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

Interim condensed consolidated financial information (Unaudited)
and review report
For the three months period ended 31 March 2018

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Index

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AUDITOR'S REVIEW REPORT OF 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 31 March 2018, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The Parent Company's management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). 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 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.

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 violations of the Companies Law No. 1 of 2016, as amended, its Executive Regulations, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three month period ended 31 March 2018, that might have had a material effect on business of the Group or its consolidated financial position of the Group.

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

Kuwait: 15 May 2018

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

Interim condensed consolidated statement of income (Unaudited)
For the three months period ended 31 March 2018

	Notes	Three months ended 31 March 2018 KD	Three months ended 31 March 2017 KD
Continuing operations			
Revenue			
Revenue from sales and services		**1,672,925**	1,682,990
Gain on sale of financial assets at fair value through profit or loss		**843,709**	-
Changes in fair value of financial assets at fair value through profit or loss		**203,578**	549,265
Gain on sale of available for sale financial assets		**-**	37,902
Dividend income		**70,783**	155,128
Interest income		**128,620**	17,888
Share of results of associates	5	**(147,955)**	173,207
Foreign exchange gain		**64,131**	78,046
Other income		**11,796**	39,080
Total revenue		**2,847,587**	2,733,506
Expenses and other charges			
Cost of sales and services		**(1,540,000)**	(1,472,987)
General and administrative expenses		**(712,087)**	(612,703)
Portfolio management fees		**(10,142)**	(18,425)
Finance costs		**(536,918)**	(475,069)
Total expenses		**(2,799,147)**	(2,579,184)
Profit for the period before taxation		**48,440**	154,322
Taxation		**-**	(7,575)
Profit for the period from continuing operations		**48,440**	146,747
Profit from discontinued operations		**-**	256,569
Net profit for the period		**48,440**	403,316
Attributable to:			
Shareholders of the Parent Company		**56,924**	375,888
Non-controlling interests		**(8,484)**	27,428
Net profit for the period		**48,440**	403,316
Basic and diluted earnings (fils) from continued and discontinued operations attributable to the Shareholder of Parent Company	4	**0.09**	0.62
From continuing operations (fils)	4	**0.09**	0.20
From discontinued operations (fils)	4	**-**	0.42

The accompanying notes on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income (Unaudited)

For the three months period ended 31 March 2018

	Three months ended 31 March	
	2018	**2017**
	KD	KD
Net profit for the period	**48,440**	403,316
Other comprehensive (loss)/income		
Items that may be reclassified to consolidated statement of income in subsequent periods:		
Available for sale financial assets :		
- Changes in fair value	**-**	1,246,406
- Transferred to consolidated statement of income on sale	**-**	(37,902)
Exchange differences arising on translation of foreign operations	**(57,443)**	(386)
Share of other comprehensive (loss)/income of associates	**(395,891)**	131,777
Items that will not be reclassified subsequently to the interim condensed consolidated statement of income:		
Changes in fair value of financial assets at fair value through other comprehensive income (“FVOCI”)	**(1,418,871)**	-
Other comprehensive (loss)/income for the period	**(1,872,205)**	1,339,895
Total comprehensive (loss)/income for the period	**(1,823,765)**	1,743,211
Attributable to:		
Shareholders of the Parent Company	**(1,605,478)**	1,769,236
Non-controlling interests	**(218,287)**	(26,025)
	(1,823,765)	1,743,211

The accompanying notes on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position (Unaudited)

As at three months period ended 31 March 2018

	Notes	31 March 2018 KD	31 December 2017 (Audited) KD	31 March 2017 KD
Assets				
Non-current assets				
Property, plant and equipment		**11,574,413**	11,921,687	26,754,667
Intangible assets		**451,940**	451,940	2,492,905
Investment properties		**2,802,698**	2,802,698	2,717,526
Investment in associates	5	**47,463,392**	47,225,855	45,421,770
Available for sale financial assets	6	**-**	40,146,931	40,777,635
Financial assets at fair value through other comprehensive income	7	**12,047,898**	-	-
Held-to-maturity investment	8	**-**	1,502,156	1,503,408
Other financial assets at amortized cost	9	**1,501,267**	-	-
Accounts receivable and other debit balances	10	**7,543,002**	7,469,238	6,155,191
		83,384,610	111,520,505	125,823,102
Current assets				
Inventories		**1,432,554**	1,355,834	1,516,795
Accounts receivable and other debit balances	10	**13,974,349**	17,730,011	20,573,767
Financial assets at fair value through profit or loss	11	**35,321,251**	14,606,582	14,477,601
Fixed deposits	12	**35,820**	34,695	1,246,625
Cash and cash equivalents	12	**10,876,207**	6,983,487	3,919,142
		61,640,181	40,710,609	41,733,930
Total assets		**145,024,791**	152,231,114	167,557,032
Equity and liabilities				
Equity				
Share capital		**61,000,000**	61,000,000	61,000,000
Share premium		**24,761,544**	24,761,544	24,761,544
Statutory reserve		**1,590,532**	1,590,532	1,497,548
General reserve		**5,619,970**	5,619,970	5,526,986
Other reserves		**(731,400)**	(756,169)	(565,233)
Other equity items	13	**(923,132)**	3,998,906	4,283,004
Foreign currency translation reserve		**365,736**	495,519	669,922
Retained earnings /(accumulated losses)		**1,151,558**	630,625	(1,958,025)
Equity attributable to shareholders of the Parent Company		**92,834,808**	97,340,927	95,215,746
Non-controlling interests		**868,522**	1,849,963	3,566,139
Total equity		**93,703,330**	99,190,890	98,781,885
Liabilities				
Non-current liabilities				
Employees' end of service benefits		**1,087,393**	976,099	1,336,643
Term loans	14	**15,524,660**	15,889,015	23,879,254
Accounts payable and other credit balances	15	**6,005,635**	6,045,592	-
		22,617,688	22,910,706	25,215,897
Current liabilities				
Term loans	14	**22,109,722**	23,002,842	19,252,935
Accounts payable and other credit balances	15	**6,585,692**	7,066,659	23,725,356
Bank overdraft	12	**8,359**	60,017	580,959
		28,703,773	30,129,518	43,559,250
Total liabilities		**51,321,461**	53,040,224	68,775,147
Total equity and liabilities		**145,024,791**	152,231,114	167,557,032

Reyadh S.A. Edrees
Chairman

Mohammad A. Al-Asfor
Vice Chairman

The accompanying notes on pages 8 to 28 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 changes in equity (Unaudited)

For the three month period ended 31 March 2018

	Equity attributable to the shareholders of the Parent Company										
	Share capital	Share premium	Statutory reserve	General reserve	Other reserves	Other equity items	Foreign currency translation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
At 31 December 2017 ("As previously reported")	**61,000,000**	**24,761,544**	**1,590,532**	**5,619,970**	**(756,169)**	**3,998,906**	**495,519**	**630,625**	**97,340,927**	**1,849,963**	**99,190,890**
Impact on adoption of IFRS 9 at 1 January 2018 (Note 2 b (i))	-	-	-	-	-	**(4,280,850)**	-	**1,355,440**	**(2,925,410)**	**(4,975)**	**(2,930,385)**
At 1 January 2018 ("Restated")	**61,000,000**	**24,761,544**	**1,590,532**	**5,619,970**	**(756,169)**	**(281,944)**	**495,519**	**1,986,065**	**94,415,517**	**1,844,988**	**96,260,505**
Profit for the period	-	-	-	-	-	-	-	**56,924**	**56,924**	**(8,484)**	**48,440**
Other comprehensive loss:											
Financial assets at fair value through other comprehensive income :											
- Changes in fair value	-	-	-	-	-	**(1,655,053)**	-	-	**(1,655,053)**	**236,182**	**(1,418,871)**
- Transferred to retained earnings on sale	-	-	-	-	-	**1,337,416**	-	**(891,431)**	**445,985**	**(445,985)**	-
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	**(57,443)**	-	**(57,443)**	-	**(57,443)**
Share of other comprehensive loss of associates (Note 5)	-	-	-	-	-	**(323,551)**	**(72,340)**	-	**(395,891)**	-	**(395,891)**
Other comprehensive loss for the period	-	-	-	-	-	**(641,188)**	**(129,783)**	**(891,431)**	**(1,662,402)**	**(209,803)**	**(1,872,205)**
Total comprehensive loss for the period	-	-	-	-	-	**(641,188)**	**(129,783)**	**(834,507)**	**(1,605,478)**	**(218,287)**	**(1,823,765)**
Share of other reserves of associate (Note 5)	-	-	-	-	**24,769**	-	-	-	**24,769**	-	**24,769**
Arising on derecognition of subsidiary (Note 3)	-	-	-	-	-	-	-	-	-	**(758,179)**	**(758,179)**
At 31 March 2018 (unaudited)	**61,000,000**	**24,761,544**	**1,590,532**	**5,619,970**	**(731,400)**	**(923,132)**	**365,736**	**1,151,558**	**92,834,808**	**868,522**	**93,703,330**

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

Interim condensed consolidated statement of changes in equity (Unaudited)
For the three month period ended 31 March 2018

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

The accompanying notes on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (Unaudited)
For the three month period ended 31 March 2018

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
		KD	KD
OPERATING ACTIVITIES			
Profit for the period		**48,440**	403,316
Adjustments for:			
Depreciation		**179,828**	506,028
Provision for employees' end of service benefits		**116,948**	97,786
Gain on sale of available of sale of financial assets		**-**	(37,902)
Gain on sale financial assets at fair value through profit or loss		**(843,709)**	-
Change in fair value on financial assets at fair value through profit or loss		**(203,578)**	(551,433)
Dividend income		**(70,783)**	(155,128)
Interest income		**(128,620)**	(26,734)
Finance costs		**536,920**	513,188
Foreign exchange gain		**(64,131)**	(75,104)
Share of results of associates	5	**147,955**	(173,207)
		(280,730)	500,810
Change in operating assets and liabilities:			
Inventories		**(105,203)**	489,398
Accounts receivable and other debit balances		**(419,243)**	(3,441,593)
Financial assets at fair value through profit or loss		**5,121,846**	-
Accounts payable and other credit balances		**(507,854)**	1,026,748
Cash flows generated from/(used in) operating activities		**3,808,816**	(1,424,637)
Employees' end of service benefits paid		**-**	(16,310)
Net cash flows generated from/(used in) operating activities		**3,808,816**	(1,440,947)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(118,326)**	(41,037)
Purchase of available for sale financial assets		**-**	(7,028)
Proceeds from sale of financial assets at FVOCI		**1,890,925**	367,005
Net movement in fixed deposits		**(1,125)**	30,806
Interest income received		**118,529**	26,913
Dividend income received		**-**	155,128
Proceeds from redemption of investment in held to maturity		**-**	882
Proceeds from redemption of other financial assets at amortized cost		**882**	-
Net cash from derecognition of investment in subsidiary		**(6,003)**	-
Net cash flows generated from investing activities		**1,884,882**	532,669
FINANCING ACTIVITIES			
Finance costs paid		**(498,427)**	(251,493)
Share capital repayments		**-**	(266,004)
Term loans obtained		**2,093,628**	1,589,650
Repayment of term loans		**(3,287,622)**	(2,089,132)
Movement in non-controlling interests		**-**	(29,000)
Net cash flows used in financing activities		**(1,692,421)**	(1,045,979)
Net increase/(decrease) in cash and cash equivalents		**4,001,277**	(1,954,257)
Foreign currency translation adjustment		**(56,899)**	31,564
Cash and cash equivalents at beginning of the period		**6,923,470**	5,260,876
Cash and cash equivalents at end of the period	12	**10,867,848**	3,338,183
Non-cash transactions			
Investment in associates		**758,179**	**-**
Investment in subsidiary		**(758,179)**	**-**

The accompanying notes on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

1. GENERAL INFORMATION

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, and P.O. Box 4323, Safat 13104, Kuwait.

The interim condensed consolidated financial information of the Group for the three month period ended 31 March 2018 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 15 May 2018.

2. BASIS OF PREPARATION

These interim condensed consolidated financial information have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRSs financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2 (A and B).

Use of judgements and estimates

In preparing this interim condensed consolidated financial information, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described below.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group's Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

2. BASIS OF PREPARATION (CONTINUED)

Use of judgements and estimates (continued)

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

– Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
– Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 20.

Changes in significant accounting policies

Except as described below, the accounting policies applied in this interim condensed consolidated financial information are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see A below) and IFRS 9 Financial Instruments (see B below) from 1 January 2018. A number of other new amendments are effective from 1 January 2018 but they do not have a material effect on the Group's interim condensed consolidated financial information.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations, IFRICs 13, 15, 18, and SIC 31.

Adoption of IFRS 15 by the Group at 1 January 2018 had no material impact on the Group's consolidated financial statements as at 31 December 2017 and the interim condensed consolidated financial information for the three month period ended 31 March 2018 as majority of the Group's revenues are within the scope of IFRS 15 as represented by the following:

2. BASIS OF PREPARATION (CONTINUED)

A. IFRS 15 Revenue from Contracts with Customers (Continued)

Contracting services:
Revenue from engineering and construction service contracts are recognised over time using the percentage of completion method which in line with the recognition criteria required by IFRS 15 and accordingly, the Group has determined that over time recognition criteria remains appropriate for their engineering and construction service contracts.

The other revenue types of the Group are mainly represented by investments income and other income which are outside the scope of IFRS 15.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

The following table summarises the impact of transition to IFRS 9 and its impact on the opening balance of retained earnings (for a description of the transition method, see note below).

31 March 2018	Notes	Impact of adopting IFRS 9 KD
Fair value reserve	13	4,280,850
Provision for doubtful debts	10	(2,928,820)
Non-controlling interest		4,975
Investment in associates	5	(1,565)
Retained earnings (net)		1,355,440

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

2. BASIS OF PREPARATION (CONTINUED)

B. IFRS 9 Financial Instruments (Continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of income.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see i (b)). Interest income, foreign exchange gains and losses and impairment are recognised in statement of income. Any gain or loss on derecognition is recognized in statement of income.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of income. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of income.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

2. BASIS OF PREPARATION (CONTINUED)

B. IFRS 9 Financial Instruments (Continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 is described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impact on Retained earnings on adoption of IFRS 9
Financial assets						
Cash and cash equivalents		Loans and receivables	Amortised cost	6,983,487	6,983,487	-
Fixed deposits		Loans and receivables	Amortised cost	35,695	35,695	-
Other financial assets at fair value through amortised cost		Held-to-maturity investment	Amortised cost	1,502,156	1,502,156	-
Equity securities	a	FVTPL	FVOCI – equity instrument	122,343	122,343	41,310
Accounts Receivables and other debit balances	b	Loans and receivables	Amortised cost	25,199,249	22,270,429	(2,928,820)
Equity securities	c	Available-for-sale	FVOCI – equity instrument	15,235,362	15,235,362	-
Equity securities	d	Available-for-sale	FVTPL	24,911,570	24,911,570	4,239,540

(a) Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. At 1 January 2018, as a result of adoption of IFRS 9, the Group has made an irrevocable election to recognise changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments and the Group considered this to be more relevant.

(b) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of KD 2,928,820 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018 on transition to IFRS 9. No trade and other receivables was recognised at 1 January 2018 on the adoption of IFRS 15.

2. BASIS OF PREPARATION (CONTINUED)

B. IFRS 9 Financial Instruments (Continued)

i. Classification and measurement of financial assets and financial liabilities (continued)

(c) These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(d) These financial assets represent investments that the Group intends to hold for short term trading purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTPL with all gains and losses recognised in profit or loss.

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of cash and cash equivalents, fixed deposits, accounts receivable and other debit balances.

Under IFRS 9, loss allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities, bank balances, and term deposits for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for accounts receivable and other debit balances at an amount equal to lifetime ECLs using the simplified approach.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 to 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

2. BASIS OF PREPARATION (CONTINUED)

B. IFRS 9 Financial Instruments (Continued)

ii. Impairment of financial assets (continued)

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the interim condensed consolidated statement of income.

Impact of the new impairment model
For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows:

Loss allowance at 31 December 2017 under IAS 39	**KD**
Additional impairment recognised at 1 January 2018 on:	-
Accounts receivable and other receivables as at 31 December 2017 (Note10)	(2,928,820)

Accounts receivable and contract assets
The following analysis provides further detail about the calculation of ECLs related to accounts receivable and contract assets on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past 3-5 years. The Group performed the calculation of ECL rates for its customers.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry, delinquency status, age of relationship and type of product purchased where applicable.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

At 1 January 2018, as a result of adoption of IFRS 9, the Group recorded an additional provision for doubtful debts amounting to KD 2,928,820 (Note 10).

2. BASIS OF PREPARATION (CONTINUED)

B. IFRS 9 Financial Instruments (Continued)

iii. Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

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

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

3. SUBSIDIARIES

During the period, the Group reclassified 50% investment in "Privatization Engineering Company for General Trading Contracting - W.L.L." from investment in subsidiary to investment in associate as management believes that the Group does not have significant power to control the investee but retains significant influence.

4. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is computed by dividing the profit for the period by the weighted average number of shares outstanding during the period, excluding treasury shares.

	Three months ended 31 March	
	2018	**2017**
Net profit for the period attributable to shareholders of the Parent Company (KD)	**56,924**	375,888
Weighted average number of shares outstanding less treasury shares (No's)	**610,000,000**	610,000,000
Basic and diluted earnings (fils) from continued and discontinued operations attributable to shareholder of Parent Company	**0.09**	0.62
From continuing operations (fils)	**0.09**	0.20
From discontinued operations (fils)	**-**	0.42

5. INVESTMENT IN ASSOCIATES

The movement in investment in associates is as follows:

	31 March 2018 KD	31 December 2017 (Audited) KD	31 March 2017 KD
Opening balance	**47,225,855**	45,107,752	45,107,752
Impact on adoption of IFRS 9 at 1 January 2018	**(1,565)**	-	-
Additions	**-**	10,515	-
Reclassified from Investment in subsidiary	**758,179**	1,746,914	-
Disposal	**-**	(538,013)	-
Dividend received	**-**	(595,922)	-
Share of results	**(147,955)**	1,885,391	173,207
Cumulative changes in fair values	**(323,551)**	11,359	171,809
Foreign currency translation adjustment	**(72,340)**	(132,413)	(40,032)
Other reserves	**24,769**	(269,728)	9,034
	47,463,392	47,225,855	45,421,770

The Group recognised its shares of results based on management accounts.

6. AVAILABLE FOR SALE FINANCIAL ASSETS

	31 March 2018 KD	31 December 2017 (Audited) KD	31 March 2017 KD
Quoted equity securities	**-**	16,356,863	17,322,929
Unquoted equity securities	**-**	13,553,801	13,124,859
Mutual funds	**-**	10,236,267	10,329,847
	-	40,146,931	40,777,635

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

(b) At 31 March 2018, the Group held certain equity securities of related parties with a carrying value of KD Nil (31 December 2017: KD 8,512,602, 31 March 2017: KD 9,643,948) (Note 17).

(c) Available for sale financial assets amounting to KD Nil (31 December 2017: KD 22,731,753 and 31 March 2017: KD 22,828,974) are secured against certain term loan (Note 14).

At 1 January 2018, as a result of adoption of IFRS 9, the Group elected to reclassify financial assets available for sale with a carrying value of KD 24,911,570 and KD 15,235,362 to financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss, respectively (Note 2 B (i), 7 and 11).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Quoted securities	**504,963**	-	-
Unquoted securities	**8,299,975**	-	-
Funds and portfolios	**3,242,960**	-	-
	12,047,898	-	-

Financial assets at fair value through other comprehensive income ("FVOCI") comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive rather than profit or loss as these are strategic investments and the Group considered this to be more relevant. At 1 January 2018, as a result of adoption of IFRS 9, the Group elected to reclassify investments amounting to KD 15,235,362 and KD 122,343 from financial assets available for sale and financial assets at fair value through profit or loss, respectively (Note 2 B (i), 6 and 11).

Valuation techniques of financial assets at fair value through other comprehensive income ("FVOCI") are disclosed in (Note 20).

At 31 March 2018, the Group held certain equity securities of related parties with a carrying value of KD 4,335,948 (31 December 2017: KD Nil, 31 March 2017: KD Nil) (Note 17).

Some equity securities classified as financial assets at fair value through other comprehensive income are registered in the name of a major shareholder of KD 2,853,055 (31 December 2017: KD Nil , 31 March 2017: KD Nil) (Note 17).

Financial assets at fair value through other comprehensive income amounting to KD 4,418,120 (31 December 2017: KD Nil and 31 March 2017: KD Nil) are secured against certain term loan (Note 14).

8. HELD-TO-MATURITY INVSTMENT

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Held to maturity investment	**-**	1,502,156	1,503,408
	-	1,502,156	1,503,408

Held to maturity investment represents the amount invested in SUKUK with a local Islamic financial institution amounting KD 1,500,000 carrying profit rate of 2 % (2017: 2%) above Central Bank Kuwait discount rate, which matures on 12 August 2018.

9. OTHER FINANCIAL ASSETS AT AMORTIZED COST

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Other financial assets at amortized cost	**1,501,267**	-	-
	1,501,267	-	-

Other financial assets at amortized cost represents the amount invested in SUKUK with a local Islamic financial institution amounting KD 1,500,000 carrying profit rate of 2 % (2017: 2%) above Central Bank Kuwait discount rate, which matures on 12 August 2018.

10. ACCOUNT RECEIVABLES AND OTHER DEBIT BALANCES

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Trade receivables	**4,896,285**	6,224,857	11,572,591
Amounts due from related parties (Note 17)	**8,184,148**	8,060,787	7,278,191
Interest receivable	**3,000,000**	3,000,000	3,000,000
Prepaid expenses and accrued income	**88,546**	94,849	361,203
Due from sale of subsidiary	**5,600,000**	5,600,000	-
Advances to supplier	**1,866,956**	1,556,815	1,839,124
Other receivables	**910,236**	761,941	2,777,849
	24,546,171	25,299,249	26,828,958
Provision for doubtful debts	**(3,028,820)**	(100,000)	(100,000)
	21,517,351	25,199,249	26,728,958
Collections after next twelve months	**7,543,002**	7,469,238	6,155,191
Collections within next twelve months	**13,974,349**	17,730,011	20,573,767
	21,517,351	25,199,249	26,728,958

The movement of provision for doubtful debts as follows:

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Opening balance	**100,000**	100,000	100,000
Impact on adoption of IFRS 9 (Note 2 B (ii))	**2,928,820**	-	-
Ending balance	**3,028,820**	100,000	100,000

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Held for trading			
Quoted equity securities	**12,832,459**	3,486,511	3,623,386
Unquoted equity securities	**-**	-	125,774
Designated upon initial recognition			
Unquoted equity security	**15,477,633**	11,064,035	10,672,634
Mutual funds	**7,011,159**	56,036	55,807
	35,321,251	14,606,582	14,477,601

At 1 January 2018, as a result of adoption of IFRS 9, the Group elected the following reclassifications:

- Reclassification of financial assets available for sale with a carrying value of KD 24,911,570 to financial assets at fair value through profit or loss (Note 2 B (i), 6).
- Reclassification of financial assets at fair value through profit or loss with a carrying value of KD 122,343 to financial assets at fair value through other comprehensive income ("FVOCI") (Note 2 B (i), 7).

Valuation techniques of financial assets at fair value through profit or loss are disclosed in Note 20.

At 31 March 2018, the Group also held certain shares of related parties (Note 17).

Financial assets at fair value through profit or loss amounting to KD 28,246,893 (31 December 2017: KD 14,444,689, March 2017: KD 14,412,591) are pledged against certain term loans (Note 14).

Management considers that the fair value of these financial assets has not materially changed compared to previous reporting date.

12. CASH AND CASH EQUIVALENTS

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

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Cash and bank balances	**2,246,950**	3,715,732	3,344,867
Cash with portfolio managers	**7,221,271**	1,724,548	413,330
Fixed deposits with original maturity less than three months	**522,358**	550,423	160,945
Restricted cash*	**885,628**	992,784	-
	10,876,207	6,983,487	3,919,142
Less: bank overdraft	**(8,359)**	(60,017)	(580,959)
Cash and cash equivalents as per statement of cash flows	**10,867,848**	6,923,470	3,338,183
Fixed deposits with original maturity exceeding three months	**35,820**	34,695	1,246,625

*This balance represents cash restricted against bank facilities.

13. OTHER EQUITY ITEMS

	Fair value reserve of financial assets at FVOCI	Cumulative changes in fair value	Total
	KD	KD	KD
At 31 December 2017 ("*as previously reported*")	**-**	**3,998,906**	**3,998,906**
Impact on adoption of IFRS 9	**(281,944)**	**(3,998,906)**	**(4,280,850)**
At 1 January 2018 *("Restated")*	**(281,944)**	**-**	**(281,944)**
Total comprehensive loss for the period	**(641,188)**	**-**	**(641,188)**
At 31 March 2018	**(923,132)**	**-**	**(923,132)**
At 1 January 2017	-	2,849,238	2,849,238
Total comprehensive income for the period	-	1,433,766	1,433,766
At 31 March 2017	-	4,283,004	4,283,004

14. TERM LOANS

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Term loan 1	**10,280,255**	10,343,737	10,866,310
Term loan 2	**9,000,000**	9,000,000	9,000,000
Term loan 3	**2,393,322**	2,325,648	6,963,428
Term loan 4	**10,000,000**	11,500,000	12,000,000
Term loan 5	**1,722,255**	1,455,722	-
Term loan 6	**4,238,550**	4,266,750	4,302,451
	37,634,382	38,891,857	43,132,189
Instalments due within next twelve months	**22,109,722**	23,002,842	19,252,935
Instalments due after next twelve months	**15,524,660**	15,889,015	23,879,254
	37,634,382	38,891,857	43,132,189

Certain financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are secured against term loans (Note 6, 7 and 11).

15. ACCOUNT PAYABLE AND OTHER CREDIT BALANCES

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Accounts payable	**684,958**	503,572	1,750,023
Amounts due to related parties (Note 17)	**1,998,633**	2,098,633	3,782,543
Fixed assets Payable	**7,006,575**	7,053,191	9,129,991
Accrued expenses and other liabilities	**2,901,161**	3,456,855	9,062,799
	12,591,327	13,112,251	23,725,356

15. ACCOUNT PAYABLE AND OTHER CREDIT BALANCES (CONTINUED)

	31 March 2018 KD	31 December 2017 (Audited) KD	31 March 2017 KD
Payments due after next twelve months	**6,005,635**	6,045,592	-
Payments due within next twelve months	**6,585,692**	7,066,659	23,725,356
	12,591,327	13,112,251	23,725,356

16. ANNUAL GENERAL ASSEMBLY

The Annual General Assembly for the year ended 31 December 2017 has not been held until the date of approval of this interim condensed consolidated financial information. Accordingly, the consolidated financial statements for the year ended 31 December 2017 have not yet been approved. The interim condensed consolidated financial information for the three-month period ended 31 March 2018 does not include any adjustments, which might have been required, had the General Assembly not approved the consolidated financial statements for the year ended 31 December 2017. The Board of Directors of the Parent Company propose cash dividends of 5 fils per share for the year ended 31 December 2017.

17. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

	31 March 2018 KD	31 December 2017 (Audited) KD	31 March 2017 KD
Interim condensed consolidated statement of financial position			
Cash with portfolio manager	**2,133**	2,260	1,723
Available for sale financial assets (Note 6)	**-**	8,512,602	9,643,948
Financial assets at FVOCI (Note 7)	**4,335,948**	-	-
Financial assets at fair value through profit or loss (Note 11)	**4,288,691**	142,943	147,373
Due from related parties (included in accounts receivable and other assets) (Note 10)	**8,184,148**	8,060,787	7,278,191
Due to related parties (included in accounts payable and other liabilities) (Note 15)	**(1,998,633)**	(2,098,633)	(3,782,543)

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

17. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

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

	Three months ended 31 March	
	2018	**2017**
	KD	KD
Short-term employee benefits	**134,598**	140,744
End of service benefits	**73,483**	41,713

Other information
The following financial assets are managed by related parties:

	31 March 2018	**31 December 2017 (Audited)**	**31 March 2017**
	KD	KD	KD
Available for sale financial assets			
Quoted equity securities	**-**	138,961	101,666
Unquoted equity securities	**-**	316,456	301,100
Mutual funds	**-**	86,895	87,757
Financial assets at fair value through other comprehensive income			
Quoted equity securities	**19,493**	-	-
Financial assets at fair value through profit or loss			
Quoted equity securities	**82,272**	18,950	43,412
Unquoted equity securities	**314,362**	-	-
Mutual funds	**86,320**	-	-

The equity securities classified as available for sale financial assets with a carrying value of KD Nil, (31 December 2017: KD 2,896,101, quoted 221,771and unquoted KD 2,674,330), (31 March 2017: KD 2,906,547: quoted KD 232,218 and unquoted KD 2,674,329) 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 equity securities classified as financial assets at fair value through other comprehensive income with a carrying value of KD 2,853,055: quoted KD 178,726 unquoted KD 2,674,329 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.

18. COMMITMENTS AND CONTINGENCIES

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Commitments			
Purchase of available for sale financial assets	**-**	3,156,869	2,871,400
Purchase of financial assets at fair value through profit or loss	**3,244,456**	-	-
Other commitments	**4,218,651**	4,232,701	1,602,268

Contingencies

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 5,257,866 (31 December 2017: KD 4,518,766 and 31 March 2017: KD 8,774,875) 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 36,880,529 (31 December 2017: KD 36,880,529 and 31 March 2017: KD 57,387,502) assigned to a third party during 2012. This loan was rescheduled during 2013 and the principal (excluding interest) is repayable in eleven annual installments commencing 15 June 2016.

19. SEGMENT INFORMATION

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

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

	Investment	Other	Total
	KD	KD	KD
Three months ended 31 March 2018 (Unaudited)			
Segment income	**1,080,841**	**1,766,746**	**2,847,587**
Segment profit/(loss)before finance costs, foreign exchange gain or loss	**647,529**	**(126,302)**	**521,227**
Finance costs, net of foreign exchange loss	**(310,843)**	**(161,944)**	**(472,787)**
Profit/(loss) before taxation	**336,686**	**(288,246)**	**48,440**
Segment assets	**114,605,264**	**30,419,527**	**145,024,791**
Segment liabilities	**(4,295,874)**	**(9,391,205)**	**(13,687,079)**
Segment net assets before term loans	**110,309,390**	**21,028,322**	**131,337,712**
Term loans	**(29,280,255)**	**(8,354,127)**	**(37,634,382)**
Net assets	**81,029,135**	**12,674,195**	**93,703,330**

19. SEGMENT INFORMATION (CONTINUED)

	Investment	Other	Total
	KD	KD	KD
Three months ended 31 March 2017 (Unaudited)			
Segment income	933,392	1,722,068	2,655,460
Segment profit before finance costs, foreign exchange gain or loss	592,923	(41,578)	551,345
Finance costs, net of foreign exchange loss	(309,858)	(87,165)	(397,023)
Profit before taxation	283,065	(128,743)	154,322
Segment assets	111,156,624	56,400,408	167,557,032
Segment liabilities	(5,688,825)	(19,954,133)	(25,642,958)
Segment net assets before term loans	105,467,799	36,446,275	141,914,074
Term loans	(31,866,310)	(11,265,879)	(43,132,189)
Net assets	73,601,489	25,180,396	98,781,885

20. FAIR VALUE MEASUREMENT

20.1 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).

20. FAIR VALUE MEASUREMENT (CONTINUED)

20.2 Fair value measurement of financial instruments

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

	31 March 2018	31 December 2017 (Audited)	31 March 2017
	KD	KD	KD
Financial assets:			
Loans and receivables at amortised cost:			
Cash and cash equivalents	**10,876,207**	6,983,487	3,919,142
Fixed deposits	**35,820**	34,695	1,246,625
Accounts receivable and other debit balances	**19,561,849**	23,547,585	24,528,631
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit or loss	**35,321,251**	14,606,582	14,477,601
Available for sale financial assets:			
Available for sale financial assets at cost	**-**	377,000	3,562,290
Available for sale financial assets at fair value	**-**	39,769,931	37,215,345
Financial assets at fair value through other comprehensive income:			
Financial assets at fair value through other comprehensive income	**12,047,898**	-	-
Investment at amortised cost:			
Held-to-maturity investment	**-**	1,502,156	1,503,408
Other financial assets at amortized cost	**1,501,267**	-	-
	79,344,292	86,821,436	86,453,042
Financial liabilities:			
Financial liabilities at amortised cost:			
Accounts payable and other credit balances	**12,500,714**	13,042,661	13,436,864
Term loans	**37,634,381**	38,891,857	52,262,178
Bank overdraft	**8,359**	60,017	580,959
	50,143,454	51,994,535	66,280,001

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:

20. FAIR VALUE MEASUREMENT (CONTINUED)

20.2 Fair value measurement of financial instruments (Continued)

31 March 2018

	Note	Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Financial assets at fair value through profit or loss					
Quoted securities	**(a)**	**12,832,459**	**-**	**-**	**12,832,459**
Managed funds	**(b)**	**-**	**7,011,159**	**-**	**7,011,159**
Unquoted securities	**(c)**	**-**	**3,825,185**	**11,652,448**	**15,477,633**
Financial assets at fair value through other comprehensive income					
Quoted securities	**(a)**	**504,963**	**-**	**-**	**504,963**
Managed funds	**(b)**	**-**	**3,242,960**	**-**	**3,242,960**
Unquoted securities	**(c)**	**-**	**-**	**8,299,975**	**8,299,975**
		13,337,422	**14,079,304**	**19,952,423**	**47,369,149**

31 December 2017

	Note	Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Financial assets at fair value through profit or loss					
Quoted securities	**(a)**	3,486,511	-	-	3,486,511
Managed funds	**(b)**	-	56,036	-	56,036
Unquoted securities	**(c)**	-	-	11,064,035	11,064,035
Available for sale financial assets					
Quoted securities	**(a)**	13,937,995	-	2,418,868	16,356,863
Managed funds	**(b)**	-	10,236,268	-	10,236,268
Unquoted securities	**(c)**	-	3,838,575	9,338,225	13,176,800
		17,424,506	14,130,879	22,821,128	54,376,513

31 March 2017

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

20. FAIR VALUE MEASUREMENT (CONTINUED)

20.2 Fair value measurement of financial instruments (Continued)

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

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

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

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

(d) Financial liabilities
The Group does not have any financial liabilities at fair value.

Level 3 fair value measurements
The Group's financial assets classified in Level 3 use valuation techniques based on significant inputs that are not based on observable market data.

The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 March 2018	**31 December 2017 (Audited)**	**31 March 2017**
	KD	KD	KD
Opening balances	**22,821,128**	23,218,192	23,218,192
Transfer to level 1	**(2,418,870)**	(5,153,197)	-
Transfer from cost	**377,000**	-	-
Additions	**-**	3,640,359	-
Disposal	**(824,745)**	-	-
Income	**-**	850,145	31,414
Other comprehensive income	**(2,090)**	265,629	(9,035)
Closing balance	**19,952,423**	22,821,128	23,240,571

20. FAIR VALUE MEASUREMENT (CONTINUED)

20.2 Fair value measurement of financial instruments (Continued)

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the 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 income and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

21. COMPARATIVE AMOUNTS

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