans	<u>(33,676,221)</u>	<u>(16,033,833)</u>	<u>(49,710,054)</u>
Net assets	<u>72,835,868</u>	<u>27,524,954</u>	<u>100,360,822</u>

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:

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17. Fair value measurement (Continued)

17.1 Fair value hierarchy (continued)

- 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 September 2017</u>	<u>31 December 2016 (Audited)</u>	<u>30 September 2016</u>
	KD	KD	KD
Financial assets:			
<i>Available for sale investments:</i>			
Available for sale investments at cost	3,493,574	3,553,290	7,888,866
Available for sale investments at fair value	38,325,541	36,337,906	29,689,017
<i>Held-to-maturity investment at amortised cost:</i>			
Held-to-maturity investment	1,503,044	1,504,470	1,505,183
<i>Loans and receivables at amortised cost:</i>			
Accounts receivable and other debit balances	26,484,034	22,038,629	19,056,196
Fixed deposits	33,231	1,277,431	359,701
Cash and cash equivalents	5,585,154	5,275,996	11,719,697
<i>Investments at fair value through profit or loss at fair value:</i>			
Investments at fair value through profit or loss	14,281,576	13,926,168	13,363,751
	<u>89,706,154</u>	<u>83,913,890</u>	<u>83,582,411</u>
Financial liabilities:			
<i>Financial liabilities at amortised cost:</i>			
Term loans	46,805,333	52,804,744	49,710,054
Accounts payable and other credit balances	5,288,113	12,384,928	12,769,954
Banks overdraft	28,352	15,120	703,307
	<u>52,121,798</u>	<u>65,204,792</u>	<u>63,183,315</u>

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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 September 2017

	Notes	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Available for sale investments					
Quoted securities	(a)	10,617,692	-	7,030,204	17,647,896
Managed funds	(b)	-	10,249,594	-	10,249,594
Unquoted securities	(c)	-	4,936,407	5,491,644	10,428,051
Investments at fair value through profit or loss					
Quoted securities	(a)	2,548,220	-	879,616	3,427,836
Managed funds	(b)	-	55,333	-	55,333
Unquoted securities	(c)	-	-	10,798,407	10,798,407
		<u>13,165,912</u>	<u>15,241,334</u>	<u>24,199,871</u>	<u>52,607,117</u>

31 December 2016

	Notes	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
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
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
		<u>12,055,908</u>	<u>14,989,974</u>	<u>23,218,192</u>	<u>50,264,074</u>

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17. Fair value measurement (Continued)

17.2 Fair value measurement of financial instruments (continued)

30 September 2016

	Notes	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Available for sale investments					
Quoted securities	(a)	16,758,596	-	-	16,758,596
Managed funds	(b)	-	7,385,461	-	7,385,461
Unquoted securities	(c)	-	-	5,544,960	5,544,960
Investments at fair value through profit or loss					
Quoted securities	(a)	2,572,683	-	-	2,572,683
Managed funds	(b)	-	118,434	-	118,434
Unquoted securities	(c)	-	-	10,672,634	10,672,634
		<u>19,331,279</u>	<u>7,503,895</u>	<u>16,217,594</u>	<u>43,052,768</u>

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.

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17. Fair value measurement (Continued)

17.2 Fair value measurement of financial instruments (continued)

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:

	30 September 2017	31 December 2016 (Audited)	30 September 2016
	KD	KD	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) recognized in:			
- Profit or loss	52,358	(281,303)	-
- Other comprehensive income	929,321	-	-
Closing balance	24,199,871	23,218,192	16,217,594

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.