Interim Condensed Consolidated Financial Information and Review Report

International Financial Advisors – KPSC and Subsidiaries

Kuwait

30 September 2017 (Unaudited)

Contents

GrantThornton | An instinct for growth™
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Report on review of interim condensed consolidated financial information

To the board of directors of
International Financial Advisors – KPSC
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of International Financial Advisors – KPSC ("the parent company") and its subsidiaries ("the group") as at 30 September 2017 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 preparation 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 preparation set out in Note 2.

Emphasis of matters
We draw attention to following:

a) Note 2b to the interim condensed consolidated financial information which indicates that the group's current liabilities exceeded its current assets by KD49,173,749.

b) Notes 2b and 16 to the interim condensed consolidated financial information which indicates that the management of the parent company is currently working on renewing its loans due to certain banks of which instalments were due at the end of the current financial period. Rescheduling negotiations for these loans is in progress up to the date of issuance of these interim condensed consolidated financial information.

These events or conditions may indicate the existence of a material uncertainty that may affect the group's ability to continue as a going concern. The parent company's management has prepared this interim condensed consolidated financial information on a going concern basis for the reasons specified in Note 2b. Our conclusion is not modified in respect of these matters.

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Report on review of interim condensed consolidated financial information of International Financial Advisors – KPSC (continued)

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, 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 2017 that might have had a material effect on the business or financial position of the group.

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 2017.

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

Kuwait
14 November 2017

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 30 Sept. 2017 (Unaudited) KD	Three months ended 30 Sept. 2016 (Unaudited) KD	Nine months ended 30 Sept. 2017 (Unaudited) KD	Nine months ended 30 Sept. 2016 (Unaudited) KD
Revenue					
Interest income		**45,756**	46,220	**287,373**	217,870
Management fees and similar income		**84,870**	290,798	**247,911**	324,809
Dividend income		**221,215**	242,431	**223,767**	282,340
Net income from hoteliers and related services	6	**4,607,831**	4,450,016	**19,833,220**	15,491,398
Net gain/(loss) from investments at fair value through profit or loss		**4,265**	(4,563)	**(8,949)**	(32,744)
Share of results of associates	13	**596,020**	32,408	**1,899,315**	784,870
Net gain/(loss) on sale of shares in associates	13	**5,786,601**	917,235	**5,713,865**	(605,231)
Gain on sale of subsidiary	7	**-**	-	**-**	4,466,125
Gain on sale of available for sale investments		**625,003**	-	**906,013**	-
Gain on sale of property, plant and equipment		**-**	1,601,206	**-**	1,601,206
Other income	8	**122,837**	405,036	**1,717,048**	776,804
		12,094,398	7,980,787	**30,819,563**	23,307,447
Expenses and other charges					
Staff costs		**(1,248,749)**	(1,580,188)	**(3,887,394)**	(4,591,561)
Operating expenses and other charges		**(3,665,143)**	(3,068,228)	**(11,475,890)**	(12,305,407)
Impairment of available for sale investments		**-**	(8,590)	**(84,182)**	(169,461)
Reversal of provision no longer required	22-a	**-**	-	**1,229,249**	-
Depreciation		**(896,032)**	(991,631)	**(3,084,840)**	(3,143,210)
Interest and similar expenses		**(3,806,574)**	(2,834,596)	**(10,596,912)**	(8,909,240)
		(9,616,498)	(8,483,233)	**(27,899,969)**	(29,118,879)
Profit/(loss) before taxation on overseas subsidiaries		**2,477,900**	(502,446)	**2,919,594**	(5,811,432)
Taxation on overseas subsidiaries		**69,222**	175,245	**583,686**	276,047
Profit/(loss) for the period		**2,547,122**	(327,201)	**3,503,280**	(5,535,385)
Profit/(loss) for the period attributable to :					
Owners of the parent company		**1,388,294**	(488,458)	**1,455,802**	(4,646,008)
Non-controlling interests		**1,158,828**	161,257	**2,047,478**	(889,377)
Profit/(loss) for the period		**2,547,122**	(327,201)	**3,503,280**	(5,535,385)
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company	9	**2.06 Fils**	(0.73) Fils	**2.16Fils**	(6.90) Fils

The notes set out on pages 10 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. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	**30 Sept. 2017 (Unaudited) KD**	30 Sept. 2016 (Unaudited) KD
Profit/(loss) for the period	**2,547,122**	(327,201)	**3,503,280**	(5,535,385)
Other comprehensive (loss)/income:				
Items that will be reclassified subsequently to the statement of profit or loss				
Available for sale investments:				
-Net change in fair value arising during the period	**(42,169)**	(3,628)	**(56,091)**	(22,732)
-Transferred to interim condensed consolidated statement of profit or loss on sale	**(369,460)**	-	**(1,361,621)**	-
-Transferred to interim condensed consolidated statement of profit or loss on impairment	**-**	8,590	**84,182**	169,461
Share of other comprehensive income of associates	**1,059,626**	106,681	**1,602,155**	715,652
Exchange differences arising on translation of foreign operations	**(334,478)**	(667,087)	**765,932**	(955,067)
Total other comprehensive income/(loss)	**313,519**	(555,444)	**1,034,557**	(92,686)
Total comprehensive income/(loss) for the period	**2,860,641**	(882,645)	**4,537,837**	(5,628,071)
Total comprehensive income/(loss) for the period attributable to:				
Owners of the parent company	**1,951,192**	(821,535)	**2,401,340**	(4,035,642)
Non-controlling interests	**909,449**	(61,110)	**2,136,497**	(1,592,429)
	2,860,641	(882,645)	**4,537,837**	(5,628,071)

Interim condensed consolidated statement of financial position

	Note	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Assets				
Cash and cash equivalents	10	10,260,455	8,647,293	12,105,881
Investments at fair value through profit or loss		77,589	246,992	268,559
Receivables and other assets		20,289,429	17,249,063	18,814,887
Due from related parties	11	2,796,637	487,027	1,717,948
Trading properties	12	9,707,059	7,511,097	7,214,845
Available for sale investments		22,912,449	22,669,789	25,918,127
Investment properties		11,346,003	10,826,813	10,464,331
Investment in associates	13	39,000,462	41,103,181	40,589,544
Goodwill		40,216,405	40,174,557	40,173,218
Properties under development	14	79,794,021	70,748,732	78,726,387
Capital work in progress		46,821,475	46,560,974	46,592,451
Property, plant and equipment		103,618,818	103,529,030	103,837,108
Total assets		386,840,802	369,754,548	386,423,286
Liabilities and equity				
Liabilities				
Payables and other liabilities	15	72,562,183	62,652,236	66,241,070
Due to related parties	11	23,214,136	21,448,538	28,762,284
Borrowings	16	197,733,519	194,304,431	195,648,251
Advances received from customers	17	4,798,783	7,361,111	11,807,302
Total liabilities		298,308,621	285,766,316	302,458,907
Equity				
Share capital		72,000,000	72,000,000	72,000,000
Share premium		11,973,061	11,973,061	11,973,061
Treasury shares	18	(32,757,404)	(32,757,404)	(32,757,404)
Treasury shares reserve	18	104,935	104,935	104,935
Statutory and voluntary reserves		32,757,404	32,757,404	32,757,404
Fair value reserve		6,676,900	6,408,275	7,343,923
Foreign currency translation reserve		(6,980,734)	(7,657,647)	(5,488,369)
Accumulated losses		(31,922,331)	(33,378,133)	(35,333,760)
Total equity attributable to the owners of the parent company		51,851,831	49,450,491	50,599,790
Non-controlling interests		36,680,350	34,537,741	33,364,589
Total equity		88,532,181	83,988,232	83,964,379
Total liabilities and equity		386,840,802	369,754,548	386,423,286

Saleh Saleh Al-Selmi
Chairman

Talal Jassim Al-Bahar
Vice Chairman

The notes set out on pages 10 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)

	Equity attributable to the owners of the parent company									Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserves KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	KD	KD
Balance at 1 January 2017 (audited)	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	6,408,275	(7,657,647)	(33,378,133)	49,450,491	34,537,741	83,988,232
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	6,112	6,112
Transactions with owners	-	-	-	-	-	-	-	-	-	6,112	6,112
Profit for the period	-	-	-	-	-	-	-	1,455,802	1,455,802	2,047,478	3,503,280
Other comprehensive (loss)/income											
Available for sale investments:											
- Net change in fair value arising during the period	-	-	-	-	-	(56,091)	-	-	(56,091)	-	(56,091)
-Transferred to interim condensed consolidated statement of profit or loss on sale	-	-	-	-	-	(1,361,621)	-	-	(1,361,621)	-	(1,361,621)
- Transferred to interim condensed consolidated statement of profit or loss on Impairment	-	-	-	-	-	84,182	-	-	84,182	-	84,182
Share of other comprehensive income of associates	-	-	-	-	-	1,602,155	-	-	1,602,155	-	1,602,155
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	676,913	-	676,913	89,019	765,932
Total other comprehensive income	-	-	-	-	-	268,625	676,913	-	945,538	89,019	1,034,557
Total comprehensive income for the period	-	-	-	-	-	268,625	676,913	1,455,802	2,401,340	2,136,497	4,537,837
Balance at 30 September 2017 (unaudited)	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	6,676,900	(6,980,734)	(31,922,331)	51,851,831	36,680,350	88,532,181

The notes set out on pages 10 to 26 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)(continued)

	Equity attributable to the owners of the parent company									Non-controlling interests	Total
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserves KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub – total KD	KD	KD
Balance at 1 January 2016 (audited)	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	6,481,542	(5,236,354)	(30,687,752)	54,635,432	34,890,394	89,525,826
Net change in non-controlling interests	-	-	-	-	-	-	-	-	-	66,624	66,624
Transactions with owners	-	-	-	-	-	-	-	-	-	66,624	66,624
Loss for the period	-	-	-	-	-	-	-	(4,646,008)	(4,646,008)	(889,377)	(5,535,385)
Other comprehensive (loss)/income											
Available for sale investments:											
- Net change in fair value arising during the period	-	-	-	-	-	(22,732)	-	-	(22,732)	-	(22,732)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	-	-	-	-	-	169,461	-	-	169,461	-	169,461
Share of other comprehensive income of associates	-	-	-	-	-	715,652	-	-	715,652	-	715,652
Exchange difference arising on translation of foreign operation	-	-	-	-	-	-	(252,015)	-	(252,015)	(703,052)	(955,067)
Total other comprehensive income/(loss)	-	-	-	-	-	862,381	(252,015)	-	610,366	(703,052)	(92,686)
Total comprehensive income/(loss) for the period	-	-	-	-	-	862,381	(252,015)	(4,646,008)	(4,035,642)	(1,592,429)	(5,628,071)
Balance at 30 September 2016 (unaudited)	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	7,343,923	(5,488,369)	(35,333,760)	50,599,790	33,364,589	83,964,379

The notes set out on pages 10 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. 2017 (Unaudited) KD	Nine months ended 30 Sept. 2016 (Unaudited) KD
OPERATING ACTIVITIES		
Profit/(loss) for the period	3,503,280	(5,535,385)
Adjustments:		
Gain on sale of available for sale investments	(906,013)	-
Impairment of available for sale investments	84,182	169,461
Dividend income	(223,767)	(283,340)
Interest income	(287,373)	(217,870)
Interest and similar expenses	10,596,912	8,909,240
Depreciation	3,084,840	3,143,210
Share of results of associates	(1,899,315)	(784,870)
Reversal of provision no longer required	(1,229,249)	-
Gain on sale of shares in investment in associates	(5,713,865)	605,125
Gain on sale of property, plant and equipment	-	(1,601,206)
Gain on sale of subsidiary	-	(4,466,125)
	7,009,632	(61,760)
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	169,403	263,528
Receivables and other assets	(3,040,366)	1,191,333
Due from related parties	294,029	299,015
Trading properties	(2,195,962)	271,601
Payables and other liabilities	8,763,017	(1,093,565)
Due to related parties	10,083,250	1,124,101
Advances received from customers	(2,562,328)	(10,417,477)
Cash from/(used in) operating activities	18,520,675	(8,423,224)
Dividend income received	223,767	283,340
Interest income received	287,373	217,870
Interest and similar expenses paid	(9,449,982)	(7,570,495)
Net cash from/(used in) operating activities	9,581,833	(15,492,509)
INVESTING ACTIVITIES		
Net change in investment in associates	3,505	(273,552)
Proceeds from sale of shares in associates	181,582	2,214,110
Proceeds from sale of subsidiary	-	3,269,662
Net change in properties under development	(9,045,289)	1,780,151
Net change in capital work in progress	(260,501)	108,110
Net change in property, plant and equipment	(3,174,628)	2,472,431
Purchase of available for sale investments	(382,835)	-
Proceeds from sale of available for sale investments	2,201,097	229,310
Net cash (used in)/from investing activities	(10,477,069)	9,800,222

Interim condensed consolidated statement of cash flows (continued)

	Note	Nine months ended 30 Sept. 2017 (Unaudited) KD	Nine months ended 30 Sept. 2016 (Unaudited) KD
FINANCING ACTIVITIES			
Proceeds from borrowings		12,125,096	8,392,815
Repayment of borrowings		(10,227,209)	(1,998,124)
Change in non-controlling interests		-	103,420
Net cash from financing activities		1,897,887	6,498,111
Increase in cash and cash equivalents		1,002,651	805,824
Foreign currency adjustment		610,511	(1,330,669)
Cash and cash equivalents at beginning of the period	10	8,300,847	12,284,280
Cash and cash equivalents at end of the period	10	9,914,009	11,759,435
Non-cash transactions			
Proceeds from sale of shares in associates		9,365,318	-
Due from related parties		(7,990,928)	-
Due to related parties		(1,374,390)	-

The notes set out on pages 10 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 of the parent company

International Financial Advisors – KPSC ("the parent company") is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The parent company is regulated by the Central Bank of Kuwait for its financing activities and Capital Market Authority as an investment company and its shares are listed in Boursa Kuwait and Dubai Financial Market. The parent company and its subsidiaries are together referred to as "the group".

The parent company is principally engaged in providing following activities:

1. Invest in various economic sectors through the incorporation or participation in the incorporation of various companies or institutions practicing similar or complementary activities to the company's objectives for its account and for the account of third parties inside or outside the State of Kuwait.

2. Manage local or foreign various companies and institutions and market the investment services and products owned by them or by third parties inside or outside the State of Kuwait.

3. Own and acquire the right of disposal of whatever it deems necessary thereto of movable and immovable property or any parts thereof or any franchising rights the company deems they are necessary or appropriate to the nature of its activity or to the development of its funds, excluding trading in goods for its account.

4. Conduct all business related to securities trading for its account and for the account of third parties inside or outside the State of Kuwait, including sale, purchase and marketing of securities of shares and sukuks and other securities issued by local and foreign government and private companies, institutions and bodies and practice the related financial mediation and brokerage activities.

5. Manage the funds of individuals and local or foreign public and private companies, institutions and bodies and invest these funds in various economic sectors through investment and real estate portfolios inside or outside the State of Kuwait.

6. Provide economic advice related to investment and hold courses, issue brochures of various investment activities for individuals, local and foreign companies and institutions.

7. Prepare and provide technical, economic and assessment studies and consultations and prepare feasibility studies for various investment activities and other studies, examining the technical, financial and administrative aspects related to these activities for its account or for the account of third parties inside or outside the State of Kuwait.

8. Establish and manage the collective investment systems and local and foreign investment funds of all kinds and contribute to their establishment for the account of the company and for the account of third parties in accordance with the regulating laws, rules and conditions specified by the competent regulatory authorities; put its stakes or units to subscription so that the company's contributions to the share capital of the collective investment system or the investment fund shall not be less than the minimum limit specified by the regulatory authorities; sell or purchase stakes or units in the local or foreign collective investment systems or investment funds for its account and for the account of third parties or market same, provided the necessary approvals are obtained from the competent regulatory authorities; act as investment custodian, investment monitor and investment advisor in general for the investment funds inside or outside the State of Kuwait in accordance with the regulating laws.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities of the parent company (continued)

9. Invest funds for its account and for the account of third parties in the various aspects of investment inside or outside the State of Kuwait and acquire movable and immovable assets.

10. Act as the issuance manager for the securities issued by the local and foreign government and private companies, institutions and bodies and act as the subscription agent, listing advisor, investment custodian and monitor, including publications management and commitments of subscription operations management, receiving applications and covering subscription thereto.

11. Perform all advisory services that help develop and strengthen the ability of financial and monetary market in the State of Kuwait and meet its requirements within the limits of the law and the decisions or instructions issued by the competent regulatory authorities (after obtaining the necessary approvals from those authorities).

12. Mediate in financing operations, structure and manage the financing arrangements of the local and international companies, institutions, bodies and projects in the various economic sectors in accordance with the rules and conditions specified by the competent regulatory authorities.

13. Carry out all the works related to the activities for the arrangement and management of consolidation, acquisition and separation operations for the local and foreign government and private companies, institutions and bodies.

14 Lending, borrowing and issuance of financial guarantees in the scope of achieving the company's objectives.

15. Do brokerage in selling foreign currencies against commission by doing mediation between the sellers and buyers of foreign currencies including the requirements of providing the services of dealers in foreign exchange markets, such as giving advice and doing the necessary contacts by telex, telephone and other means of communication.

16. During commencement of its objectives, the company is prohibited to open current or saving accounts or accept deposits or open documentary credits or represent foreign banks for third parties.

17. Deal and trade in the foreign exchange market and precious metals market inside and outside the State of Kuwait for the company's account only, without prejudice to the prohibition established under the Ministerial Resolution promulgated for organizing CBK's supervision on investment companies.

18. Act as financial, economic and administrative advisors for the companies and institutions operating in Kuwait and Middle East countries.

19. Sell and purchase securities of the companies similar to the company's account inside or outside the State of Kuwait.

20. Manage investment for third parties and manage third parties' portfolios and do financial mediation, provided this does not include brokerage in the shares listed on Kuwait Stock Exchange.

21. Acquire movables and properties necessary to start the company's activities within the limits permitted by the Law.

22 Utilize the surplus funds available with the company by investing same in financial portfolios managed by specialized companies and authorities.

The company may have interest or participate in any way with the companies, institutions and authorities which practice similar activities or which assist it in achieving its objectives inside or outside the State of Kuwait. The company may also open branches inside or outside the State of Kuwait in such a way that does not conflict with the Companies Law and the instructions of the regulatory authorities.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities of the parent company (continued)

The address of the parent company's registered office is PO Box 4694, Safat 13047, State of Kuwait.

This interim condensed consolidated financial information for the nine-month period ended 30 September 2017 was authorised for issue by the parent company's board of directors on 14 November 2017.

2 Basis of preparation and fundamental accounting concept

a) Basis of preparation

This interim condensed consolidated financial information of the group for the nine-month period ended 30 September 2017 has been prepared in accordance with IAS 34, Interim Financial Reporting, except as noted below.

The annual consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK"). These regulations require adoption of all International Financial Reporting Standards ("IFRS") except for the IAS 39 requirements for collective impairment provision, which have been replaced by the CBK's requirements for a minimum general provision as described below.

The impairment provision for loans and advances complies in all material respects with the specific provision requirements of the CBK and IFRS. In this respect, the CBK requires general provisions of 1% for cash facilities and 0.5% for non-cash facilities, for which no specific provision has been made.

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

Operating results for the nine months ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For more details refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2016.

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the parent company.

b) Fundamental accounting concept

As at 30 September 2017, the group's current liabilities exceeded its current assets by KD49,173,749. However, management confirms that this situation is temporary as it is working on restructuring the group's asset based investments and re-negotiating the loan instalments payments terms and dates.

The management of the parent company and its subsidiary, IFA Hotels and Resorts, is currently negotiating with its lenders to restructure all its debts as appropriate with its current and future requirements to complete the existing projects and provide the necessary liquidity to finance its activities and achieve the best return on its assets either by sale or operations. Out of the total borrowings amounting to KD197,733,519 as of the reporting date, the parent company's direct borrowings amount to KD75,909,111. The remaining borrowing balance of KD121,824,408 obtained by the group's subsidiary "IFA Hotels and Resorts - KPSC" is regular.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation and fundamental accounting concept (continued)

b) Fundamental accounting concept (continued)

As stated in note 16, instalments of KD17,571,239 (including interest) are past due on borrowings granted to the parent company by certain banks. However, management of the parent company is fully convinced that, due to the active negotiations currently in progress with these banks, the provisions of the agreements will not be applied to the entire outstanding borrowings as a result of non-payment of such instalments. Therefore, management believes that this matter will not be a reason, in any way, for the group's inability to continue as a going concern.

Furthermore, the group's management believes that, as the group's assets approximately represent twice the outstanding borrowings balance of the group, it is adequate to repay these borrowings in full and maintain shareholders' full equity, noting that, the carrying value of those assets is less than the estimated market value on that date. Accordingly, this interim condensed consolidated financial information has been prepared under a going concern basis.

3 Changes in accounting policies

3.1 New and amended standards adopted by the group

The interim condensed consolidated financial information has been prepared in accordance with the accounting policies adopted in the group's most recent annual consolidated financial statements for the year ended 31 December 2016. Other than as noted in 3.2 below, the group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The group has adopted new accounting pronouncements which have become effective for the first time in 2017, none of which had any significant impact on the group's results or financial position. These are:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 7 Statement of Cash Flows- Amendments	1 January 2017
IAS 12 Income Taxes - Amendments	1 January 2017
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2017

3.2 IASB Standards issued but not yet effective that has been early adopted

IFRS 15 Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" was issued in May 2014 and is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted. The group reviewed the impact of IFRS 15 on its revenue from operations and during the year 2015 has elected to early adopt it with effect from 1 January 2015, as the group considers it better reflects the real estate business performance of the group.

Notes to the interim condensed consolidated financial information (continued)

4 Judgments and estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, 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 judgments 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 2016.

5 Basis of consolidation

The financial year end of IFA Hotels and Resorts Company – KPSC, Radeem Real Estate Company – SAL and Dana Real Estate Company - SAL (subsidiaries) is 31 December, but for the purpose of consolidating those subsidiaries in to the group's interim condensed consolidated financial information, the interim condensed consolidated financial information for the period ended 30 June 2017 has been used after appropriate adjustments have been made for the effects of significant transactions or events for the period ended 30 September 2017.

The group has consolidated the financial information of the other subsidiaries using interim condensed financial information and management accounts as at 30 September 2017.

6 Net income from hoteliers and related services

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	**30 Sept. 2017 (Unaudited) KD**	30 Sept. 2016 (Unaudited) KD
Income:				
Sale of properties	**5,623,564**	2,085,880	**20,972,069**	5,311,062
Hotel operations	**5,823,816**	5,699,035	**21,216,490**	21,284,590
Beach club operations	**-**	506,093	**2,341**	1,626,271
Management fees	**376,633**	226,267	**888,548**	364,416
Residential service income	**769,584**	800,424	**2,284,112**	2,209,191
Rental income	**93,937**	151,095	**683,520**	755,068
	12,687,534	9,468,794	**46,047,080**	31,550,598
Direct costs	**(8,079,703)**	(5,018,778)	**(26,213,860)**	(16,059,200)
	4,607,831	4,450,016	**19,833,220**	15,491,398

7 Sale of subsidiary

During the previous period, the group disposed of 100% of its shareholding in The Palm Residence FZE and Al Shalal Beach Club FZE (UAE sub-subsidiaries) to a related party for a total consideration of KD6,086,918 (equivalent to AED 74,000,000) resulting into a gain of KD4,466,125 (equivalent to AED 54,303,034) which was recognised in the interim condensed consolidated statement of profit or loss.

Notes to the interim condensed consolidated financial information (continued)

8 Other income

The other income consists of the following:

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
Net income from ticket sales and related services	53,652	44,877	201,914	144,608
Net gain on bargain purchase (a)	-	-	965,037	-
Foreign currency exchange loss	(117,064)	(38,712)	(317,917)	(6,642)
Other miscellaneous income	186,249	398,871	868,014	638,838
	122,837	405,036	1,717,048	776,804

a) During the previous year, a joint operation (50%) "Tongaat Hulett/IFA Resorts Developments (TIFAZ)" was held through a sub-subsidiary located in South Africa (subsidiary of IFA Hotels and Resorts Company – KPSC). During the current period, the South African sub-subsidiary acquired the holding company which owns the remaining 50% of the joint operation. Consequently, the group effectively owns 100% of the joint operation. This transaction resulted in net gain on bargain purchase amounting to KD965,037 being recognised in the interim condensed consolidated statement of profit or loss. Details of the assets and liabilities acquired (50%) are as follows:

	KD
Fair value of identifiable assets and liabilities acquired	4,261,734
Less: Fair value of consideration	(3,296,697)
Net gain on bargain purchase	965,037

9 Basic and diluted earnings/(loss) per share attributable to the owners of the parent company

Basic and diluted earnings/(loss) per share attributable to the owners of the parent company is calculated by dividing the profit/(loss) for the period attributable to the owners of the parent company by the weighted average number of shares outstanding during the period excluding treasury shares.

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited)	30 Sept. 2016 (Unaudited)	30 Sept. 2017 (Unaudited)	30 Sept. 2016 (Unaudited)
Profit/(loss) for the period attributable to the owners of the parent company (KD)	1,388,294	(488,458)	1,455,802	(4,646,008)
Weighted average number of shares in issue during the period (excluding treasury shares)	672,889,436	672,889,436	672,889,436	672,889,436
Basic and diluted earnings/(loss) per share attributable to the owners of the parent company	2.06 Fils	(0.73) Fils	2.16 Fils	(6.90) Fils

Notes to the interim condensed consolidated financial information (continued)

10 Cash and cash equivalents

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Cash and cash equivalents as per interim condensed consolidated statement of financial position	10,260,455	8,647,293	12,105,881
Less: Restricted balance	(346,446)	(346,446)	(346,446)
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	9,914,009	8,300,847	11,759,435

11 Due from /to related parties

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Due from			
Al Rana General Trading Co. – WLL	-	-	2,072,335
International Resorts Company – KPSC	272,421	75,999	8,665
Aim Consulting Services Co. – WLL	-	44,392	-
Al Deera Holding Company – KPSC	621,987	509,015	531,852
Zimbali Lodge Company	5,202	614,198	-
United Investment Portugal Company	1,374,390	-	-
Other related parties	779,738	729,773	591,446
	3,053,738	1,973,377	3,204,298
Provision for doubtful debts (note 22a)	(257,101)	(1,486,350)	(1,486,350)
	2,796,637	487,027	1,717,948
Due to			
IFA Zimbali H & R (Pty) Ltd	1,658,128	2,106,277	1,350,578
Al Tilal Investment Co. – WLL	1,391,875	1,352,418	1,339,301
Kuwait Real Estate Company – KPSC	196,978	227,701	10,921,945
Al Rana General Trading Co. – WLL	1,295,243	2,890,902	-
Kuwait Holding Co. – KSCC	4,138,558	3,913,242	3,926,579
United Investment Portugal Company	-	366,146	121,263
Arzan financial Group for Financing and Investment – KPSC	275,957	53,857	-
Al Dahiya Investment Co. – WLL	6,114,481	5,929,134	5,867,517
Al Wafir Marketing Services Company - KSCC	5,625,430	3,652,735	3,578,356
IFA Properties Brokerage – LLC	77,796	77,135	366,146
Kuwait Invest Real Estate - KSCC	435,040	435,040	435,040
Other related parties	2,004,650	443,951	855,559
	23,214,136	21,448,538	28,762,284

Due from related parties are non-interest bearing and have no specific repayment terms.

Due to related parties include balance amounting to KD7,964,848 (31 December 2016: KD7,720,393 and 30 September 2016: KD7,439,726) carries interest rate ranging from 2.5% to 4.25% (31 December 2016: 2.5% to 4.5% and 30 September 2016: 2.5% to 4.25%) per annum and has no specific repayment term. The remaining balances of KD15,249,288 (31 December 2016: KD13,728,145 and 30 September 2016: KD21,322,558) are non-interest bearing and have no specific repayment terms.

Notes to the interim condensed consolidated financial information (continued)

12 Trading properties

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Residential apartments in Dubai (UAE)	**4,284,824**	4,268,982	4,271,869
Properties in South Africa	**5,422,235**	3,242,115	2,942,976
	9,707,059	7,511,097	7,214,845

13 Investment in associates

The details of the associates are as follows:

Name of associate	Principal Activities	Place of incorporation	Percentage of ownership %		
			30 Sept. 2017 (Unaudited) %	31 Dec 2016 (audited) %	30 Sept. 2016 (Unaudited) %
Arzan Financial Group For Financing and Investment – KPSC (Quoted) (a)	Financing	Kuwait	**16.88**	17.53	17.53
Neova Sigorta Insurance Company("Neova")	Insurance	Turkey	**35**	35	35
Yotel Investment Limited – UK (b)	Investment	UK	**-**	40.36	43.26
Legend & IFA Developments (Pty) Ltd	Property development	South Africa	**50**	50	50
IFA Investments (Switzerland) SA	Investments	Switzerland	**25**	25	25
Zamzam Religious Tourism Co. – KSCC	Hajj & Umrah	Kuwait	**20**	20	20
Abwab Capital Limited (c)	Investments	UAE	**9.19**	45.96	42.43
Weqaya Takaful Insurance and Reinsurance Company-SSC (Quoted)	Insurance	Saudi Arabia	**20**	20	20

Movement in the carrying amount of investment in associates is as follows:

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Carrying value at the beginning of the period/year	**41,103,181**	42,645,744	42,645,744
Additions	**3,505**	275,952	273,552
Disposals (a , b)	**(5,322,370)**	(3,010,266)	(2,819,341)
Share of results of associates	**1,899,315**	3,203,176	784,870
Transferred to available for sale investments (b)	**(1,220,526)**	-	-
Impairment of investment in associate	**-**	(30,759)	-
Dilution gain (c)	**38,234**	-	-
Share of other comprehensive income	**1,602,155**	645,330	715,652
Foreign exchange translation adjustment	**896,968**	(2,625,996)	(1,010,933)
Carrying amount at the end of the period/year	**39,000,462**	41,103,181	40,589,544
Fair value of quoted associates	**4,762,303**	4,504,435	4,293,289

a) During the period, the group sold part of its shares in Arzan Financial for a total consideration of KD181,582 realising a net loss of KD596,054 recognised in the interim condensed consolidated statement of profit or loss.

Notes to the interim condensed consolidated financial information (continued)

13 Investment in associates (continued)

b) During the period, the group sold part of its shares in Yotel Investment Limited – UK "Yotel" (31.18% of Yotel's total shares) to related parties for a total consideration of KD9,365,318 (equivalent to GBP23,964,477) resulting in a gain of KD4,974,087 recognised in the interim condensed consolidated statement of profit or loss.

The remaining shares owned by the group, representing 8.37% of Yotel's total shares, has been reclassified to available for sale investments resulting in a deemed gain of KD1,335,832 recognised in the interim condensed consolidated statement of profit or loss.

c) During the period, Abwab Capital Limited increased its share capital and the group did not particpate in this capital increase. This has resulted in a dilution of the group's ownership in Abwab Capital Limited to 9.19% resulting into a dilution gain of KD38,234 recognised in the interim condensed consolidated statement profit or loss.

14 Properties under development

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Properties in Dubai – UAE	**74,136,298**	62,021,359	60,010,687
Properties in South Africa	**5,657,723**	8,727,373	8,098,153
Properties in Lebanon	**-**	-	10,617,547
	79,794,021	70,748,732	78,726,387

15 Payables and other liabilities

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Accrued expenses	**9,790,813**	8,599,047	7,167,054
Accounts payable	**20,553,849**	14,613,430	16,241,399
Dividend payable	**565,642**	568,781	568,953
Kuwait Foundation for the Advancement of Science	**2,482,641**	2,476,455	2,471,586
National Labour Support Tax	**7,849,575**	7,760,674	7,746,853
Zakat Provision	**731,276**	695,716	690,187
Deferred tax	**1,606,013**	1,157,846	1,556,000
Provision for employees' end of service benefits and leave	**2,549,118**	2,806,088	2,847,734
Deferred income	**2,500,215**	2,215,512	2,248,851
Accrued retention payable	**5,397,516**	4,787,460	4,014,237
Accrued construction costs	**893,265**	35,836	1,698,936
Redeemable preference shares	**-**	-	3,021,230
Refundable deposits on cancellation and resale of units	**1,359,032**	1,538,477	1,446,786
Land ownership transfer fee payable	**224,972**	330,465	348,384
Provision for loans receivable	**1,556,000**	1,556,000	1,556,000
Due to policyholders	**3,421,050**	3,871,789	3,136,433
Other payables (a)	**11,081,206**	9,638,660	9,480,447
	72,562,183	62,652,236	66,241,070

a) Other payables include post-dated cheques amounting to KD1,687,208 (31 December 2016: KD1,157,173 and 30 September 2016: KD4,532,290) issued against settlement of legal cases filed by unitholders in Balqis Residence FZE (UAE sub-subsidiary). Out of these, post-dated cheques amounting to KD1,687,208 (31 December 2016: KD1,123,671 and 30 September 2016: KD2,259,338) have been issued in respect of refunds of deposits received from customers and their maturities are as per court order.

Notes to the interim condensed consolidated financial information (continued)

16 Borrowings

The loan balances and bank facilities of the group at the date of the interim condensed consolidated statement of financial position represent the the following:

	Currency	Period due From	Period due To	Effective interest rates	Purpose	Assets pledged	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
1	USD	28-12-2005	28-12-2019	3.82%	Financing the group's investments	Shares of parent company and IFA H& R shares	**36,222,000**	36,759,000	36,231,000
2	EUR	15-06-2007	28-12-2019	2.5%	Financing the group's investments	Shares of IFA H& R and certain AFS investments	**7,132,111**	6,443,852	6,784,254
3	KD	26-06-2011	31 -12- 2023	4.75%	Repayment of indebtedness	Local portfolio with 120% coverage	**24,000,000**	24,000,000	24,000,000
4	KD	01-01-2010	31-12-2019	4.5%	Local equity financing	Financial portfolio with 200% coverage	**8,555,000**	8,555,000	8,555,000
5	AED	01-05-2007	31-12-2018	6.3% - 15.3%	Projects financing	Properties located in Palm Jumeirah, U.A.E and collections deposited in account opened in a foreign bank	**107,575,544**	101,080,876	100,636,001
6	Rand	23-05-2007	31-03-2027	2.25% - 9.5%	Financing the group's investments	Mortgage of certain properties, plant and equipment and certain trading properties in South African subsidiaries	**10,660,224**	13,714,020	12,637,353
7	USD	01-01-2010	31-12-2016	9%	Acquisition of properties	Land included in properties under development	-	-	2,850,390
8	EUR	15-09-2011	15-03-2024	6.5%	Acquisition of properties	Investment properties owned by the subsidiary	**3,588,640**	3,751,683	3,954,253
							197,733,519	194,304,431	195,648,251

* The group was unable to settle certain instalments amounting to KD17,571,239 (including interest) due on loans by certain banks due in accordance with the contractual terms and conditions were not settled up to the date of this interim condensed consolidated financial information. The total amount of these loans at 30 September 2017 was KD51,909,111.

The parent company's management is currently negotiating with the banks to reschedule these loans and agree upon the final conditions of that rescheduling.

Notes to the interim condensed consolidated financial information (continued)

16 Borrowings (continued)

b) The group's borrowings are pledged against the following assets of the group:

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Restricted balances	346,446	346,446	346,446
Investments at fair value through profit or loss	20,553	140,659	122,839
Trading properties	5,422,236	3,242,115	2,942,976
Available for sale investments	5,923,107	6,460,007	6,755,705
Investment in associate	2,083,296	2,089,081	1,991,156
Investment properties	7,991,154	7,438,139	7,775,446
Properties under development	34,383,737	34,620,504	36,157,534
Property, plant and equipment	88,684,265	88,052,061	80,423,184
Investment in subsidiary	91,810,015	58,402,509	61,611,439
Total assets pledged	236,664,809	200,791,521	198,126,725

17 Advances received from customers

These balances represent amounts collected in advance from customers of a subsidiary company of the group on the sale of residential flats currently under construction by the group. All deposit received from customers are current in nature as they are expected to be settled within 12 months.

The movement in advances received from customers is as follows:

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Balance at the beginning of the period/year	7,361,111	22,224,779	22,224,779
Advances received during the period/year	15,740,984	8,047,818	7,629,085
Recognised as revenue during the period/year	(16,833,551)	(15,850,250)	(11,638,394)
Deposits transferred to other payables	-	(3,469,746)	(3,469,746)
Deposits transferred upon cancellation	(1,659,128)	(1,922,393)	(1,877,041)
Arising from disposal of subsidiary	-	(658,064)	-
Foreign currency adjustment	189,367	(1,011,033)	(1,061,381)
	4,798,783	7,361,111	11,807,302

18 Treasury shares

	30 Sept. 2017 (Unaudited)	31 Dec. 2016 (Audited)	30 Sept. 2016 (Unaudited)
Number of shares	47,110,564	47,110,564	47,110,564
Percentage of issued shares	6.54%	6.54%	6.54%
Cost (KD)	32,757,404	32,757,404	32,757,404
Market value (KD)	1,460,427	1,460,427	1,389,762

Reserves of the parent company equivalent to the cost of treasury shares have been earmarked as non-distributable. Treasury shares carried at cost amounting to KD32,743,499(31 December 2016 and 30 September 2016: KD32,743,499) are pledged as security against group's borrowings.

Notes to the interim condensed consolidated financial information (continued)

19 Capital commitments

Capital expenditure commitments

At 30 September 2017, the group had capital commitments towards its share of funding required to construct several real estate projects in Dubai – UAE and South Africa. The group's share in the estimated funding commitments on these projects is as follows:

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Estimated and contracted of capital expenditure of contracts revenue	**21,103,703**	36,615,403	38,036,197
Postdate cheques issued	**1,687,208**	1,123,671	1,182,632

The group expects to finance the future expenditure commitments from the following sources:

a) Sale of investment properties
b) Advances from customers
c) Share capital increase
d) Advances provided by the shareholders, related entities and joint ventures
e) Borrowings, if required

Notes to the interim condensed consolidated financial information (continued)

20 Segmental analysis

The group activities are concentrated in four main segments: asset management, treasury and investments, real estate and others. The segments' results are reported to the higher management in the group. In addition, the segments revenue, assets are reported based on the geographic locations which the group operates in. The following is the segments information, which conforms with the internal reporting presented to management.

	Asset Management		Treasury and Investments		Real Estate		Others		Total	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
Segment income	247,911	324,809	9,021,384	5,113,230	19,833,220	15,491,398	1,717,048	2,378,010	30,819,563	23,307,447
Segment (loss)/profit for the period	(2,836,929)	(2,818,401)	(1,659,710)	(3,965,471)	19,833,220	15,491,398	(12,416,987)	(14,518,958)	2,919,594	(5,811,432)
Unallocated expenses (NLST ,Zakat and taxations)									583,686	276,047
Profit/(loss) for the period									3,503,280	(5,535,385)
Depreciation									3,084,840	3,143,210
Impairment									84,182	169,461
Interest and similar expenses									10,596,912	8,909,240
Total segmental assets	103,618,818	103,837,108	112,467,359	119,055,328	147,668,558	142,998,014	-	-	363,754,735	365,890,450
Total segmental liabilities	-	-	(197,733,519)	(195,648,251)	(4,798,783)	(11,807,302)	-	-	(202,532,302)	(207,455,553)
Net segmental assets	103,618,818	103,837,108	(85,266,160)	(76,592,923)	142,869,775	131,190,712	-	-	161,222,433	158,434,897
Unallocated assets									23,086,067	20,532,836
Unallocated liabilities									(95,776,319)	(95,003,354)
Net Assets									88,532,181	83,964,379

Notes to the interim condensed consolidated financial information (continued)

21 Annual General Assembly of the Shareholders

The Annual General Assembly of the Shareholders held on 31 July 2017 approved the consolidated financial statements of the group for the year ended 31 December 2016 and approved the directors' proposal not to distribute any dividend for the year ended 31 December 2016.

22 Related parties transactions and balances

Related parties represent major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management. Transactions between the parent company and its subsidiaries which are related parties of the parent company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Balances included in the interim condensed consolidated statement of financial position:			
Due from related parties (note 11)	2,796,637	487,027	1,717,948
Due to related parties (note 11)	23,214,136	21,448,538	28,762,284

	Three months ended		Nine months ended	
	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2016 (Unaudited) KD
Transactions included in the interim condensed consolidated statement of profit or loss:				
Management fees and similar income	68,750	-	214,416	
Dividend income	222,767	51,899	222,767	239,415
Gain on sale of shares in associates	6,309,919	917,235	6,309,919	917,235
Gain on sale of subsidiary	-	4,466,125	-	4,466,125
Gain on sale of available for sale investment	6	-	63,879	-
Reversal of provisions no longer required (a)	-	-	1,229,249	-
Interest and similar expenses	81,051	263,483	252,530	263,483
Key management compensation of the group				
Short-term employee benefits	225,258	242,977	437,709	511,398

a) During the period, a review of the provisions for doubtful debts was conducted by the Provisioning Committee, formed by the parent company Board of Directors, to ensure that all existing provisioning have been made in accordance with the provisioning requirements of the Central Bank of Kuwait regarding general and specific provisioning on loans receivables and also other provisions imposed by the Central Bank on the amounts due from related parties.

The Committee concluded that a reversal of provision amounting to KD1,229,249 should be made because the outstanding balances have decreased from KD7,431,750 as of 2013 to KD3,053,739 as at 30 September 2017. The Board of Directors of the parent company has approved the reversal of the provision by an amount of KD1,229,249 and it has been recognised in the interim condensed consolidated statement of profit or loss for the period.

Notes to the interim condensed consolidated financial information (continued)

23 Fiduciary accounts

The group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 30 September 2017 amounted to KD37,526,522 (31 December 2016: KD35,831,487and 30 September 2016: KD36,815,582). The group earned management fee of KD45,614 (30 September 2016: KD50,548) from these activities.

24 Financial risk management

All aspects of the group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2016.

25 Fair value measurement

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. In the opinion of the parent company's management, except for certain available for sale investments which are carried at cost less impairment amounting to KD764,506 (31 December 2016: KD797,596 and 30 September 2016: KD1,457,605), the carrying amounts of financial assets and liabilities approximate their fair values.

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).

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

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

30 September 2017 (unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investments held for trading:				
Local shares:				
Quoted securities	44,653	-	-	44,653
Unquoted securities	-	-	31,597	31,597
Foreign shares:				
Quoted securities	1,339	-	-	1,339
Available for sale investments				
Quoted securities	64,922	-	-	64,922
Managed funds	-	27,058	-	27,058
Unquoted securities	-	-	22,055,963	22,055,963
	110,914	27,058	22,087,560	22,225,532

Notes to the interim condensed consolidated financial information (continued)

25 Fair value measurement (continued)

31 December 2016 (audited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investments held for trading:				
Local shares:				
Quoted securities	213,430	-	-	213,430
Unquoted securities	-	-	31,597	31,597
Foreign shares:				
Quoted securities	1,965	-	-	1,965
Available for sale investments				
Quoted securities	171,499	-	-	171,499
Foreign quoted securities	44,617	-	-	44,617
Managed funds	-	730,216	-	730,216
Unquoted securities	-	-	20,925,861	20,925,861
	431,511	730,216	20,957,458	22,119,185

30 September 2016 (unaudited)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investments held for trading:				
Local shares:				
Quoted securities	194,604	-	-	194,604
Unquoted securities	-	-	71,879	71,879
Foreign shares:				
Quoted securities	2,076	-	-	2,076
Available for sale investments				
Quoted securities	267,174	-	-	267,174
Managed funds	-	727,064	-	727,064
Unquoted securities	-	-	23,466,284	23,466,284
	463,854	727,064	23,538,163	24,729,081

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

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

Level 3 fair value measurements

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

Notes to the interim condensed consolidated financial information (continued)

25 Fair value measurement (continued)

Level 3 fair value measurements (continued)

	Investments at fair value through profit or loss		
	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Opening balance	**31,597**	71,272	71,272
Gains or losses recognised in:			
- Interim condensed consolidated statement of profit or loss	**-**	(39,675)	607
Closing balance	**31,597**	31,597	71,879

	Available for sale Investments		
	30 Sept. 2017 (Unaudited) KD	31 Dec. 2016 (Audited) KD	30 Sept. 2016 (Unaudited) KD
Opening balance	**20,925,861**	22,986,781	22,986,781
Transferred to level 3 previously carried at cost	**29,500**	572,739	488,393
Purchases	**382,835**	-	-
Disposals	**(1,875,457)**	(1,131,559)	-
Transferred from associates	**2,602,878**	-	-
Gains or losses recognised in:			
- Other comprehensive loss	**(9,654)**	(1,502,100)	(8,890)
Closing balance	**22,055,963**	20,925,861	23,466,284

The group's finance team performs valuations of financial items for financial reporting purposes, including level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

For financial instruments carried at amortised cost, fair values are not materially different from their carrying values and are used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counter parties.

The impact on interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.