

**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 2018

**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 2018

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## **REPORT ON REVIEW 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 30 September 2018, and the related interim condensed consolidated statements of income, income and other 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 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 International Accounting Standard 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 and its Executive Regulations, as amended, nor of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, have occurred during the nine month period ended 30 September 2018, that might have had a material effect on business of the Group or its interim condensed consolidated financial position.



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

**Kuwait: 14 November 2018**

**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 2018

	Notes	For the three months ended		For the nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
		KD	KD	KD	KD
<b>Continuing operations</b>					
<b>Revenue</b>					
Revenue from sales and services		2,649,671	1,579,569	6,261,336	5,130,342
Unrealized gain/(loss) from change in fair value of financial assets at fair value through profit or loss		84,853	148,016	(1,367,639)	378,547
Realized gain from sale of financial assets at fair value through profit or loss		-	-	1,149,696	-
Realized gain from sale of financial assets available for sale		-	-	-	40,995
Share of results from associates	5	275,087	509,250	444,862	829,257
Loss from partial sale of investment in associates		-	-	-	(70,678)
(Loss)/gain from sale of investment properties	4	-	-	(1,546,656)	3,960
Dividend income		11,083	438,354	1,038,057	1,262,351
Interest income		25,053	32,158	276,675	69,355
Foreign exchange (loss)/gain		(7,382)	32,523	(38,397)	146,635
Other income		38,548	148,823	54,376	424,483
<b>Total revenue</b>		<b>3,076,913</b>	<b>2,888,693</b>	<b>6,272,310</b>	<b>8,215,247</b>
<b>Expenses and other charges</b>					
Cost of sales and services		(2,289,324)	(1,271,094)	(5,608,799)	(4,332,349)
General and administrative expenses		(642,140)	(598,665)	(2,015,599)	(1,903,890)
Portfolio management fees		(48,822)	(33,501)	(68,293)	(84,588)
Finance costs		(484,705)	(531,935)	(1,602,444)	(1,738,090)
<b>Total expenses and other charges</b>		<b>(3,464,991)</b>	<b>(2,435,195)</b>	<b>(9,295,135)</b>	<b>(8,058,917)</b>
<b>(Loss)/profit for the period from continuing operations before taxation</b>		<b>(388,078)</b>	<b>453,498</b>	<b>(3,022,825)</b>	<b>156,330</b>
Taxation		-	(9,430)	-	(74,343)
<b>(Loss)/profit for the period from continuing operations</b>		<b>(388,078)</b>	<b>444,068</b>	<b>(3,022,825)</b>	<b>81,987</b>
Profit from discontinued operations		-	25,673	-	3,065,667
<b>Net (loss)/profit for the period</b>		<b>(388,078)</b>	<b>469,741</b>	<b>(3,022,825)</b>	<b>3,147,654</b>
<b>Attributable to:</b>					
Shareholders of the Parent Company		(431,986)	395,123	(3,044,697)	3,069,151
Non-controlling interests		43,908	74,618	21,872	78,503
<b>Net (loss)/profit for the period</b>		<b>(388,078)</b>	<b>469,741</b>	<b>(3,022,825)</b>	<b>3,147,654</b>
<b>Basic and diluted (loss)/earnings per share from continued and discontinued operations (fils)</b>					
<b>From continuing operations (fils)</b>	3	<b>(0.71)</b>	<b>0.65</b>	<b>(4.99)</b>	<b>5.03</b>
<b>From discontinued operations (fils)</b>	3	<b>(0.71)</b>	<b>0.61</b>	<b>(4.99)</b>	<b>0.01</b>
<b>From discontinued operations (fils)</b>	3	<b>-</b>	<b>0.04</b>	<b>-</b>	<b>5.02</b>

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 income and other comprehensive income (Unaudited)**  
For the nine month period ended 30 September 2018

	Note	For the three months ended		For the nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
		KD	KD	KD	KD
Net (loss)/profit for the period		<u>(388,078)</u>	<u>469,741</u>	<u>(3,022,825)</u>	<u>3,147,654</u>
<b>Other comprehensive income/(loss) items:</b>					
<i>Items that may be reclassified subsequently to the Interim condensed consolidated statement of income</i>					
Financial assets available for sale:					
- Changes in fair value		-	1,229,364	-	2,099,979
- Reversal due to sales		-	-	-	(40,995)
Reversal of reserve upon disposal of an associate		-	-	-	293
Exchange differences on translation of foreign operations		10,484	(64,370)	37,826	(65,049)
Share of other comprehensive income /(loss) of associates	5	131,104	(114,707)	172,928	(152,552)
<i>Items that will not be reclassified subsequently to the interim condensed consolidated statement of income:</i>					
Changes in fair value of financial assets at fair value through other comprehensive income ("FVOCI")		<u>1,258,963</u>	<u>-</u>	<u>(176,982)</u>	<u>-</u>
<b>Other comprehensive income for the period</b>		<u>1,400,551</u>	<u>1,050,287</u>	<u>33,772</u>	<u>1,841,676</u>
<b>Total comprehensive income/(loss) for the period</b>		<u>1,012,473</u>	<u>1,520,028</u>	<u>(2,989,053)</u>	<u>4,989,330</u>
<b>Attributable to:</b>					
Shareholders of the Parent Company		519,810	1,404,117	(3,242,933)	4,963,280
Non-controlling interests		492,663	115,911	253,880	26,050
<b>Total comprehensive income/(loss) for the period</b>		<u>1,012,473</u>	<u>1,520,028</u>	<u>(2,989,053)</u>	<u>4,989,330</u>


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

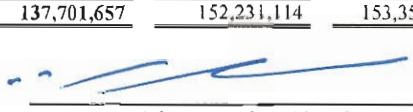
**Privatization Holding Company – K.P.S.C. and its subsidiaries**  
**State of Kuwait**

**Interim condensed consolidated statement of financial position (Unaudited)**

As at 30 September 2018

		30 September 2018	31 December 2017 (Audited)	30 September 2017
	Notes	KD	KD	KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		11,967,939	11,921,687	11,875,176
Intangible assets		561,169	451,940	465,859
Investment properties	4	296,147	2,802,698	2,696,378
Investment in associates	5	47,199,633	47,225,855	46,798,734
Financial assets available for sale	6	-	40,146,931	41,819,115
Financial assets at fair value through other comprehensive income	7	13,380,622	-	-
Investment held-to-maturity	8	-	1,502,156	1,503,044
Accounts receivable and other debit balances	10	8,204,497	7,469,238	7,039,176
		<u>81,610,007</u>	<u>111,520,505</u>	<u>112,197,482</u>
<b>Current assets</b>				
Inventories		1,379,371	1,355,834	1,336,917
Accounts receivable and other debit balances	10	16,290,984	17,730,011	18,864,100
Financial assets at fair value through profit or loss	11	29,106,700	14,606,582	14,281,576
Fixed deposits	12	33,266	34,695	33,231
Cash and cash equivalents	12	9,281,329	6,983,487	6,642,531
		<u>56,091,650</u>	<u>40,710,609</u>	<u>41,158,355</u>
<b>Total assets</b>		<u>137,701,657</u>	<u>152,231,114</u>	<u>153,355,837</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
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		3,200,595	5,619,970	5,526,986
Other reserves		(537,045)	(756,169)	(544,087)
Fair value reserve		-	3,998,906	4,923,082
Fair value reserve of financial assets at FVOCI		821,395	-	-
Foreign currency translation reserve		569,920	495,519	530,625
(Accumulated losses)/retained earnings		(2,612,038)	630,625	735,238
<b>Equity attributable to shareholders of the Parent Company</b>		<u>88,794,903</u>	<u>97,340,927</u>	<u>98,430,936</u>
Non-controlling interests		889,027	1,849,963	1,804,200
<b>Total equity</b>		<u>89,683,930</u>	<u>99,190,890</u>	<u>100,235,136</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits		1,149,787	976,099	922,920
Term loans	13	12,966,563	15,889,015	21,344,302
Accounts payable and other credit balances	14	6,071,947	6,045,592	7,061,622
		<u>20,188,297</u>	<u>22,910,706</u>	<u>29,328,844</u>
<b>Current liabilities</b>				
Term loans	13	20,968,917	23,002,842	18,399,409
Accounts payable and other credit balances	14	6,848,227	7,066,659	5,364,096
Bank overdraft	12	12,286	60,017	28,352
		<u>27,829,430</u>	<u>30,129,518</u>	<u>23,791,857</u>
<b>Total liabilities</b>		<u>48,017,727</u>	<u>53,040,224</u>	<u>53,120,701</u>
<b>Total equity and liabilities</b>		<u>137,701,657</u>	<u>152,231,114</u>	<u>153,355,837</u>

  
**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 nine month period ended 30 September 2018

	Equity attributable to the shareholders of the Parent Company											
	Share capital	Share premium	Statutory reserve	General reserve	Other reserves	Fair value reserve	Fair value of financial assets at FVOCI	Foreign currency translation reserve	Retained earnings / (Accumulated losses)	Sub-total	Non-controlling interests	Total equity
	KD	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)	-	-	-	-	-	(3,998,906)	(281,944)	-	1,357,005	(2,923,845)	(4,975)	(2,928,820)
At 1 January 2018 (Restated)	61,000,000	24,761,544	1,590,532	5,619,970	(756,169)	-	(281,944)	495,519	1,987,630	94,417,082	1,844,988	96,262,070
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(3,044,697)	(3,044,697)	21,872	(3,022,825)
Other comprehensive (loss)/income:												
Changes in fair value of Financial assets at FVOCI	-	-	-	-	-	-	(408,990)	-	-	(408,990)	232,008	(176,982)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	37,826	-	37,826	-	37,826
Share of other comprehensive income of associates	-	-	-	-	-	-	136,353	36,575	-	172,928	-	172,928
Other comprehensive (loss) /income for the period	-	-	-	-	-	-	(272,637)	74,401	-	(198,236)	232,008	33,772
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(272,637)	74,401	(3,044,697)	(3,242,933)	253,880	(2,989,053)
Transferred to retained earnings on sale of Financial assets at FVOCI	-	-	-	-	-	-	1,375,976	-	(924,346)	451,630	(451,630)	-
Cash dividend (Note 15)	-	-	-	(2,419,375)	-	-	-	-	(630,625)	(3,050,000)	-	(3,050,000)
Share of other reserves of associate (Note 5)	-	-	-	-	219,124	-	-	-	-	219,124	(32)	219,092
Change in non-controlling interests resulted from reclassifying to associate	-	-	-	-	-	-	-	-	-	-	(758,179)	(758,179)
At 30 September 2018	61,000,000	24,761,544	1,590,532	3,200,595	(537,045)	-	821,395	569,920	(2,612,038)	88,794,903	889,027	89,683,930

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 2018

	Equity attributable to the shareholders of the Parent Company											
	Share capital KD	Share premium KD	Statutory reserve KD	General reserve KD	Other reserves KD	Fair value reserve KD	Fair value of financial assets at FVOCI KD	Foreign currency translation reserve KD	(Accumulated losses)/retained earnings KD	Total KD	Non-controlling interests KD	Total equity KD
At 1 January 2017	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	-	-	-	-	-	-	-	-	3,069,151	3,069,151	78,503	3,147,654
Other comprehensive income/(loss) items:	-	-	-	-	-	-	-	-	-	-	-	-
Financial assets available for sale:	-	-	-	-	-	-	-	-	-	-	-	-
- 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 disposal of an associate	-	-	-	-	-	343	-	(50)	-	293	-	293
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(65,049)	-	(65,049)	-	(65,049)
Share of other comprehensive (loss)/ income of associates	-	-	-	-	-	(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)	-	4,963,280	26,050	4,989,330
Share of other reserves of associate (Note 5)	-	-	-	-	(57,558)	-	-	-	3,069,151	(57,558)	(22)	(57,580)
Disposal of a subsidiary	-	-	-	-	(402,854)	-	-	-	-	(402,854)	(3,126,052)	(3,528,906)
Reclassifying to associate	-	-	-	-	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	-	-	-	-	-	-	-	-	-	-	21,000	21,000
<b>At 30 September 2017</b>	<b>61,000,000</b>	<b>24,761,544</b>	<b>1,497,548</b>	<b>5,526,986</b>	<b>(544,087)</b>	<b>4,923,082</b>	<b>-</b>	<b>530,625</b>	<b>735,238</b>	<b>98,430,930</b>	<b>1,804,200</b>	<b>100,235,136</b>

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 cash flows (Unaudited)**

For the nine month period ended 30 September 2018

	For the nine months ended 30 September	
	2018 KD	2017 KD
<b>OPERATING ACTIVITIES</b>		
(Loss)/profit for the period	(3,022,825)	3,147,654
<i>Adjustments for:</i>		
Unrealized loss /(gain) from change in fair value of financial assets at fair value through profit or loss	1,367,639	(378,547)
Realized gain from sale of financial assets at fair value through profit or loss	(1,149,696)	-
Realized gain from sale of financial assets available for sale	-	(40,995)
Share of results from associates	(444,862)	(829,257)
Loss on partial sale of investment in associates	-	70,678
Loss/(gain) on sale of investment properties	1,546,656	(3,960)
Dividend income	(1,038,057)	(1,262,351)
Interest income	(276,675)	(69,355)
Gain on sale of investment in subsidiaries	-	(2,809,098)
Foreign exchange loss/(gain)	38,397	(146,635)
Depreciation	390,416	729,330
Finance costs	1,602,444	1,738,090
Provision for employees' end of service benefits	188,137	164,243
	(798,426)	309,797
Change in operating assets and liabilities:		
Inventories	(52,022)	78,327
Accounts receivable and other debit balances	(3,478,745)	(359,218)
Financial assets at fair value through profit or loss	10,071,166	(2,168)
Accounts payable and other credit balances	(242,813)	(3,610,412)
Net cash generated from /(used in) operations	5,499,160	(3,583,674)
Taxes paid	(116,620)	-
Employees' end of service benefits paid	(8,795)	(16,944)
<b>Net cash generated from/(used in) operating activities</b>	<b>5,373,745</b>	<b>(3,600,618)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(725,048)	(40,283)
Proceeds from sale of property, plant and equipment	2,608	-
Purchase of intangible assets	(109,229)	(465,859)
Proceeds from sale of investment in subsidiaries	-	6,632,733
Proceeds from partial sale of investment in associates	-	64,487
Proceeds from sale of investment properties	959,895	25,108
Dividends received from associates	1,621,285	595,922
Purchase of financial assets available for sale	-	(613,178)
Proceeds from sale of financial assets available for sale	-	785,248
Purchase of financial assets at FVOCI	(142,636)	-
Proceeds from sale of financial assets at FVOCI	1,943,033	-
Interest income received	276,675	68,133
Dividend income received	1,038,057	1,262,351
Proceeds from redemption of other financial assets at amortised cost	1,502,156	2,647
Net cash from of investment in subsidiary	(6,003)	-
Net movement on fixed deposits	1,429	(2,425)
<b>Net cash generated from investing activities</b>	<b>6,362,222</b>	<b>8,314,884</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from term loans	9,736,897	12,142,378
Repayment of term loans	(14,731,294)	(13,372,559)
Capital reduction	(23,433)	(356,235)
Dividend paid	(2,802,986)	-
Net movement on non-controlling interest	-	(29,000)
Finance costs paid	(1,607,105)	(1,694,519)
<b>Net cash used in financing activities</b>	<b>(9,427,921)</b>	<b>(3,309,935)</b>
Net increase in cash and cash equivalents	2,308,046	1,404,331
Foreign currency translation	37,527	(51,028)
Cash and cash equivalents at beginning of the period	6,923,470	5,260,876
<b>Cash and cash equivalents at end of the period (Note 12)</b>	<b>9,269,043</b>	<b>6,614,179</b>

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

**Notes to the interim condensed consolidated financial information (Unaudited)**

For the nine month period ended 30 September 2018

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**1. GENERAL INFORMATION**

Privatization Holding Company – K.P.S.C. (the “Parent Company”) is a Kuwaiti public shareholding Company registered on 10 October 1994 and is listed on Boursa Kuwait.

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 were authorised for issuance by the Board of Directors of the Parent Company on 14 November 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 below 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 consolidated 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.

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**2. BASIS OF PREPARATION (CONTINUED)**

**Use of judgments 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.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized 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 categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized 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 19.

**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 nine months period ended 30 September 2018 as majority of the Group's revenues are within the scope of IFRS 15 as represented by the following:

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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).

<u>1 January 2018</u>	Notes	<u>Impact of adopting IFRS 9 KD</u>
Fair value reserve		4,280,850
Provision for doubtful debts	10	(2,928,820)
Non-controlling interests		4,975
Retained earnings (net)		<u>1,357,005</u>

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.

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.



**2. BASIS OF PREPARATION (CONTINUED)**

**B. IFRS 9 Financial Instruments (Continued)**

**i. Classification and measurement of financial assets and financial liabilities (Continued)**

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.

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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
<b>Financial assets</b>						
Cash and cash equivalents		Loans and receivables	Amortised cost	6,983,487	6,983,487	-
Fixed deposits		Loans and receivables	Amortised cost	34,695	34,695	-
Other financial assets at 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 receivable 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	15,235,361	15,235,361	-
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.

(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.



**2. BASIS OF PREPARATION (CONTINUED)**

**B. IFRS 9 Financial Instruments (Continued)**

**i. Classification and measurement of financial assets and financial liabilities (Continued)**

(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 and 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.

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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:

<b>Loss allowance at 31 December 2017 under IAS 39</b>	<b>KD</b>
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).

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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. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE FROM CONTINUED AND DISCONTINUED OPERATIONS

(Loss)/earnings per share are computed by dividing net (loss)/profit attributable for the shareholders of the Parent Company for the period by the weighted average number of shares outstanding during the period, excluding treasury shares.

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
Net (loss)/profit for the period attributable to shareholders of the Parent Company (KD)	(431,989)	395,123	(3,044,697)	3,069,151
Net (loss)/profit for the period from continuing operations (KD)	(431,989)	369,450	(3,044,697)	3,484
Discontinued operations (KD)	-	25,673	-	3,065,667
Weighted average number of shares outstanding (shares)	610,000,000	610,000,000	610,000,000	610,000,000
<b>Basic and diluted (loss)/earnings per share attributable to shareholders of the Parent Company (fils)</b>	<b>(0.71)</b>	<b>0.65</b>	<b>(4.99)</b>	<b>5.03</b>
From continuing operations (fils)	(0.71)	0.61	(4.99)	0.01
From discontinued operations (fils)	-	0.04	-	5.02

4. INVESTMENT PROPERTIES

During the period ended 30 September 2018, a foreign property owned by one of the subsidiaries had been sold by an amount of KD 959,895 which resulted in a loss of KD 1,546,656 recorded in the interim condensed consolidated statement of income.



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5. INVESTMENT IN ASSOCIATES

	30 September 2018	31 December 2017 (Audited)	30 September 2017
	KD	KD	KD
Balance at the beginning of the period / year	47,225,855	45,107,752	45,107,752
Additions	-	10,515	-
Reclassified from Investment in a subsidiary (a)	758,181	1,746,914	1,801,754
Disposals	-	(538,013)	(133,975)
Dividend received	(1,621,285)	(595,922)	(595,922)
Share of results from associates	444,862	1,885,391	829,257
Share of other comprehensive income of associates – cumulative changes in fair values	136,353	11,359	(37,937)
Share of other comprehensive income (loss) of associates – Foreign currency translation adjustment	36,575	(132,413)	(114,615)
Other reserves	219,092	(269,728)	(57,580)
	<u>47,199,633</u>	<u>47,225,855</u>	<u>46,798,734</u>

- a) During the period ended 30 September 2018, the Group lost control over one of its subsidiaries - Privatization Engineering Company for General Trading Contracting - W.L.L. which owned 50%, as the Group's management believes that the Group does not have significant power to control the investee but retains significant influence. Accordingly, Privatization Engineering Company for General Trading Contracting - W.L.L. has been reclassified from a subsidiary to an associate of the Group.

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

6. FINANCIAL ASSETS AVAILABLE FOR SALE

	30 September 2018	31 December 2017 (Audited)	30 September 2017
	KD	KD	KD
Quoted equity securities	-	16,356,863	17,647,896
Unquoted equity securities	-	13,553,801	13,921,625
Mutual funds	-	10,236,267	10,249,594
	<u>-</u>	<u>40,146,931</u>	<u>41,819,115</u>

- (a) At 30 September 2018, the Group held certain equity securities of related parties with a carrying value of KD Nil (31 December 2017: KD 8,512,602, 30 September 2017: KD 9,662,350) (Note 16).
- (b) Financial assets available for sale amounting to KD Nil (31 December 2017: KD 22,731,753, 30 September 2017: KD 23,385,045) are secured against certain term loans (Note 13).

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 15,235,361 and KD 24,911,570 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, Note 7 and Note 11).

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**7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>30 September 2018</b>	<b>31 December 2017 (Audited)</b>	<b>30 September 2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Quoted securities	482,938	-	-
Unquoted securities	9,436,365	-	-
Funds and portfolios	3,461,319	-	-
	<u>13,380,622</u>	<u>-</u>	<u>-</u>

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 15,235,361 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), Note 6 and Note 11).

Valuation techniques of financial assets at fair value through other comprehensive income (“FVOCI”) are disclosed in (Note 19).

At 30 September 2018, the Group held certain equity securities of related parties with a carrying value of KD 5,511,111(31 December 2017: KD Nil, 30 September 2017: KD NIL) (Note 16).

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 2,880,996 (31 December 2017: KD Nil, 30 September 2017: KD NIL) (Note 16).

Financial assets at fair value through other comprehensive income amounting to KD 4,429,788 (31 December 2017: KD Nil, 30 September 2017: KD NIL) are secured against certain term loans (Note 13).

**8. INVESTMENT HELD-TO-MATURITY**

	<b>30 September 2018</b>	<b>31 December 2017 (Audited)</b>	<b>30 September 2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Investment held to maturity	-	1,502,156	1,503,044
	<u>-</u>	<u>1,502,156</u>	<u>1,503,044</u>

Investment held to maturity represents the amount invested in SUKUK with a local Islamic financial institution amounting KD 1,500,000 carrying profit rate of 2% (31 December 2017: 2% and 30 September 2017: 2%) above Central Bank Kuwait discount rate, which matures on 12 August 2018.

At 1 January 2018, as a result of adoption of IFRS 9, the Group elected to reclassify investment held to maturity amounting to KD 1,502,156 to other financial assets at amortized cost (Note 2 B (i), and Note 9).

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**9. OTHER FINANCIAL ASSETS AT AMORTIZED COST**

During the period ended 30 September 2018, The Group redeemed its other financial assets at amortized cost in SUKUK with a local Islamic financial institution for an amount of KD 1,500,000.

**10. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES**

	<b>30 September 2018</b>	<b>31 December 2017 (Audited)</b>	<b>30 September 2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Trade receivables	5,548,020	6,224,857	6,653,572
Due from related parties (Note 16)	9,670,489	8,060,787	7,631,560
Interest income receivable	3,000,000	3,000,000	3,000,000
Prepaid expenses and accrued income	120,060	94,849	413,942
Due from sale of subsidiary	4,150,000	5,600,000	7,403,801
Advances to supplier	3,776,815	1,556,815	62,677
Other receivables	1,258,917	761,941	837,724
	<u>27,524,301</u>	<u>25,299,249</u>	<u>26,003,276</u>
Provision for doubtful debts (a)	<u>(3,028,820)</u>	<u>(100,000)</u>	<u>(100,000)</u>
	<u>24,495,481</u>	<u>25,199,249</u>	<u>25,903,276</u>

a) The movement in provision for doubtful debts is as follows:

	<b>30 September 2018</b>	<b>31 December 2017 (Audited)</b>	<b>30 September 2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Balance at the begging of the period / year	100,000	100,000	100,000
Impact on adoption of IFRS 9 (Note 2 B (ii))	2,928,820	-	-
Balance at the end of the period / year	<u>3,028,820</u>	<u>100,000</u>	<u>100,000</u>

Account receivable and other debit balances are represented in the following:

	<b>30 September 2018</b>	<b>31 December 2017 (Audited)</b>	<b>30 September 2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Non-current portion	8,204,497	7,469,238	7,039,176
Current portion	16,290,984	17,730,011	18,864,100
	<u>24,495,481</u>	<u>25,199,249</u>	<u>25,903,276</u>



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11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018	31 December 2017 (Audited)	30 September 2017
	KD	KD	KD
Quoted equity securities	10,940,694	3,486,511	3,427,836
Unquoted equity security	14,849,828	11,064,035	10,798,407
Mutual funds	3,316,178	56,036	55,333
	<u>29,106,700</u>	<u>14,606,582</u>	<u>14,281,576</u>

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) and Note 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) and Note 7).

Valuation techniques of financial assets at fair value through profit or loss are disclosed in (Note 19).

At 30 September 2018, the Group held certain equity securities of related parties with a carrying value of KD 3,705,216 (31 December 2017: KD 142,943, 30 September 2017: KD 143,274) (Note 16).

Financial assets at fair value through profit or loss amounting to KD 23,288,267 (31 December 2017: KD 14,444,689, 30 September 2017: KD 14,248,868) are pledged against certain term loans (Note 13).

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:

	30 September 2018	31 December 2017 (Audited)	30 September 2017
	KD	KD	KD
Cash and bank balances	4,516,273	3,715,732	4,548,771
Cash with portfolio managers	3,315,276	1,724,548	559,469
Deposits with original maturity less than 3 months	547,474	550,423	476,914
Restricted cash*	902,306	992,784	1,057,377
	<u>9,281,329</u>	<u>6,983,487</u>	<u>6,642,531</u>
Less: bank overdraft	(12,286)	(60,017)	(28,352)
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	<u>9,269,043</u>	<u>6,923,470</u>	<u>6,614,179</u>
Fixed deposits with original maturity exceeding three months	<u>33,266</u>	<u>34,695</u>	<u>33,231</u>

\*This balance represents cash restricted against bank facilities.

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**13. TERM LOANS**

	<u>30 September 2018</u>	<u>31 December 2017 (Audited)</u>	<u>30 September 2017</u>
	KD	KD	KD
Term loans obtain from local financial institutions and carrying interest rate range from 2% to 4% per annum over the Central Bank of Kuwait discount rate	29,384,986	32,467,931	33,327,632
Term loans obtain from a foreign financial institutions and carry interest rate of 8.5% per annum	4,550,494	6,423,926	6,416,079
	<u>33,935,480</u>	<u>38,891,857</u>	<u>39,743,711</u>

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).

Term loans are represented in the following:

	<u>30 September 2018</u>	<u>31 December 2017 (Audited)</u>	<u>30 September 2017</u>
	KD	KD	KD
Non-current portion	12,966,563	15,889,015	21,344,302
Current portion	20,968,917	23,002,842	18,399,409
	<u>33,935,480</u>	<u>38,891,857</u>	<u>39,743,711</u>

**14. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES**

	<u>30 September 2018</u>	<u>31 December 2017 (Audited)</u>	<u>30 September 2017</u>
	KD	KD	KD
Accounts payable	433,186	503,572	648,771
Due to related parties (Note 16)	2,186,713	2,098,633	2,138,243
Fixed assets Payable	7,083,938	7,053,191	7,061,622
Accrued expenses and other liabilities	3,216,337	3,456,855	2,577,082
	<u>12,920,174</u>	<u>13,112,251</u>	<u>12,425,718</u>

Accounts payable and other credit balances are represented in the following:

	<u>30 September 2018</u>	<u>31 December 2017 (Audited)</u>	<u>30 September 2017</u>
	KD	KD	KD
Non-current portion	6,071,947	6,045,592	7,061,622
Current portion	6,848,227	7,066,659	5,364,096
	<u>12,920,174</u>	<u>13,112,251</u>	<u>12,425,718</u>

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15. ANNUAL GENERAL ASSEMBLY

The Shareholders' Annual General Assembly meeting on 28 May 2018 had approved the consolidated financial statements for the year ended 31 December 2017 and a approve distribution of cash dividends of 5 fils per share for the year ended 31 December 2017.

The Shareholders' Annual General Assembly meeting on 26 July 2017 had approved the consolidated financial statements for the year ended 31 December 2016 and approved not to distribute of cash dividends for the year ended 31 December 2016.

16. 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 to be approved by the Group's management.

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

	30 September 2018 KD	31 December 2017 (Audited) KD	30 September 2017 KD
<b>Balances included in interim condensed consolidated statement of financial position</b>			
Cash with portfolio manager	5,879	2,260	6,731
financial assets available for sale (Note 6)	-	8,512,602	9,662,350
Financial assets at FVOCI (Note 7)	5,511,111	-	-
Financial assets at fair value through profit or loss (Note 11)	3,705,216	142,943	143,274
Due from related parties (accounts receivable and other debit balances) (Note 10)	9,670,489	8,060,787	7,631,560
Due to related parties (accounts payable and other credit balances) (Note 14)	(2,186,713)	(2,098,633)	(2,138,243)

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 KD	2017 KD	2018 KD	2017 KD
<b>Transactions included in interim condensed consolidated statement of income:</b>				
Dividend income	-	-	31,456	1,000
Portfolio management fees	-	(27)	(53)	(84)
Finance costs	-	(1,177)	-	(35,915)

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16. 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:

	For the three months ended		For the nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	KD	KD	KD	KD
Short term benefits	91,323	119,480	364,995	414,253
End of service benefits	14,563	15,959	102,470	73,499

**Other information**

The following financial assets are managed by related parties:

	30 September	31 December	30 September
	2018	2017	2017
	KD	(Audited) KD	KD
<b>financial assets available for sale</b>			
Quoted equity securities	-	138,961	106,362
Unquoted equity securities	-	316,456	301,100
Mutual funds	-	86,895	87,010
<b>Financial assets at fair value through other comprehensive income</b>			
Quoted equity securities	14,939	-	-
<b>Financial assets at fair value through profit or loss</b>			
Quoted equity securities	68,310	18,950	15,209
Unquoted equity securities	317,870	-	-
Mutual funds	87,283	-	-

The equity securities classified as financial assets available for sale with a carrying value of KD NIL (31 December 2017: KD 2,896,101, 30 September 2017: KD 2,910,692 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 2,859,330 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 properties on behalf of the Parent Company.



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**17. COMMITMENTS AND CONTINGENCIES**

	30 September 2018	31 December 2017 (Audited)	30 September 2017
	KD	KD	KD
<b>Commitments</b>			
Purchase of financial assets at fair value through profit or loss	3,084,813	-	-
Purchase of financial assets available for sale	-	3,156,869	3,120,994
Other commitments	2,201,799	4,232,701	442,582

**Contingencies**

At the reporting date, the Group has provided performance bank guarantees to a customer and suppliers amounting to KD 4,453,176 (31 December 2017: KD 4,518,766, 30 September 2017: KD 6,061,966) 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 36,442,427 (31 December 2017: KD 36,880,529, 30 September 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.

**18. SEGMENT INFORMATION**

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

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

	Investment KD	Other KD	Total KD
<b>For the nine months ended 30 September 2018</b>			
Segment income	(172,591)	6,483,298	6,310,707
Segment loss before finance costs, foreign exchange gain or loss	(1,379,520)	(2,464)	(1,381,984)
Finance costs, net of foreign exchange loss	(1,167,545)	(473,296)	(1,640,841)
Loss before taxation	(2,547,065)	(475,760)	(3,022,825)
Segment assets	104,733,031	32,968,626	137,701,657
Segment liabilities	(4,240,239)	(9,842,008)	(14,082,247)
Segment net assets before term loans	100,492,792	23,126,618	123,619,410
Term loans	(25,920,200)	(8,015,280)	(33,935,480)
Net assets	74,572,592	15,111,338	89,683,930

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**18. SEGMENT INFORMATION (CONTINUED)**

	<u>Investment</u>	<u>Other</u>	<u>Total</u>
	KD	KD	KD
<b>Nine months ended 30 September 2017</b>			
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 or loss	<u>1,378,524</u>	<u>294,918</u>	<u>1,673,442</u>
Finance costs, net of foreign exchange loss	<u>(1,086,447)</u>	<u>(505,008)</u>	<u>(1,591,455)</u>
Profit before taxation	<u>292,077</u>	<u>(210,090)</u>	<u>81,987</u>
Segment assets	120,953,652	32,402,185	153,355,837
Segment liabilities	<u>(4,383,110)</u>	<u>(8,993,880)</u>	<u>(13,376,990)</u>
Segment net assets before term loans	<u>116,570,542</u>	<u>23,408,305</u>	<u>139,978,847</u>
Term loans	<u>(31,280,144)</u>	<u>(8,463,567)</u>	<u>(39,743,711)</u>
Net assets	<u>85,290,398</u>	<u>14,944,738</u>	<u>100,235,136</u>

**19. FAIR VALUE MEASUREMENT**

**19.1 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).

**19.2 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:



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19. FAIR VALUE MEASUREMENT (CONTINUED)

19.2 Fair value measurement of financial instruments (Continued)

	30 September 2018	31 December 2017 (Audited)	30 September 2017
	KD	KD	KD
<b>Financial assets:</b>			
<i>Loans and receivables / amortised cost:</i>			
Cash and cash equivalents	9,281,329	6,983,487	6,642,531
Fixed deposits	33,266	34,695	33,231
Accounts receivable and other debit balances	20,598,606	23,547,585	25,426,657
<i>Financial assets at fair value through profit or loss:</i>			
Financial assets at fair value through profit or loss	29,106,700	14,606,582	14,281,576
<i>Financial assets available for sale:</i>			
Financial assets available for sale at cost	-	377,000	3,493,574
Financial assets available for sale financial assets at fair value	-	39,769,931	38,325,541
<i>Financial assets at fair value through other comprehensive income:</i>			
Financial assets at fair value through other comprehensive income	13,380,622	-	-
<i>Investment at amortised cost:</i>			
Investment held-to-maturity	-	1,502,156	1,503,044
	<u>72,400,523</u>	<u>86,821,436</u>	<u>89,706,154</u>
<b>Financial liabilities:</b>			
<i>Financial liabilities at amortised cost:</i>			
Accounts payable and other credit balances	12,834,871	13,042,661	12,349,735
Term loans	33,935,480	38,891,857	39,743,711
Bank overdraft	12,286	60,017	28,352
	<u>46,782,637</u>	<u>51,994,535</u>	<u>52,121,798</u>
	<u>25,617,886</u>	<u>34,826,901</u>	<u>37,584,356</u>

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:

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19. FAIR VALUE MEASUREMENT (CONTINUED)

19.2 Fair value measurement of financial instruments (Continued)

30 September 2018

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>Financial assets at fair value through profit or loss</b>					
Quoted securities	(a)	10,940,694	-	-	10,940,694
Mutual funds	(b)	-	3,316,178	-	3,316,178
Unquoted securities	(c)	-	3,193,872	11,655,956	14,849,828
<b>Financial assets at fair value through other comprehensive income</b>					
Quoted securities	(a)	482,938	-	-	482,938
Funds and portfolios	(b)	-	3,461,319	-	3,461,319
Unquoted securities	(c)	-	-	9,436,365	9,436,365
		<u>11,423,632</u>	<u>9,971,369</u>	<u>21,092,321</u>	<u>42,487,322</u>

31 December 2017

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>Financial assets at fair value through profit or loss</b>					
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
<b>Financial assets available for sale</b>					
Quoted securities	(a)	13,937,995	-	2,418,868	16,356,863
Mutual funds	(b)	-	10,236,267	-	10,236,267
Unquoted securities	(c)	-	3,838,576	9,338,225	13,176,801
		<u>17,424,506</u>	<u>14,130,879</u>	<u>22,821,128</u>	<u>54,376,513</u>

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19. FAIR VALUE MEASUREMENT (CONTINUED)

19.2 Fair value measurement of financial instruments (Continued)

30 September 2017

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>Financial assets at fair value through profit or loss</b>					
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
<b>Financial assets available for sale</b>					
Quoted securities	(a)	10,617,692	-	7,030,204	17,647,896
Mutual funds	(b)	-	10,249,594	-	10,249,594
Unquoted securities	(c)	-	4,936,407	5,491,644	10,428,051
		<u>13,165,912</u>	<u>15,241,334</u>	<u>24,199,871</u>	<u>52,607,117</u>

**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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**19. FAIR VALUE MEASUREMENT (CONTINUED)**

**19.2 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:

	<b>30 September</b>	<b>31 December</b>	<b>30 September</b>
	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>KD</b>	<b>(Audited)</b>	<b>KD</b>
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	91,215	3,640,359	-
Disposals	(940,499)	-	-
Income	-	850,145	52,358
Other comprehensive income	1,162,347	265,629	929,321
Closing balance	<u>21,092,321</u>	<u>22,821,128</u>	<u>24,199,871</u>

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 other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

**20. 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.