

Interim condensed consolidated financial information and review report

Al Mal Investment Company – KPSC and Subsidiaries

Kuwait

30 September 2018 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Al Mal Investment Company – KPSC
Kuwait

Introduction

We have reviewed the interim condensed consolidated statement of financial position of Al Mal Investment Company (Kuwaiti Public Shareholding Company) (the “Parent Company”) and its subsidiaries (collectively the “Group”) as of 30 September 2018 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note (2). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in note (2).

Emphasis of matter

We draw attention to Note 7 to the interim condensed consolidated financial information, which describes the legal dispute for recovery of the refundable development expenses and the related provision using the guidelines of the Central Bank of Kuwait. Our conclusion is not modified in respect of this matter.

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 2018 that might have had a material effect on the business or financial position of the Parent Company.

Report on review of interim condensed consolidated financial information of Al Mal Investment Company – KPSC (continued)

Report on review of other legal and regulatory requirements (continued)

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2018.



Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
13 November 2018

Interim condensed consolidated statement of profit or loss

	Note	Three months ended		Nine months ended	
		30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD
Income					
Change in fair value of investments at fair value through profit or loss		74,615	27,124	(233,512)	78,615
(Loss)/gain on disposal of investments at fair value through profit or loss		(54,095)	2,294	(75,176)	53,625
Loss on disposal of available for sale investments		-	(13,328)	-	(38,051)
Net income from communication services		6,041	942	27,430	27,209
Management and consultancy fees		19,446	28,176	106,087	115,992
Rental income		206,041	174,343	608,270	453,324
Interest income		3,730	6,154	15,108	22,373
Share of results of associates		21,852	(26,374)	7,864	69,959
Loss on liquidation of an associate	8a	(142,708)	-	(142,708)	-
Change in fair value of investment properties		763	-	56,036	(251,068)
Dividend income		24,805	49,378	106,358	106,285
Other income		168	152	81,332	152
Foreign exchange gain/(loss)		107	(7,646)	(1,386)	(43,606)
		160,765	241,215	555,703	594,809
Expenses and other charges					
Finance costs		47,405	50,574	150,372	149,919
Staff costs		259,317	428,787	930,590	995,700
General, administrative and other expenses		238,990	487,429	748,113	880,640
Provision for doubtful debts		-	-	20,089	-
Provision for financing receivables		-	165	94,380	1,705
Write off receivables and other assets		-	-	37,868	-
Provision for lawsuits		-	-	164,014	-
Impairment of available for sale investments		-	-	-	20,788
		545,712	966,955	2,145,426	2,048,752
Loss for the period		(384,947)	(725,740)	(1,589,723)	(1,453,943)
Attributable to :					
Owners of the Parent Company		(398,085)	(738,273)	(1,644,887)	(1,364,367)
Non-controlling interests		13,138	12,533	55,164	(89,576)
		(384,947)	(725,740)	(1,589,723)	(1,453,943)
Basic and diluted loss per share attributable to the owners of the Parent Company					
	4	(1.28) Fils	(2.38) Fils	(5.30) Fils	(4.40) Fils

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD
Loss for the period	(384,947)	(725,740)	(1,589,723)	(1,453,943)
Other comprehensive income/(loss):				
<i>Items to be reclassified to profit or loss in subsequent periods:</i>				
Realisation of foreign currency translation reserve on liquidation of an associate	283,540	-	283,540	-
Exchange differences arising on translation of foreign operations	505	13,715	1,472	301,858
Available for sale investments:				
- Net changes in fair value arising during the period	-	(99,056)	-	321,482
- Transferred to consolidated statement of profit or loss on disposal	-	13,328	-	31,672
- Transferred to consolidated statement of profit or loss on impairment	-	-	-	20,788
Share of other comprehensive loss of associates	(21,284)	-	(31,281)	(128,960)
Total other comprehensive income/(loss) for the period	262,761	(72,013)	253,731	546,840
Total comprehensive loss for the period	(122,186)	(797,753)	(1,335,992)	(907,103)
Total comprehensive (loss)/income attributable to:				
Owners of the Parent Company	(135,845)	(817,958)	(1,393,219)	(828,822)
Non-controlling interests	13,659	20,205	57,227	(78,281)
	(122,186)	(797,753)	(1,335,992)	(907,103)

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Assets				
Cash and cash equivalents	5	1,363,863	2,488,937	3,027,156
Investments at fair value through profit or loss	6	5,362,238	1,488,323	1,430,455
Financing receivables		23,448	183,811	143,459
Accounts receivable and other assets	7	3,701,089	3,874,517	5,072,046
Available for sale investments		-	4,668,087	4,812,768
Investment in bonds		100,000	100,000	100,000
Investment in associates	8	3,513,351	4,948,756	5,211,851
Investment properties		12,341,314	12,185,134	12,349,967
Property and equipment		75,578	97,037	103,957
Total assets		26,480,881	30,034,602	32,251,659
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		6,743,674	9,007,574	10,089,019
Murabaha payables		3,371,505	3,202,976	3,738,398
Bonds	9	900,000	900,000	900,000
Employees' end of service indemnity		445,755	408,038	464,200
Total liabilities		11,460,934	13,518,588	15,191,617
Equity				
Share capital	10	31,024,591	31,024,591	31,024,591
Foreign currency translation reserve		(1,816,878)	(2,068,546)	(1,946,386)
Cumulative changes in fair value		-	420,197	381,640
Accumulated losses		(14,982,377)	(13,597,612)	(13,340,367)
Equity attributable to owners of the Parent Company		14,225,336	15,778,630	16,119,478
Non-controlling interests		794,611	737,384	940,564
Total equity		15,019,947	16,516,014	17,060,042
Total liabilities and equity		26,480,881	30,034,602	32,251,659

Abdulkareem Abdullah Al-Mutawa
Chairman

Abdul Wahab Abdul Rahman Al-Mutawa
Director and Acting CEO

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company				Non-controlling interests		Total
	Share capital KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD	Sub-total KD	KD	
Balance as at 1 January 2018 (audited)	31,024,591	(2,068,546)	420,197	(13,597,612)	15,778,630	737,384	16,516,014
Adjustment arising on adoption of IFRS 9 (note 3.1)	-	-	(420,197)	260,122	(160,075)	-	(160,075)
Balance as at 1 January 2018 (restated)	31,024,591	(2,068,546)	-	(13,337,490)	15,618,555	737,384	16,355,939
(Loss)/profit for the period	-	-	-	(1,644,887)	(1,644,887)	55,164	(1,589,723)
Other comprehensive income for the period	-	251,668	-	-	251,668	2,063	253,731
Total comprehensive income/(loss) for the period	-	251,668	-	(1,644,887)	(1,393,219)	57,227	(1,335,992)
Balance as at 30 September 2018 (unaudited)	31,024,591	(1,816,878)	-	(14,982,377)	14,225,336	794,611	15,019,947

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company					Sub- total KD	Non- controlling interests KD	Total KD
	Share capital KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Accumulated losses KD				
Balance as at 1 January 2017 (audited)	66,954,351	(2,107,989)	7,698	(47,905,760)	16,948,300	1,018,845	17,967,145	
Set-off accumulated losses (note 10)	(35,929,760)	-	-	35,929,760	-	-	-	
Loss for the period	-	-	-	(1,364,367)	(1,364,367)	(89,576)	(1,453,943)	
Other comprehensive income for the period	-	161,603	373,942	-	535,545	11,295	546,840	
Total comprehensive income/(loss) for the period	-	161,603	373,942	(1,364,367)	(828,822)	(78,281)	(907,103)	
Balance as at 30 September 2017 (unaudited)	31,024,591	(1,946,386)	381,640	(13,340,367)	16,119,478	940,564	17,060,042	

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2018 (Unaudited) KD	Nine months ended 30 Sept. 2017 (Unaudited) KD
OPERATING ACTIVITIES			
Loss for the period		(1,589,723)	(1,453,943)
Adjustments for:			
Impairment of available for sale investments		-	20,788
Provision for doubtful debts		20,089	-
Write-off receivables and other assets		37,868	-
Provision for financing receivables		94,380	1,705
Provision for lawsuits		164,014	-
Change in fair value of investment properties		(56,036)	251,068
Loss on disposal of property and equipment		2,642	-
Loss on disposal of available for sale investments		-	38,051
Dividend income		(106,358)	(106,285)
Share of results of associates		(7,864)	(69,959)
Loss on liquidation of an associate		142,708	-
Depreciation		24,728	27,512
Provision for employees' end of service indemnity		105,720	109,567
Interest income		(15,108)	(22,373)
Finance costs		150,372	149,919
		(1,032,568)	(1,053,950)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		794,172	35,953
Financing receivables		65,983	(145,164)
Accounts receivable and other assets		(30,008)	276,349
Accounts payable and other liabilities		(870,204)	(25,968)
Cash used in operations		(1,072,625)	(912,780)
Employee end of service benefits paid		(68,003)	(142,963)
Net cash used in operating activities		(1,140,628)	(1,055,743)
INVESTING ACTIVITIES			
Additions to property and equipment		(15,911)	(2,560)
Proceeds from sale/redemption of available for sale investments		-	150,858
Additions for available for sale investments		-	(365,281)
Additions for investment properties		(87,379)	(73,220)
Proceeds from sale of property and equipment		10,000	14,400
Dividend received from associates		-	8,385
Dividend income received		106,358	106,285
Interest income received		15,108	22,373
Net cash from/(used in) investing activities		28,176	(138,760)
FINANCING ACTIVITIES			
Finance costs paid		(12,622)	(18,392)
Net cash used in financing activities		(12,622)	(18,392)
Net decrease in cash and cash equivalents		(1,125,074)	(1,212,895)
Cash and cash equivalents at beginning of the period		2,488,937	4,240,051
Cash and cash equivalents at end of the period	5	1,363,863	3,027,156

The notes set out on pages 9 to 25 form an integral part of the interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

Al Mal Investment Company – KPSC, (“the Parent Company”), is a Kuwaiti Public Shareholding Company established on 2 January 1980 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is regulated by the Central Bank of Kuwait and the Capital Markets Authority as an investment company and its shares are listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries are together referred to as “the Group”.

The principal objectives of the Parent Company are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission;

Further, the Parent Company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the Parent Company’s registered office is Arabian Gulf Street, Ahmed Tower, Floor 22, PO Box 26308, Safat 13124, State of Kuwait.

The interim condensed consolidated financial information for the nine-month period ended 30 September 2018 was authorised for issue by the Parent Company’s board of directors on 13 November 2018.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2018 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The accounting policies used in the preparation of these interim condensed consolidated financial statements information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the changes described in note 3.

The annual consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (CBK). These regulations require adoption of all IFRS except for the IAS 39 requirements for a collective provision, which have been replaced by the Central Bank of Kuwait’s requirements for a minimum general provision as described under the accounting policy for impairment of financial assets.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company’s management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Operating results for the nine-month period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2017.

The subsidiaries are consolidated based on the management accounts for the period ended 30 September 2018.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the Group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IAS 40 Investment Property – Amendments	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 9 Financial Instruments

The IASB published IFRS 9 ‘Financial Instruments’ (2014), representing the completion of its project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new ‘expected credit loss’ model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of impact are as follows:

- the classification and measurement of the financial assets are based on the new criteria that considers the assets’ contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment is recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value are presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements are presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL). The standard eliminated IAS 39 categories of held to maturity, loans and receivables and available for sale.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) are now recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI are now recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets continues to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 1 January 2018 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the interim condensed consolidated financial information as follows:

Classification and measurement:

All equity investments are to be measured at FVTPL.

Accounts receivable are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The following table 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.

	IAS 39		IFRS 9	
	Classification	Carrying amount KD	Classification	Carrying amount KD
Financial assets				
Cash and cash equivalents	Loans and receivables	2,488,937	Amortised cost	2,488,937
Accounts receivable and other assets	Loans and receivables	3,874,517	Amortised cost	3,714,442
Financing receivables	Loans and receivables	183,811	Amortised cost	183,811
Investment in bonds	Held to maturity	100,000	Amortised cost	100,000
Equity securities – quoted shares	FVTPL	774,476	FVTPL	774,476
Mutual funds	FVTPL	149,688	FVTPL	149,688
Equity securities – unquoted shares	FVTPL	564,159	FVTPL	564,159
Equity securities – unquoted shares	Available for sale	2,475,056	FVTPL	2,475,056
Private equity funds	Available for sale	552,976	FVTPL	552,976
Direct equity funds	Available for sale	681,396	FVTPL	681,396
Portfolios managed by others	Available for sale	958,659	FVTPL	958,659
Total financial assets		12,803,675		12,643,600

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

As a result of the above re-classification of available for sale investments to financial assets at fair value through profit or loss, the Group reclassified an amount of KD420,197 from the cumulative changes in fair value account to the accumulated losses.

There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

Impairment:

IFRS 9 requires the Group to record expected credit losses (ECL) on all of its financial assets measured at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Under IFRS 9, the Group measures ECL as follows:

- 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 has applied simplified approach to impairment for accounts receivable and other assets as required or permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowances as follows:

	Provision as at 31 Dec. 2017 KD	Adjustments KD	Provision as at 1 Jan. 2018 KD
Accounts receivable and other assets	16,040,318	160,075	16,200,393
	16,040,318	160,075	16,200,393

Summary of impact on application of IFRS 9:

As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement, and including impairment requirements. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in the accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for the comparative periods does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Adjustments to the opening statement of financial position are detailed below:

	31 Dec. 2017 KD	Adjustments/ reclassification KD	1 Jan. 2018 KD
Assets			
Accounts receivable and other assets	3,874,517	(160,075)	3,714,442
Equity			
Cumulative changes in fair value	420,197	(420,197)	-
Accumulated losses	(13,597,612)	260,122	(13,337,490)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 “Revenues”, IAS 11 “Construction Contract” and several revenues – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as:

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
 - non-cash consideration and asset exchanges
 - contract costs
 - rights of return and other customer options
 - supplier repurchase options
 - warranties
 - principal versus agent
 - licensing
 - breakage
 - non-refundable upfront fees, and
 - consignment and bill-and-hold arrangements.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The Group recognises revenue from the following major sources:

- Management and consultancy fees represent commission income and asset management, custody and other management fees. The Group has reassessed its revenue recognition policy and has concluded that it will continue to recognize when services are rendered.
- Dividend income represents distributions made by investments classified in accordance with IFRS 9. The Group has reassessed its revenue recognition policy and has concluded that it will continue to recognize revenue at the time the right to receive payment is established.
- Rental income represents renting premises at pre-agreed prices and is not subject to any discounts or rebates. The Group has reassessed its revenue recognition policy and concluded that it will continue to recognise revenue at agreed rates.

Accordingly, the implementation of IFRS 15 on 1 January 2018 did not have an impact on the Group's interim condensed consolidated financial information.

IFRS 40 Investment Property - Amendments

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

Adoption of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

Adoption of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

3.2 IASB Standards issued but not yet effective

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 16 Leases	1 January 2019

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

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

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

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

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's interim condensed consolidated financial information.

IFRS 16 Leases

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

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

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

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

4 Basic and diluted loss per share

Basic and diluted loss per share is calculated by dividing the loss for the period attributable to the owners of the Parent Company by the weighted average number of ordinary shares outstanding during the period as follows:

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited)	30 Sept. 2017 (Unaudited)	30 Sept. 2018 (Unaudited)	30 Sept. 2017 (Unaudited)
Loss for the period attributable to the owners of the Parent Company (KD)	(398,085)	(738,273)	(1,644,887)	(1,364,367)
Weighted average number of shares outstanding during the period (excluding treasury shares)	310,245,910	310,245,910	310,245,910	310,245,910
Basic and diluted loss per share attributable to the owners of the Parent Company (Fils)	(1.28)	(2.38)	(5.30)	(4.40)

5 Cash and cash equivalents

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Cash and bank balances	1,353,737	2,463,277	2,973,727
Cash balances with portfolio managers	10,126	25,660	53,429
	1,363,863	2,488,937	3,027,156

Notes to the interim condensed consolidated financial information (continued)

6 Investments at fair value through profit or loss

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Quoted shares	837,396	774,476	759,965
Funds	1,551,427	149,688	131,464
Unquoted shares	2,311,399	564,159	539,026
Portfolios managed by others	662,016	-	-
	5,362,238	1,488,323	1,430,455

7 Accounts receivable and other assets

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Advance payment for purchase of investments	1,316,265	1,320,801	1,257,885
Refundable development expenses *	17,808,246	17,853,209	17,849,755
Due from related parties	211,802	282,842	281,002
Trade receivables	203,166	239,155	394,146
Accrued income & dividends receivable	104,219	95,184	60,281
Other assets	266,101	123,644	1,196,978
	19,909,799	19,914,835	21,040,047
Provision for refundable development expenses *	(16,040,318)	(16,040,318)	(15,968,001)
Provision for receivables and other assets	(168,392)	-	-
	3,701,089	3,874,517	5,072,046

* Refundable development expenses represent development cost incurred for an economic city in the Kingdom of Saudi Arabia jointly with the Saudi authorities. The Parent Company was the main developer for this project.

During 2014, Knowledge Economic City (KEC) - Kingdom of Saudi Arabia (the relevant Saudi authority), announced through different media channels the termination of Al-Mal Investment's Contract (Developer of Prince Faisal Abdul Aziz Bin Mused economic city – located in Hael) and assigning the development to Governmental parties. Management of the Parent Company contacted KEC to inquire about this action, since based on the development contract, all contractual and formal procedures must be completed to rectify any breach (if any), before terminating the development contract.

Further, during 2016, the Group filed a legal case against Knowledge Economic City to recover the refundable development expenses. The legal case was filed under the administrative court which is yet to pronounce its decision.

Upon consultation with the legal consultants and review of the development contract which stipulates that the total expenses incurred is re-imbursable, the Parent Company's management is confident that the Parent Company has the right to recover the above refundable development expenses in full.

Notes to the interim condensed consolidated financial information (continued)

7 Accounts receivable and other assets (continued)

However, management of the Parent Company decided to apply the guidelines of the Central Bank of Kuwait and accordingly, the Parent Company recognised a provision up to the extent of the refundable development expenses less certain direct dues related to the project amounting to KD1,767,928 as at 30 September 2018 (included under accounts payable and other liabilities as of the reporting date) which KEC requested the Group to repay this amount through the same legal case. Accordingly, an amount of KD16,040,318 was provided in previous years.

The outcome of the above litigation is dependent on the future outcome of continuing legal and regulatory processes and consequently any provisions made to date are subject to inherent uncertainty.

8 Investment in associates

The movement in investment in associates during the period/year is as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Opening balance	4,948,756	5,330,347	5,330,347
Share of results	7,864	(186,212)	69,959
Group's share of associates' change in other comprehensive income	-	(128,960)	(128,960)
Liquidation of an associate (note a)	(1,411,988)	-	-
Dividend received	-	(8,385)	(8,385)
Exchange differences arising on translation of foreign operations	(31,281)	(58,034)	(51,110)
Ending balance	3,513,351	4,948,756	5,211,851

a) During the period, the Group's associate, Falcon Aviation Group limited, was liquidated. As a result a net loss of KD142,708 was recognised in the interim condensed consolidated financial information. Details are as follows:

	30 Sept. 2018 (Unaudited) KD
Consideration *	1,552,820
Less: carrying value of associate at the date of disposal	(1,411,988)
	140,832
Realisation of foreign currency translation reserve on liquidation	(283,540)
Loss on liquidation of an associate	(142,708)

* The consideration represents waiver of amount due to the associate of KD1,538,224 and receivable on liquidation of KD14,596.

Notes to the interim condensed consolidated financial information (continued)

9 Bonds

During previous years, the Group reached settlement agreements with bondholders for outstanding bonds amounting to KD11,088,000. Consequent to these agreements, a foreign subsidiary of the Group purchased approximately 92.5% of the bonds issued.

The bondholders owning the remaining bonds with a carrying value of KD900,000 filed a legal case against the Parent Company to recover the full face value of the bond. However, the Group's management is confident that the legal case has no basis and that the case will be decided in favour of the Parent Company.

On 10 November 2016, the bondholders agreed to extend the due date of the bonds issued to 18 November 2019 and to reduce the interest on fixed interest bearing bonds to 0.5% fixed interest rate and floating bonds to bear floating interest rate at maximum 0.5% per annum.

During 2017, the Parent Company lost a court case against an old bondholder of KD900,000 who had agreed to the settlement agreement earlier but later refused to take ownership of the shares offered in return of the debt. The verdict was issued by the court of appeal on 13 July 2017 and it granted the bondholder the right to the price used for debt to equity swap amounting to KD270,000 for which the Group paid during the period. The Parent Company filed another legal case against the same old bondholder, and the 2,700,000 shares previously issued to this bondholder (with a par value of KD270,000) are currently held with a custodian until the legal dispute is resolved.

10 Share capital

The authorised, issued and fully paid share capital is as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Shares of KD0.100 each	31,024,591	31,024,591	31,024,591

11 Related party balances and transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control.

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

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Balances in the interim condensed consolidated statement of financial position:			
Due from related parties (see note 8)	211,802	282,842	281,002
Due to related parties (included under accounts payable and other liabilities) (a)	3,070,830	4,667,695	4,549,343
Due to related parties (included within trade payables)	-	-	1,443,299

Notes to the interim condensed consolidated financial information (continued)

11 Related party balances and transactions (continued)

- a) Due to related parties includes interest free advances totalling KD2,750,000 (31 December 2017: KD4,282,890 and 30 September 2017: KD4,260,750) with no specific repayment terms, and the management does not anticipate repayment within a year.

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss:				
Management and consultancy fees	19,446	46,586	65,143	115,992
Key management compensation				
Short term benefits	50,319	153,576	200,798	290,781
Employee end of service indemnity	3,822	38,497	14,342	54,434

12 Segmental information

The Group's activities are concentrated in three main segments: real estate, investment and finance. The segments' results are based on internal management reporting information that is reported to the higher management of the Group.

The following is the segments information, which conforms with the internal reporting presented to management.

	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Nine months ended 30 September 2018					
Income	664,447	(231,087)	14,967	107,376	555,703
Expenses and other charges	(496,424)	(1,289,698)	(107,002)	(252,302)	(2,145,426)
Profit/(loss) for the period	168,023	(1,520,785)	(92,035)	(144,926)	(1,589,723)
Total assets	12,976,426	13,198,429	23,448	282,578	26,480,881
Total liabilities	3,921,440	3,525,528	915,367	3,098,599	11,460,934
Nine months ended 30 September 2017					
Income	257,330	331,309	22,373	(16,203)	594,809
Expenses and other charges	(484,545)	(1,383,393)	(2,309)	(178,505)	(2,048,752)
(Loss)/profit for the period	(227,215)	(1,052,084)	20,064	(194,708)	(1,453,943)
Total assets	12,349,967	18,974,551	143,459	783,682	32,251,659
Total liabilities	4,302,626	5,282,557	915,034	4,691,400	15,191,617

Notes to the interim condensed consolidated financial information (continued)

12 Segment information (continued)

	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Three months ended 30 September 2018					
Income	206,945	(56,085)	3,589	6,316	160,765
Expenses and other charges	(145,630)	(398,817)	(984)	(281)	(545,712)
Profit/(loss) for the period	61,315	(454,902)	2,605	6,035	(384,947)
Three months ended 30 September 2017					
Income	229,417	14,565	6,154	(8,921)	241,215
Expenses and other charges	(178,318)	(742,080)	967	(47,524)	(966,955)
Profit/(loss) for the period	51,099	(727,515)	7,121	(56,445)	(725,740)
31 December 2017					
Total assets	13,838,266	15,774,725	183,811	237,800	30,034,602
Total liabilities	3,842,733	4,004,712	960,465	4,710,678	13,518,588

13 Fair value measurement

13.1 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 interim condensed consolidated 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).

Notes to the interim condensed consolidated financial information (continued)

13 Fair value measurement (continued)

13.1 Fair value hierarchy (continued)

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

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Financial assets:			
<i>At amortised cost:</i>			
• Cash and cash equivalents	1,363,863	2,488,937	3,027,156
• Accounts receivable and other assets	3,701,089	3,874,517	5,072,046
• Financing receivables	23,448	183,811	143,459
• Investment in bonds	100,000	-	-
	5,188,400	6,547,265	8,242,661
<i>At fair value:</i>			
• Investments at fair value through profit or loss	5,362,238	1,488,323	1,430,455
	5,362,238	1,488,323	1,430,455
<i>Held to maturity:</i>			
• Investment in bonds	-	100,000	100,000
	-	100,000	100,000
<i>Available for sale investments:</i>			
• At fair value	-	3,736,858	4,196,332
• At cost / cost less impairment	-	931,229	616,436
	-	4,668,087	4,812,768
	10,550,638	12,803,675	14,585,884
Financial liabilities:			
<i>Other financial liabilities:</i>			
• Accounts payable and other liabilities	6,743,674	9,007,574	10,089,019
• Murabaha payables	3,371,505	3,202,976	3,738,398
• Bonds	900,000	900,000	900,000
	11,015,179	13,110,550	14,727,417

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

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Notes to the interim condensed consolidated financial information (continued)

13 Fair value measurement (continued)

13.1 Fair value hierarchy (continued)

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

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
30 September 2018					
Investments at fair value through profit or loss					
- Quoted shares	a	837,396	-	-	837,396
- Unquoted shares					
o Local	c	-	-	1,667,772	1,667,772
o Foreign	c	-	-	643,627	643,627
- Funds					
o Mutual funds	b	-	-	-	-
o Private equity funds	d	-	175,444	593,115	768,559
o Direct equity funds	d	-	-	782,868	782,868
- Portfolios managed by others					
o Foreign quoted	a	176,492	-	-	176,492
o Foreign unquoted	e	-	-	485,524	485,524
Total assets		1,013,888	175,444	4,172,906	5,362,238

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
31 December 2017					
Investments at fair value through profit or loss					
- Quoted shares	a	774,476	-	-	774,476
- Mutual funds	b	-	149,688	-	149,688
- Unquoted shares	c	-	-	564,159	564,159
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	2,137,160	2,137,160
o Foreign	c	-	-	324,789	324,789
- Private equity funds	d	-	-	300,392	300,392
- Direct equity funds	d	-	-	249,229	249,229
- Portfolios managed by others					
o Foreign quoted	e	201,701	-	-	201,701
o Foreign unquoted	e	-	-	523,587	523,587
		976,177	149,688	4,099,316	5,225,181

Notes to the interim condensed consolidated financial information (continued)

13 Fair value measurement (continued)

13.1 Fair value hierarchy (continued)

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
30 September 2017					
Assets at fair value					
Investments at fair value through profit or loss					
- Quoted shares	a	759,965	-	-	759,965
- Mutual funds	b	-	131,464	-	131,464
- Unquoted shares	c	-	-	539,026	539,026
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	2,159,737	2,159,737
o Foreign	c	-	-	277,148	277,148
- Private equity funds	d	-	-	530,624	530,624
- Direct equity funds	d	-	-	319,235	319,235
- Portfolios managed by others					
o Foreign quoted	a	219,228	-	-	219,228
o Local unquoted	e	-	-	66,532	66,532
o Foreign unquoted	e	-	-	623,828	623,828
Total assets		979,193	131,464	4,516,130	5,626,787

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

13.2 Fair value measurement of financial instruments

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

a) Quoted shares

All quoted equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Mutual funds

The underlying investments of these funds comprise of quoted securities and the fair value of the investment as of the reporting date is determined based on net asset values reported by the fund manager.

c) Unquoted shares

These represent holdings in local and foreign unlisted securities which are measured at fair value. Fair value is estimated based on the net asset value reported in the latest available financial information, discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

d) Private and direct equity funds

The underlying investments in these private and direct equity funds mainly represent local and 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.

Notes to the interim condensed consolidated financial information (continued)

13 Fair value measurement (continued)

13.2 Fair value measurement of financial instruments (continued)

e) Portfolios managed by others

The underlying investments in managed portfolios represent quoted and unquoted securities. They are valued based on latest fund managers' reports.

Level 3 Fair value measurements

The Group's measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Opening balance	4,099,316	3,868,747	3,868,747
Change in fair value	(288,505)	439,177	345,087
Disposals during the period/year	(646,646)	(259,096)	(62,985)
Additions during the period/year	77,512	50,488	365,281
Movement between level 3 and carried at cost	931,229	-	-
Closing balance	4,172,906	4,099,316	4,516,130
Total amount included in profit or loss for realised and unrealised gain on level 3 instruments under investments at fair value through profit or loss	(308,688)	45,824	20,692

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

14 Assets under management

The Group manages mutual funds, portfolios on behalf of its major shareholders, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 30 September 2018 amounted to KD19,626,015 (31 December 2017: KD47,934,791 and 30 September 2017: KD49,137,007).

During the period total fees earned by the Group from assets under management amounted to KD44,261 (30 September 2017: KD39,141).