Interim condensed consolidated financial information and review report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

30 September 2018 (Unaudited)

Contents

Grant Thornton
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Report on review of interim condensed consolidated financial information

To the board of directors of
National Industries Group Holding – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Industries Group Holding - KPSC (the "Parent Company") and its Subsidiaries (together the "Group") as of 30 September 2018 and the related interim condensed consolidated statements of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statements 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 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 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 International Accounting Standard 34, "Interim Financial Reporting".

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 violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or 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 the business or financial position of the Parent Company.

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

Kuwait
28 October 2018

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 Sept. 2018 (Unaudited) KD '000	Three months ended 30 Sept. 2017 (Unaudited) KD '000	Nine months ended 30 Sept. 2018 (Unaudited) KD '000	Nine months ended 30 Sept. 2017 (Unaudited) KD '000
Sales		**31,088**	24,563	**93,624**	78,563
Cost of sales		**(25,991)**	(21,118)	**(77,912)**	(65,124)
Gross profit		**5,097**	3,445	**15,712**	13,439
Income from investments	4	**15,542**	7,856	**59,523**	23,781
Share of results of associates	11	**3,458**	4,993	**14,730**	15,771
Gain/(loss) on partial disposal of associates	11a	**1,080**	(10)	**3,616**	(58)
Rental income		**607**	443	**1,803**	1,276
Interest and other income	13c	**400**	2,881	**1,679**	4,486
Distribution costs		**(2,114)**	(1,727)	**(6,412)**	(5,230)
General, administrative and other expenses		**(6,308)**	(5,614)	**(17,570)**	(16,185)
(Loss)/gain on foreign currency exchange		**(106)**	230	**(494)**	1,361
		17,656	12,497	**72,587**	38,641
Finance costs		**(8,592)**	(8,246)	**(25,245)**	(23,751)
Impairment in value of goodwill		**(1,190)**	-	**(2,468)**	-
Impairment in value of available for sale investments		**-**	(439)	**-**	(3,301)
Impairment in value of accounts receivables and other assets		**(305)**	(101)	**(350)**	(500)
Profit before foreign taxation		**7,569**	3,711	**44,524**	11,089
Foreign taxation	5a	**(54)**	(58)	**(377)**	(283)
Profit before provision for KFAS, NLST and Zakat		**7,515**	3,653	**44,147**	10,806
Provision for KFAS, NLST and Zakat	5b	**(171)**	(169)	**(1,204)**	(301)
Profit for the period		**7,344**	3,484	**42,943**	10,505
Profit/(loss) for the period attributable to :					
Owners of the Parent Company		**7,363**	2,117	**32,271**	7,347
Non-controlling interests		**(19)**	1,367	**10,672**	3,158
		7,344	3,484	**42,943**	10,505
Basic and diluted earnings per share attributable to the owners of the Parent Company	6	**5.6 Fils**	1.6 Fils	**24.4 Fils**	5.5 Fils

The notes set out on pages 9 to 26 form an integral part of this 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 '000	30 Sept. 2017 (Unaudited) KD '000	**30 Sept. 2018 (Unaudited) KD '000**	30 Sept. 2017 (Unaudited) KD '000
Profit for the period	**7,344**	3,484	**42,943**	10,505
Other comprehensive income/(loss):				
Items to be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
- Exchange differences arising on translation of foreign operations	**(509)**	(543)	**(6,426)**	(2,024)
- Transferred to interim condensed consolidated statement of profit or loss on partial disposal of an associate	**1,486**	-	**3,796**	-
Available for sale investments:				
- Net changes in fair value arising during the period	**-**	26,591	**-**	8,541
- Transferred to interim condensed consolidated statement of profit or loss on disposals	**-**	(4,226)	**-**	(5,426)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	**-**	439	**-**	3,301
Share of other comprehensive income/(loss) of associates				
- Change in fair value	**1,223**	(2,369)	**(980)**	908
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**2,200**	19,892	**(3,610)**	5,300
Items not to be reclassified to profit or loss in subsequent periods:				
Defined benefit plan actuarial losses	**(128)**	(685)	**(34)**	(1,082)
Net changes in fair value of investments in equity instruments designated at FVOCI	**(3,020)**	-	**(7,904)**	-
Total other comprehensive loss not being reclassified to profit or loss in subsequent periods	**(3,148)**	(685)	**(7,938)**	(1,082)
Total other comprehensive (loss)/income for the period	**(948)**	19,207	**(11,548)**	4,218
Total comprehensive income for the period	**6,396**	22,691	**31,395**	14,723
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Parent Company	**6,862**	19,105	**20,143**	16,688
Non-controlling interests	**(466)**	3,586	**11,252**	(1,965)
	6,396	22,691	**31,395**	14,723

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Note	**30 Sept. 2018 (Unaudited) KD '000**	31 Dec. 2017 (Audited) KD '000	30 Sept. 2017 (Unaudited) KD '000
Assets				
Bank balances and cash	7	**29,133**	38,436	34,115
Short-term deposits	7	**49,931**	8,020	9,070
Murabaha, wakala and sukuk investments		**1,153**	1,153	1,153
Accounts receivable and other assets	11 b	**50,506**	95,907	51,394
Inventories		**35,300**	33,194	34,710
Investments at fair value through profit or loss	8	**386,621**	74,780	77,234
Investments at fair value through other comprehensive income	9	**231,700**	-	-
Available for sale investments	10	**-**	525,202	549,252
Investment properties		**76,265**	66,121	69,308
Investment in associates	11	**322,625**	336,045	359,963
Property, plant and equipment		**87,765**	72,314	71,381
Goodwill and intangible assets		**11,284**	14,121	14,326
Total assets		**1,282,283**	1,265,293	1,271,906
Liabilities and equity				
Liabilities				
Due to banks	7	**23,130**	22,315	21,670
Accounts payable and other liabilities		**52,941**	48,391	48,568
Borrowings and bonds	12	**667,685**	673,315	675,982
Provisions		**14,339**	15,157	15,526
Total liabilities		**758,095**	759,178	761,746
Equity attributable to owners of the Parent Company				
Share capital	13	**135,985**	135,985	135,985
Treasury shares		**(30,375)**	(30,375)	(30,375)
Share premium	13	**122,962**	122,962	122,962
Cumulative changes in fair value		**28,683**	103,959	120,693
Other components of equity	14	**28,854**	30,457	29,985
Retained earnings/(accumulated losses)		**93,187**	13,000	(2,116)
Equity attributable to owners of the Parent Company		**379,296**	375,988	377,134
Non-controlling interests	13	**144,892**	130,127	133,026
Total equity		**524,188**	506,115	510,160
Total liabilities and equity		**1,282,283**	1,265,293	1,271,906

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company								
	Share capital KD '000	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 14) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2018	135,985	(30,375)	122,962	103,959	30,457	13,000	375,988	130,127	506,115
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (refer note 3)	-	-	-	(64,220)	-	60,789	(3,431)	(481)	(3,912)
Balance at 1 January 2018 (Restated)	135,985	(30,375)	122,962	39,739	30,457	73,789	372,557	129,646	502,203
Transactions with owners									
Amount payable to non-controlling interests on capital reduction of a subsidiary (Note 13 c)	-	-	-	-	-	-	-	(1,069)	(1,069)
Non-controlling interests arising on acquisition of subsidiaries (Note 13 c)	-	-	-	-	-	-	-	6,409	6,409
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(1,597)	(1,597)
Dividend paid	-	-	-	-	(251)	(13,000)	(13,251)	-	(13,251)
Other changes in non-controlling interests	-	-	-		-	218	218	(120)	98
Total transactions with owners	-	-	-	-	(251)	(12,782)	(13,033)	3,623	(9,410)
Comprehensive income									
Profit for the period	-	-	-	-	-	32,271	32,271	10,672	42,943
Other comprehensive (loss)/income for the period (actuarial losses and others)	-	-	-	(10,742)	(1,352)	(34)	(12,128)	580	(11,548)
Total comprehensive (loss)/income for the period	-	-	-	(10,742)	(1,352)	32,237	20,143	11,252	31,395
Realised loss on equity investments at FVOCI	-	-	-	(314)	-	(57)	(371)	371	-
Balance at 30 September 2018	135,985	(30,375)	122,962	28,683	28,854	93,187	379,296	144,892	524,188

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								
	Share capital KD '000	Treasury shares KD '000	Share premium KD '000	Cumulative changes in fair value KD '000	Other components of equity (Note 14) KD '000	Accumulated losses KD '000	Sub-Total KD '000	Non-controlling interests KD '000	Total KD '000
Balance at 1 January 2017	135,985	(30,375)	122,962	108,729	31,526	(8,495)	360,332	137,047	497,379
Transactions with owners									
Increase in non-controlling interests of a subsidiary	-	-	-	-	-	-	-	275	275
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(2,166)	(2,166)
Other changes in non-controlling interests	-	-	-	-	-	114	114	(165)	(51)
Total transactions with owners	-	-	-	-	-	114	114	(2,056)	(1,942)
Comprehensive income									
Profit for the period	-	-	-	-	-	7,347	7,347	3,158	10,505
Other comprehensive income/(loss) for the period (actuarial losses and others)	-	-	-	11,964	(1,541)	(1,082)	9,341	(5,123)	4,218
Total comprehensive income/(loss) for the period	-	-	-	11,964	(1,541)	6,265	16,688	(1,965)	14,723
Balance at 30 September 2017	135,985	(30,375)	122,962	120,693	29,985	(2,116)	377,134	133,026	510,160

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2018 (Unaudited) KD '000	Nine months ended 30 Sept. 2017 (Unaudited) KD '000
OPERATING ACTIVITIES		
Profit before foreign taxation	**44,524**	11,089
Adjustments for :		
Dividend income from available for sale investments	**-**	(6,170)
Dividend income from investments at fair value through other comprehensive income	**(3,405)**	-
Profit on sale of available for sale investments	**-**	(8,620)
Share of results of associates	**(14,730)**	(15,771)
(Profit)/loss on partial disposal of associates	**(3,616)**	58
Interest/profit on bank balances, short-term deposits, wakala and murabaha investments	**(725)**	(589)
Gain on acquisition of a subsidiary (negative goodwill)	**(593)**	-
Depreciation and amortisation	**5,485**	5,281
Write off of property, plant and equipment	**210**	-
Finance costs	**25,245**	23,751
Impairment in value of goodwill	**2,468**	-
Impairment in value of available for sale investments	**-**	3,301
Impairment in value of accounts receivable and other assets	**350**	500
Net provision (released)/charged	**(918)**	881
	54,295	13,711
Changes in operating assets and liabilities:		
Inventories	**(1,508)**	(2,276)
Accounts receivable and other assets	**45,440**	9,414
Investments at fair value through profit or loss	**(26,823)**	(452)
Accounts payable and other liabilities	**2,576**	1,355
Cash from operations	**73,980**	21,752
Taxation paid	**(226)**	(256)
KFAS, NLST and Zakat paid	**(42)**	(9)
Net cash from operating activities	**73,712**	21,487
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(9,810)**	(5,674)
Addition to investment properties	**(10,144)**	(5,564)
Addition to investment in associates	**(2,279)**	(4,740)
Proceeds from partial disposal of associates/capital reduction of associates	**19,081**	1,103
Dividend received from associates	**8,593**	9,376
Purchase of investments at fair value through other comprehensive income	**(5,135)**	-
Proceeds from sale of investments at fair value through other comprehensive income	**4,320**	-
Purchase of available for sale investments	**-**	(14,175)
Proceeds from sale of available for sale investments	**-**	15,711
Net cash outflow resulting from acquisition of a subsidiary	**(326)**	-
Proceeds from sale of investment properties	**-**	550
(Increase)/decrease in wakala investments maturing after three months	**(1,700)**	11
Decrease in block balances	**213**	8
Dividend income received from investments at fair value through other comprehensive income	**3,405**	-
Dividend income received from available for sale investments	**-**	6,170
Interest/profit received from bank balances, short-term deposits, wakala and murabaha investments	**648**	328
Net cash from investing activities	**6,866**	3,104

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows (continued)

	Note	Nine months ended 30 Sept. 2018 (Unaudited) KD '000	Nine months ended 30 Sept. 2017 (Unaudited) KD '000
FINANCING ACTIVITIES			
Finance lease movement		**(56)**	(78)
Net (decrease)/ increase in borrowings		**(9,542)**	1,056
Dividend paid to owners of the Parent Company		**(12,862)**	(415)
Dividend paid to non-controlling interests		**(1,597)**	(2,166)
Finance costs paid		**(25,515)**	(23,253)
Change in non-controlling interests		**(673)**	110
Net cash used in financing activities		**(50,245)**	(24,746)
Net increase/(decrease) in cash and cash equivalents		**30,333**	(155)
Translation difference		**(27)**	(56)
		30,306	(211)
Cash and cash equivalents at beginning of the period		**23,922**	21,409
Cash and cash equivalents at end of the period	7	**54,228**	21,198

The notes set out on pages 9 to 26 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

National Industries Group Holding – KPSC ('the Parent Company') was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a 'Holding Company'. The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the company by investing them in investment and real estate portfolios managed by specialised companies.

The address of the Parent Company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The Board of Directors of the Parent Company approved this interim condensed consolidated financial information for issue on 28 October 2018.

The annual consolidated financial statements for the year ended 31 December 2017 were authorised for issuance by the Parent Company's Board of Directors on 17 April 2018 and approved by the shareholders at the Annual General Meeting held on 10 May 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 Parent Company's management has decided to change the presentation of the interim condensed consolidated statement of financial position to a presentation based on liquidity (previously the interim condensed consolidated statement of financial position distinguished between current and non-current) as it provides information more relevant and appropriate of the Group's activities.

The accounting polices used in the preparation of these interim condensed consolidated financial information is 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 arising from adoption of IFRS 9 "Financial Instruments" effective from 1 January 2018 and IFRS 15 "Revenue from Contracts with Customer" from 1 January 2018.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

The interim condensed consolidated financial information does not include all information and disclosures required for complete consolidated 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.

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 annual consolidated financial statements and its related disclosures for the year ended 31 December 2017.

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.

In preparing this interim condensed consolidated financial information, 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 that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017 other than the changes described in Note 3.

3 Changes in accounting policies

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:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9	1 January 2018

Several other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the interim condensed consolidated financial information of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but is not yet effective.

IFRS 9 Financial Instruments

The Group has adopted IFRS 9, Financial Instruments effective from 1 January 2018.

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.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

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 eliminates the IAS 39 categories of held to maturity, loans and receivables and available for sale.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI are now recognised in consolidated statement of profit or loss and other comprehensive income (presented in the "cumulative change in fair value" reserve in equity), and transferred to retained earnings on derecognition and are not recycled to consolidated statement of profit or loss. Dividend income on these assets continues to be recognised in the consolidated statement of 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 of the Group as follows:

Classification and measurement:

Group holds most debt type financial assets to hold and collect the associated cash flows and, therefore, these are to continue to be accounted for at amortised cost.

Accordingly, cash and bank balances, short term deposits, Murabaha, wakala and sukuk investments, accounts receivables and other assets are all 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 as of 1 January 2018 is not required.

Equity investments are to be measured at FVTPL as well as FVTOCI as certain existing investments in equity instruments qualify for designation as FVTOCI category. The gains and losses on these investments are no longer be recycled to statement of profit or loss on subsequent measurement or on derecognition. Further, these investments are no longer subject to impairment test.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

The following table shows the previous measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as of 1 January 2018:

	Original Classification under IAS 39	New classification under IFRS 9	Original Carrying amount under IAS 39 KD '000	Re-measurement - ECL KD '000	Re-measurement –Others KD '000	New carrying amount under IFRS 9 KD '000
Financial assets						
Bank balances and cash	Loans and receivables	At amortized cost	38,436	(14)	-	38,422
Short term deposits	Loans and receivables	At amortized cost	8,020	(1)	-	8,019
Accounts receivable and other assets*	Loans and receivables	At amortized cost	90,448	(447)	-	90,001
Murabaha, wakala and sukuk investments	Loans and receivables	At amortized cost	1,153	-	-	1,153
Investments:						
- Managed funds	AFS	FVTPL	81,291	-	-	81,291
- Managed funds	AFS	FVOCI	29,236	-	(21)	29,215
- Quoted shares	AFS	FVTPL	190,697	-	-	190,697
- Quoted shares	AFS	FVOCI	40,745	-	-	40,745
- Unquoted equity participations	AFS	FVTPL	17,144	-	-	17,144
- Unquoted equity participations	AFS	FVOCI	166,089	-	(299)	165,790
- Quoted shares	FVTPL	FVTPL	20,056	-	-	20,056
- Quoted shares	FVTPL	FVOCI	4,872	-	-	4,872
- Local funds	FVTPL	FVTPL	2,630	-	-	2,630
- Local funds	FVTPL	FVOCI	2,704	-	-	2,704
- International managed portfolios and funds	FVTPL	FVTPL	43,140	-	-	43,140
- International managed portfolios and funds	FVTPL	FVOCI	1,378	-	-	1,378
			738,039	(462)	(320)	737,257

(AFS - Available for sale, FVOCI – Fair value through other comprehensive income, FVTPL - Fair value through profit or loss)

*Excluding non-financial assets of KD5,459 thousand.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

The following table summarises the new measurement categories under IFRS 9 by class of financial asset as at 1 January 2018:

	IFRS 9 Categories		
	Financial assets at Fair Value Through Profit or Loss (FVTPL) KD '000	Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) KD '000	Financial Assets at Amortised cost KD '000
Bank balances and cash	-	-	38,422
Short term deposits	-	-	8,019
Accounts receivable and other assets	-	-	90,001
Murabaha, wakala and sukuk investments	-	-	1,153
Investments	354,958	244,704	-
Balance at 1 January 2018	354,958	244,704	137,595

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

Impairment:
The Group records expected credit losses (ECL) for debt instruments measured at amortised cost or FVOCI. 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 trade receivables 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 '000	Adjustments KD '000	Provision as at 1 Jan. 2018 KD '000
Accounts receivable and other assets	(1,538)	(447)	(1,985)
Bank balances and short term deposits	-	(15)	(15)
	(1,538)	**(462)**	**(2,000)**

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

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 impairment requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in the retained earnings 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.

The implementation of IFRS 9 has resulted in the following impact:

	Balance at 31 December 2017 as reported KD '000	Adjustments KD '000	Balance at 1 January 2018 as restated KD '000
Assets			
Bank balances and cash	38,436	(14)	38,422
Short-term deposits	8,020	(1)	8,019
Murabaha ,wakala and sukuk investments	1,153	-	1,153
Accounts receivable and other assets	90,448	(447)	90,001
Investments at fair value through profit or loss	74,780	280,178	354,958
Investments at fair value through other comprehensive income	-	244,704	244,704
Available for sale investments	525,202	(525,202)	-
Investment in associates*	336,045	(1,153)	334,892

* The adjustments to "investment in associates" represents the Group's share of the IFRS 9 impact related to the associate on 1 January 2018.

The following table analyses the impact on transition to IFRS 9 to cumulative changes in fair value and retained earnings:

	Cumulative changes in fair value reserve KD '000	Retained earnings KD '000	Equity attributable to owners of the Parent Company KD '000	Non-controlling Interests KD '000	Total equity KD '000
Closing balance under IAS 39 – 31 December 2017	103,959	13,000	375,988	130,127	506,115
Impact of reclassifications & re-measurements:					
Equities, funds and other investments from FVTPL to FVOCI	(305)	305	-	-	-
Equities, funds and other investments from available for sale to FVTPL	(61,381)	61,381	-	-	-
Equity securities and funds which were at cost from available to FVOCI	(82)	-	(82)	(238)	(320)
Group share of IFRS 9 adjustments done by the associates	(2,452)	2,452	-	-	-
Recognition of expected credit loss under IFRS 9 for financial assets of associates	-	(1,110)	(1,110)	(43)	(1,153)
Recognition of expected credit loss under IFRS 9 for financial assets	-	(301)	(301)	(161)	(462)
Other adjustments related to IFRS 9 amendments	-	(1,938)	(1,938)	(39)	(1,977)
Adjustments arising on adoption of IFRS 9 on 1 January 2018	(64,220)	60,789	(3,431)	(481)	(3,912)
Opening balance under IFRS 9 – 1 January 2018	39,739	73,789	372,557	129,646	502,203

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

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – 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.

The adoption of this standard did not have any material effect on the Group's interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

4 Income from investments

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited)	30 Sept. 2017 (Unaudited)	**30 Sept. 2018 (Unaudited)**	30 Sept. 2017 (Unaudited)
	KD '000	KD '000	**KD '000**	KD '000
Dividend income:				
- From investments at fair value through profit or loss	**1,100**	74	**8,041**	748
- From investments at fair value through other comprehensive income	**725**	-	**3,405**	-
- From available for sale investments	**-**	186	**-**	6,170
Profit on sale of available for sale investments	**-**	4,905	**-**	8,620
Realised gain/(loss) on investments at fair value through profit or loss	**481**	(83)	**3,365**	670
Unrealised gain on investments at fair value through profit or loss	**13,236**	2,774	**44,712**	7,573
	15,542	7,856	**59,523**	23,781

5 Taxation and other statutory contributions

(a) Foreign taxation

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2017 (Unaudited) KD '000	**30 Sept. 2018 (Unaudited) KD '000**	30 Sept. 2017 (Unaudited) KD '000
*Taxation of foreign subsidiaries**				
Current tax expense				
Current period charge	**(54)**	(58)	**(377)**	(283)
	(54)	(58)	**(377)**	(283)

*Foreign taxation includes an amount of KD326 thousand charged (2017: KD280 thousand) by certain foreign subsidiaries which is calculated based on the tax law adopted in the United Kingdom.

(b) Provision for KFAS, NLST and Zakat

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2017 (Unaudited) KD '000	**30 Sept. 2018 (Unaudited) KD '000**	30 Sept. 2017 (Unaudited) KD '000
Provision for contributions to Kuwait Foundation for Advancement of Science (KFAS)	**(35)**	(37)	**(318)**	(70)
Provision for National Labour Support Tax (NLST)	**(133)**	(87)	**(561)**	(160)
Provision for Zakat	**(3)**	(45)	**(325)**	(71)
	(171)	(169)	**(1,204)**	(301)

Notes to the interim condensed consolidated financial information (continued)

6 Basic & diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the Parent Company by the weighted average number of 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)
Profit for the period attributable to the owners of the Parent Company (KD '000)	**7,363**	2,117	**32,271**	7,347
Weighted average number of shares outstanding during the period (excluding treasury shares) – shares	**1,325,056,996**	1,325,056,996	**1,325,056,996**	1,325,056,996
Basic and diluted earnings per share	**5.6 Fils**	1.6 Fils	**24.4 Fils**	5.5 Fils

7 Cash and cash equivalents

	30 Sept. 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	30 Sept. 2017 (Unaudited) KD '000
Bank balances and cash	**29,133**	38,436	34,115
Short-term deposits	**49,931**	8,020	9,070
Due to banks	**(23,130)**	(22,315)	(21,670)
	55,934	24,141	21,515
Less: Short term deposits maturing after 3 months	**(1,700)**	-	-
Blocked balances	**(6)**	(219)	(317)
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	**54,228**	23,922	21,198

8 Investments at fair value through profit or loss

	30 Sept. 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	30 Sept. 2017 (Unaudited) KD '000
Quoted shares and debt securities	**228,369**	24,928	25,962
Unquoted equity participations	**21,008**	-	-
Managed portfolios and funds	**137,244**	49,852	51,272
	386,621	74,780	77,234

Quoted shares and managed funds, held by the Group, with a fair value of KD141,062 thousand (31 December 2017: KD131,205 thousand and 30 September 2017: KD138,425 thousand) are secured against borrowings.

9 Investments at fair value through other comprehensive income

	30 Sept. 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	30 Sept. 2017 (Unaudited) KD '000
Quoted shares	**54,981**	-	-
Unquoted equity participations	**145,925**	-	-
Managed portfolios and funds	**30,794**	-	-
	231,700	-	-

Notes to the interim condensed consolidated financial information (continued)

9 Investments at fair value through other comprehensive income (continued)

a) During the year 2016, the Group signed a conditional agreement with a foreign party to sell 10.45% shareholding in K-Electric Company, one of the Pakistani listed companies involved in the generation, transmission and distribution of electricity. The above shares are held through certain subsidiaries of the Group and have been recorded under investments at fair value through other comprehensive income. However, the completion of the sale contemplated in the conditional agreement is further extended during the previous year until the receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein and therefore profit or loss expected from the above sale has not yet been determined.

b) Quoted shares with a fair value of KD12,089 thousand (Available for sale investments at 31 December 2017: KD38,955 thousand and 30 September 2017: KD37,799 thousand) and unquoted shares with a fair value of KD6,532 thousand (Available for sale investment at 31 December 2017: KD6,888 thousand and 30 September 2017: KD6,368 thousand) are secured against bank borrowings (refer note 12).

10 Available for sale investments

	30 Sept. 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	30 Sept. 2017 (Unaudited) KD '000
Quoted shares and debt securities	-	231,442	244,078
Unquoted equity participations	-	183,233	184,666
Managed portfolios and funds	-	110,527	120,508
	-	525,202	549,252

The Group has applied, for the first time, IFRS 9 "Financial Instruments" as described in Note 2 and 3 effective from 1 January 2018. Accordingly, the management of the Group has re-classified its existing available for sale investments as described in Note 3.

11 Investment in associates

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

	30 Sept. 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	30 Sept. 2017 (Unaudited) KD '000
Balance at 1 January	**336,045**	350,540	350,540
Additions during the period/year	**2,279**	5,558	4,740
Share of results	**14,730**	19,035	15,771
Disposal/capital reduction (refer note 11 a & b)	**(15,465)**	(28,388)	(1,103)
Share of other comprehensive (loss)/income	**(980)**	3,368	908
Dividend distribution (refer note 11 c)	**(9,984)**	(9,376)	(9,376)
Foreign currency translation adjustment	**(2,387)**	(4,376)	(1,137)
Recognition of expected credit loss under IFRS 9 for financial assets of associates	**(1,153)**	-	-
Other adjustments	**(460)**	(316)	(380)
Balance at the end of the period/year	**322,625**	336,045	359,963

a) During the period, one of the local subsidiaries of the Group partially disposed (9.58% out of its holding of 49.11% at 31 December 2017) one of its foreign associates (Meezan Bank Ltd.) for a consideration of KD18,131 thousand resulting in a net gain of KD3,616 thousand. At 30 September 2018 the Group's ownership in this associate reduced to 39.53%.

Notes to the interim condensed consolidated financial information (continued)

11 Investment in associates (continued)

b) During the previous year, the Group disposed one of its foreign associates, and the net proceeds on disposal amounting to KD43,028 thousand was due and included in accounts receivable and other assets as of 31 December 2017. During the period, the Group has received the proceeds fully.

c) As of the reporting date, dividend distribution includes an amount of KD1,391 thousand receivables from a foreign associate.

12 Borrowings and bonds

During the years 2011 and 2012, one of the local subsidiaries of the Group restructured its financing arrangements with some local banks and accordingly loans amounting to KD154,710 thousand (out of which KD64,891 thousand has been settled till reporting date) were converted into secured long term facilities. As per loan restructuring agreements, these loans are required to be 100% secured. As of 30 September 2018, 31 December 2017 and 30 September 2017, these are partly secured (refer notes 8 and 9) and the identification and securitization of the required balance is still in process.

The process of rescheduling of the subsidiary company's loans amounting to KD89,819 thousand as of the reporting date is ongoing. However, based on the previous agreements, a loan amounting to KD39,059 thousand fell due on September 2017 and other loans totalling to KD50,760 thousand fell due during March, May and September 2018.

The local subsidiary had submitted a debt rescheduling plan to all its lenders and is still in process and under negotiation to reach an acceptable debt rescheduling solution. As of 30 September 2018, the local subsidiary's management is in agreement with the lenders that they will continue to negotiate the terms and conditions of the restructuring to bring it to a successful closure. Accordingly, the local subsidiary's management expects to finalize the debt rescheduling within the next few months.

The above debt rescheduling may involve upfront settlement of part of the debts, providing collateral to financers over the Subsidiary's assets, renegotiation of pricing and repayments period of credit facilities and other terms and restrictions usually associated with such debt rescheduling process.

Total borrowings and bonds are due as follows:

	30 Sept. 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	30 Sept. 2017 (Unaudited) KD '000
Bonds – long term	**25,000**	25,000	25,000
Long term borrowings			
- Current portion of long term borrowings	**240,321**	342,324	249,256
- Due after more than one year	**244,634**	182,973	228,136
Short term borrowings	**157,730**	123,018	173,590
	667,685	673,315	675,982

Current portion of long term borrowings include the due loans of the above mentioned subsidiary amounting to KD90,444 thousand (31 December 2017: KD90,475 thousand and 30 September 2017 KD90,354 thousand).

Borrowings include unsecured long term financing facilities obtained by one of the foreign indirect subsidiaries of the Group from a Saudi Islamic bank and a financial institution and the amount due within one year from the facilities amounted to KD1,477 thousand. The unutilised facility balances as of 30 September 2018 amounted to KD9,639 thousand. During the current period, the above borrowings have been secured by foreign quoted investments with a fair value of KD7,169 thousand.

Notes to the interim condensed consolidated financial information (continued)

13 Share capital, share premium, dividend distributions and non-controlling interests

a) Share capital and share premium

As of 30 September 2018, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,359,853,075 shares of 100 Fils each (31 December 2017: 1,359,853,075 shares and 30 September 2017: 1,359,853,075 shares).

Share premium is not available for distribution.

b) Dividend distribution

At the Annual General Meeting held on 10 May 2018, the shareholders approved a cash dividend of 10% equivalent to 10 Fils per share for the year ended 31 December 2017 (2016: Nil).

c) Non-controlling interests

Capital reduction by an indirect subsidiary

On 18 December 2017, the shareholders of one of the subsidiaries of the Group, decided to decrease its share capital from KD33,500 thousand to KD14,137 thousand (by KD19,363 thousand) by setting off of accumulated losses of KD17,113 thousand and distribution to shareholders an amount of KD2,250 thousand out of which KD1,069 thousand pertains to non-controlling interests.

Non-controlling interests arising on acquisition of subsidiaries

During the period, certain subsidiaries of the Group has acquired certain foreign subsidiaries and non-controlling interests arising on acquisition of these subsidiaries amounted to KD6,409 thousand. Further, acquisition of one of the subsidiaries resulted in a bargaining surplus (negative goodwill) of KD593 thousand which has been included under "other income" in the interim condensed consolidated statement of profit or loss during the period.

14 Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances at 1 January 2018	**12,853**	**1,694**	**18,452**	**(2,542)**	**30,457**
Transactions with owners:					
Dividend paid	-	(251)	-	-	(251)
Other comprehensive income:					
Currency translation differences	-	-	-	(3,307)	(3,307)
Exchange differences transferred to interim condensed consolidated statement of profit or loss on partial disposal of an associate	-	-	-	1,955	1,955
Balances at 30 September 2018	**12,853**	**1,443**	**18,452**	**(3,894)**	**28,854**
Balances at 1 January 2017	11,167	1,694	18,452	213	31,526
Other comprehensive income:					
Currency translation differences	-	-	-	(1,541)	(1,541)
Balances at 30 September 2017	11,167	1,694	18,452	(1,328)	29,985

Notes to the interim condensed consolidated financial information (continued)

15 Segmental analysis

The Group's format for reporting segment information is business segments; which conforms to the internal reporting presented to management:

	Investment		Building materials		Specialist engineering and chemicals		Hotel & IT services		Total	
	30 Sept. 2018 KD '000	30 Sept. 2017 KD '000	**30 Sept. 2018 KD '000**	30 Sept. 2017 KD '000	**30 Sept. 2018 KD '000**	30 Sept. 2017 KD '000	**30 Sept. 2018 KD '000**	30 Sept. 2017 KD '000	**30 Sept. 2018 KD '000**	30 Sept. 2017 KD '000
Three months ended										
Segment revenue	**21,087**	16,163	**12,544**	9,500	**14,958**	11,104	**3,586**	3,959	**52,175**	40,726
Less:										
Income from investments									**(15,542)**	(7,856)
Share of result of associates									**(3,458)**	(4,993)
(Gain)/loss on partial disposal of associates									**(1,080)**	10
Rental income									**(607)**	(443)
Interest and other income									**(400)**	(2,881)
Sales, per interim condensed consolidated statement of profit or loss									**31,088**	24,563
Segment profit/(loss)	**16,007**	12,218	**111**	16	**(62)**	(739)	**211**	232	**16,267**	11,727
Less:										
Finance costs									**(8,592)**	(8,246)
(Loss)/gain on foreign currency exchange									**(106)**	230
Profit before foreign taxation									**7,569**	3,711

Notes to the interim condensed consolidated financial information (continued)

15 Segmental analysis (continued)

	Investment		Building materials		Specialist engineering and chemical		Hotel & IT services		Total	
	30 Sept. 2018 KD '000	30 Sept. 2017 KD '000	**30 Sept. 2018 KD '000**	30 Sept. 2017 KD '000	**30 Sept. 2018 KD '000**	30 Sept. 2017 KD '000	**30 Sept. 2018 KD '000**	30 Sept. 2017 KD '000	**30 Sept. 2018 KD '000**	30 Sept. 2017 KD '000
Nine months ended										
Segment revenue	**81,351**	45,256	**40,023**	30,062	**42,173**	35,773	**11,428**	12,728	**174,975**	123,819
Less:										
Income from investments									**(59,523)**	(23,781)
Share of result of associates									**(14,730)**	(15,771)
(Gain)/loss on partial disposal of associates									**(3,616)**	58
Rental income									**(1,803)**	(1,276)
Interest and other income									**(1,679)**	(4,486)
Sales, per interim condensed consolidated statement of profit or loss									**93,624**	78,563
Segment profit/(loss)	**68,100**	32,710	**2,324**	1,016	**(506)**	(843)	**345**	596	**70,263**	33,479
Less:										
Finance costs									**(25,245)**	(23,751)
(Loss)/gain on foreign currency exchange									**(494)**	1,361
Profit before foreign taxation									**44,524**	11,089
Segment assets	**1,092,338**	1,112,775	**76,468**	61,361	**96,574**	77,929	**16,903**	19,841	**1,282,283**	1,271,906
Segment liabilities	**(12,878)**	(15,314)	**(23,919)**	(23,977)	**(23,469)**	(17,229)	**(7,014)**	(7,574)	**(67,280)**	(64,094)
Segment net assets	**1,079,460**	1,097,461	**52,549**	37,384	**73,105**	60,700	**9,889**	12,267	**1,215,003**	1,207,812
Borrowings, bonds and due to banks									**(690,815)**	(697,652)
Total equity as per interim condensed consolidated statement of financial position									**524,188**	510,160

Notes to the interim condensed consolidated financial information (continued)

16 Related party 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. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	30 Sept. 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	30 Sept. 2017 (Unaudited) KD '000
Balances included in interim condensed consolidated statement of financial position			
Due from related parties (included in accounts receivable and other assets)			
- Due from associate companies	**2,376**	825	2,507
- Due from other related parties	**5,403**	5,845	3,335
- Due from key management personnel	**70**	70	70
Due to related parties (included in accounts payable and other liabilities)			
- Due to associates	**419**	20	-
- Due to other related parties	**677**	1,492	518
Transactions with related parties			
Development and construction costs	**5,086**	2,555	2,719
Sale of investment properties and available for sale investments	**-**	1,173	1,173
Purchase of investment from an associate	**3,537**	-	-
Transfer of assets to a related party	**-**	350	350

	Three months ended		Nine months ended	
	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2017 (Unaudited) KD '000	30 Sept. 2018 (Unaudited) KD '000	30 Sept. 2017 (Unaudited) KD '000
Transactions included in interim condensed consolidated statement of profit or loss				
Purchase of raw materials – from associates	**1,300**	561	**2,889**	2,037
Impairment in value of accounts receivables and other assets	**263**	-	**263**	-
Compensation of key management personnel of the Group				
Short term employee benefits	**957**	794	**2,977**	2,862
End of service benefits	**36**	104	**123**	280
	993	898	**3,100**	3,142

17 Financial instruments

Financial instruments comprise of financial assets (accounts receivable and other assets, murabaha, wakala and sukuk investments, investments at fair value through profit or loss, investment at fair value through other comprehensive income, short term deposits and bank balances and cash) and financial liabilities (due to banks, borrowings, bonds and accounts payable and other liabilities).

The carrying amounts of other financial assets and liabilities as at 30 September 2018, approximate their fair values.

The following table presents the financial assets which are measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy.

Notes to the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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 in the consolidated statement of financial position are grouped into the fair value hierarchy as follows;

At 30 September 2018

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Financial assets at fair value				
Investment at fair value through other comprehensive income				
-Managed funds	-	971	29,823	30,794
-Unquoted equity participations	-	55,039	90,886	145,925
-Quoted shares	54,981	-	-	54,981
Investments at fair value through profit or loss				
-Quoted shares and debt securities	228,369	-	-	228,369
-Unquoted shares	-	-	21,008	21,008
-Managed portfolios and funds	-	38,482	98,762	137,244
Total assets	283,350	94,492	240,479	618,321

At 31 December 2017

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	33,372	33,372
Other managed funds	-	3,786	72,655	76,441
-Unquoted equity participations	-	61,531	102,202	163,733
-Quoted shares	216,808	-	14,634	231,442
Investment at fair value through profit or loss				
-Quoted shares and debt securities	24,928	-	-	24,928
-Managed portfolios and funds	654	41,751	7,447	49,852
Total assets	242,390	107,068	230,310	579,768

Notes to the interim condensed consolidated financial information (continued)

17 Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value (continued)

At 30 September 2017

	Level 1	Level 2	Level 3	Total Balance
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value				
Available for sale investments				
-Managed funds				
Private equity funds	-	-	34,236	34,236
Other managed portfolio	-	3,934	80,730	84,664
-Unquoted equity participations	-	11,926	153,209	165,135
-Quoted shares and debt securities	217,927	1,510	24,641	244,078
Investment at fair value through profit or loss				
-Quoted shares	25,962	-	-	25,962
-Local funds	-	5,758	-	5,758
-International managed portfolios and funds	2,019	34,654	8,841	45,514
Total assets	245,908	57,782	301,657	605,347

Fair value measurements

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

	30 Sept. 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	30 Sept. 2017 (Unaudited) KD '000
Opening balance	**230,310**	297,135	297,135
Net change in fair value	**7,047**	2,423	4,226
Impairment recognised in profit or loss	**-**	(3,401)	(2,578)
Net (disposal)/additions during the period/year	**(3,681)**	10,500	2,706
Transferred from investments carried at cost to fair value	**20,214**	-	-
Reclassification	**(13,411)**	(76,347)	168
Closing balance	**240,479**	230,310	301,657

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.

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting year/period, except for certain foreign quoted shares that have been fair valued based on certain observable market prices as the Group's management believes that such valuations are more representatives of the fair values of such investments based on the information available to the management. Accordingly, these investments with a carrying value of KD14,634 thousand has been transferred from level 3 to level 1.

Notes to the interim condensed consolidated financial information (continued)

18 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 September 2018 amounted to KD8,507 thousand (31 December 2017: KD8,840 thousand and 30 September 2017: KD5,194 thousand) of which assets managed on behalf of related parties amounted to KD2,674 thousand (31 December 2017: KD2,968 thousand and 30 September 2017: KD2,847 thousand).

19 Contingent liabilities and capital commitments

As at 30 September 2018, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD17,214 thousand (31 December 2017: KD24,705 thousand and 30 September 2017: KD18,661 thousand).

At the reporting date the Group had commitments for the purchase of investments, the acquisition of property, plant and equipment and investment properties totalling to KD33,539 thousand (31 December 2017: KD43,418 thousand and 30 September 2017: KD47,178 thousand) and committed loan to a related party KD911 thousand (31 December 2017: KD2,720 thousand and 30 September 2017: KD Nil)

At the reporting date, the Group had commitment to pay lease rentals amounting to KD4,442 thousand (31 December 2017: KD4,815 thousand and 30 September 2017: KD4,341 thousand).

20 Comparative information

Certain comparative figures have been reclassified to conform to the presentation in the current period, and such reclassification does not affect previously reported net assets, net equity and net results for the period or net increase in cash and cash equivalents.