Al Madina for Finance and Investment Company- K.S.C (Public)

and its subsidiaries

Kuwait

Interim Condensed Consolidated Financial Information

(Unaudited)

For the nine months ended on September 30, 2018

With review report

Al Madina for Finance and Investment Company- K.S.C (Public)

and its subsidiaries
Kuwait
Interim Condensed Consolidated Financial Information
(Unaudited)
For the nine months ended on September 30, 2018
With review report

Contents

	Exhibit
Review report on the interim condensed consolidated financial information	
Interim condensed consolidated statement of financial position (Unaudited)	A
Interim condensed consolidated statement of profit or loss (Unaudited)	B
Interim condensed consolidated statement of profit or loss and other comprehensive income (Unaudited)	C
Interim condensed consolidated statement of changes in equity (Unaudited)	D
Interim condensed consolidated statement of cash flows (Unaudited)	E
	Page
Notes to the interim condensed consolidated financial information (Unaudited)	1 - 19

Rödl
Middle East
Burgan-International Accountants
Ali Al-Hasawi & Co

The Board of Directors
Al Madina for Finance and Investment Company
K.S.C (Public)
and its subsidiaries
State of Kuwait

Review report on the interim condensed consolidated financial information

Introduction
We have reviewed the accompanying interim condensed consolidated financial information of AI Madina for Finance and Investment Company - K.S.C (Public) - (the Parent Company) and its subsidiaries (together referred to as "the Group") – which comprise the interim condensed consolidated statement of financial position as of September 30, 2018 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine months period then ended. Management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard No. (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".

Other matters
- The interim condensed consolidated financial information of the parent company for the financial period ended September 30, 2017 was reviewed by another auditor who has concluded an unqualified conclusion on the interim condensed consolidated financial information in the review report issued on November 13, 2017.

- The consolidated financial statements of the parent company for the financial year ended December 31, 2017 were audited by another auditor who has concluded a qualified opinion on the consolidated financial statements in the audit report issued on March 21, 2018.

Report on review of other legal and regulatory matters

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of "the Parent Company". We further report that nothing has come to our attention indicating any contraventions during the nine months period ended on September 30, 2018 of the Companies' Law no. 1 of year 2016, and its executive regulation , as amended, or law no. 7 of 2010 in respect of the establishment of Capital Market Authority, the organization of the securities activity and its executive regulations or of the Parent company's memorandum and articles of association, as amended, that might have had a material effect on the business of the group or on its interim condensed consolidated statement of financial position.

During the course of our review, nothing has come to our attention indicating any material violations during the nine month period ended September 30, 2018 of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and related regulations. Except for what is mentioned in note (11) on the interim condensed consolidated financial information regarding wakala payables obtained from investment funds, which is a violation of the instructions of the central bank of Kuwait.



Ali A. Al-Hasawi
Licence No. 30-A
Rödl Middle East
Burgan - International Accountants

November 13, 2018
State of Kuwait

Exhibit – A

Al Madina for Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Interim condensed consolidated statement of financial position as of September 30, 2018
(Unaudited)
(All amounts are in Kuwaiti Dinar)

	Note	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Assets				
Cash and cash equivalents	4	**419,197**	553,012	260,934
Investments at fair value through statement of profit or loss	5	**2,538,586**	1,567,907	2,030,121
Receivables and other debit balances	6	**11,264,953**	12,027,325	7,280,362
Investment properties	7	**1,155,000**	1,155,000	1,231,000
Investment in associates	8	**21,815,641**	22,786,388	25,876,177
Available for sale investments	9	**-**	1,775,954	2,086,641
Property and equipment		**20,241**	41,189	54,184
Total assets		**37,213,618**	39,906,775	38,819,419
Liabilities and equity				
Liabilities				
Payables and other credit balances	10	**2,370,256**	2,744,028	3,171,969
Wakala payables	11	**2,522,653**	2,522,653	2,522,653
End of service indemnity		**175,805**	228,517	204,390
Total liabilities		**5,068,714**	5,495,198	5,899,012
Equity				
Share capital		**40,706,523**	40,706,523	40,706,523
Share premium		**4,552,924**	4,552,924	4,552,924
Other reserves	12	**114,280**	(18,764)	948,979
Treasury shares	13	**(2,694,680)**	(2,694,680)	(2,694,680)
Accumulated losses		**(23,071,946)**	(20,730,169)	(20,131,090)
Total equity attributable to shareholders of the Parent Company		**19,607,101**	21,815,834	23,382,656
Non-controlling interests		**12,537,803**	12,595,743	9,537,751
Total equity		**32,144,904**	34,411,577	32,920,407
Total liabilities and equity		**37,213,618**	39,906,775	38,819,419

Mohammad Darweesh Al-Shemali
Chairman

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Al Madina for Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Interim condensed consolidated statement of profit or loss for the nine months ended September 30, 2018
(Unaudited)
(All amounts are in Kuwaiti Dinar)

	Note	The three months ended September 30		The nine months ended September 30	
		2018	2017	**2018**	2017
Revenue					
Income/(losses) from investments	14	**104,083**	(244,441)	**(729,459)**	(324,932)
Net gain from investment properties		**-**	2,850	**2,512**	11,300
Company's share in results of associates		**(48,641)**	1,072,940	**(918,311)**	5,954
Gains/(losses) from sale of investment in associates		**-**	149,352	**(19,545)**	414,384
Net (charged)/reversal of provisions and impairment losses	15	**-**	-	**(3,489)**	2,018,786
Management fees and other income		**22,478**	(14,649)	**73,999**	91,368
		77,920	966,052	**(1,594,293)**	2,216,860
Expenses and other charges					
Staff cost		**100,423**	241,168	**456,312**	612,149
Other expenses		**27,008**	156,353	**120,092**	363,111
Total expenses and other charges		**127,431**	397,521	**576,404**	975,260
Net (loss)/profit for the period		**(49,511)**	568,531	**(2,170,697)**	1,241,600
Attributable to:					
Shareholders of the Parent Company		**(39,370)**	209,723	**(2,111,745)**	857,286
Non-controlling interests		**(10,141)**	358,808	**(58,952)**	384,314
		(49,511)	568,531	**(2,170,697)**	1,241,600
(Loss)/earning per share attributable to Shareholders of the Parent Company (fils)	16	**(0.1)**	0.54	**(5.42)**	2.2

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Al Madina for Finance and Investment Company K.S.C (Public)

and its subsidiaries
Kuwait

Interim condensed consolidated statement of profit or loss and other comprehensive income for nine months ended September 30, 2018
(Unaudited)
(All amounts are in Kuwaiti Dinar)

	The three months ended September 30		The nine months ended September 30	
	2018	2017	**2018**	2017
Net (loss) / profit for the period	**(49,511)**	568,531	**(2,170,697)**	1,241,600
Other comprehensive (loss)/income items:				
Items that may be reclassified subsequently to the interim condensed consolidated statement of profit or loss:				
Investment at fair value:				
Change in fair value	-	(76,897)	-	13,702
Transferred to the interim condensed consolidated statement of profit or loss on sale	-	(25,581)	-	(93,121)
	-	(102,478)	-	(79,419)
Investments in associates:				
Group's share in reserves of associates	**(35,942)**	(133,979)	**(23,575)**	116,038
Transferred to the interim condensed consolidated statement of profit or loss on sale	-	66,150	**2,194**	35,396
Total other comprehensive (loss)/ income for the period	**(35,942)**	(170,307)	**(21,381)**	72,015
Total comprehensive (loss)/income for the period	**(85,453)**	398,224	**(2,192,078)**	1,313,615
Attributable to:				
Shareholders of the Parent Company	**(75,311)**	40,859	**(2,134,138)**	930,561
Non-controlling interests	**(10,142)**	357,365	**(57,940)**	383,054
Total comprehensive (loss)/income for the period	**(85,453)**	398,224	**(2,192,078)**	1,313,615

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Exhibit - D

AI Madina for Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Interim condensed consolidated statement of changes in equity for the nine months ended September 30, 2018
(Unaudited)
(All amounts are in Kuwaiti Dinar)

	Equity attributable to the Parent Company's shareholders equity							
	Share capital	**Share premium**	**Other reserves (Note - 12)**	**Treasury shares**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total**
Balance at January 1, 2017	40,706,523	4,552,924	875,704	(2,694,680)	(20,988,376)	22,452,095	9,208,430	31,660,525
Net profit for the period	-	-	-	-	857,286	857,286	384,314	1,241,600
Total comprehensive income for the period	-	-	73,275	-	-	73,275	(1,260)	72,015
Change in non-controlling interests	-	-	-	-	-	-	(53,733)	(53,733)
Balance at September 30, 2017	40,706,523	4,552,924	948,979	(2,694,680)	(20,131,090)	23,382,656	9,537,751	32,920,407
Balance at January 1, 2018	40,706,523	4,552,924	(18,764)	(2,694,680)	(20,730,169)	21,815,834	12,595,743	34,411,577
Transition adjustment on adoption of IFRS 9 on January 1, 2018 (notes 6 and 12)	-	-	155,437	-	(230,032)	(74,595)	-	(74,595)
Balance at January 1, 2018 "adjusted"	40,706,523	4,552,924	136,673	(2,694,680)	(20,960,201)	21,741,239	12,595,743	34,336,982
Net loss for the period	-	-	-	-	(2,111,745)	(2,111,745)	(58,952)	(2,170,697)
Total comprehensive loss for the period	-	-	(22,393)	-	-	(22,393)	1,012	(21,381)
Balance at September 30, 2018	**40,706,523**	**4,552,924**	**114,280**	**(2,694,680)**	**(23,071,946)**	**19,607,101**	**12,537,803**	**32,144,904**

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Al Madina for Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Interim condensed consolidated statement of cash flows for the nine months ended September 30, 2018
(Unaudited)
(All amounts are in Kuwaiti Dinar)

	Note	The nine Months Ended September 30,	
		2018	2017
Cash flows from operating activities			
Net (loss) / profit for the period		**(2,170,697)**	1,241,600
Adjustments:			
Company's share of results in associates		**918,311**	(5,954)
Losses / (gains) from sale of investment in associates		**19,545**	(414,384)
Net charged / (reversal) of provisions and impairment	15	**3,489**	(2,018,786)
Depreciation		**948**	2,025
Disposals of property and equipment at cost		**20,000**	-
losses of investments		**729,459**	324,932
Provision for end of service indemnity		**27,326**	89,451
Operating loss before calculating the effect of changes in working capital		**(451,619)**	(781,116)
Investments at fair value through statement of profit or loss		**74,816**	(1,071,134)
Receivables and other debit balances		**887,844**	114,317
Payables and other credit balances		**(373,772)**	(847,698)
Cash generated from / (used in) operations		**137,269**	(2,585,631)
End of service indemnity paid		**(80,038)**	(50,847)
Net cash generated from / (used in) operating activities		**57,231**	(2,636,478)
Cash flows from investing activities			
purchase of available for sale investments		**-**	(786,931)
Proceeds from sale of available for sale investments		**-**	845,524
purchase of investments in associates		**(10,334)**	(5,633,538)
Dividends received		**1,000**	-
Proceeds from sale of investments in associates		**21,844**	4,210,725
Proceeds from sale of property and equipment		**-**	54,594
Net cash generated from/(used in) investing activities		**12,510**	(1,309,626)
Cash flows from financing activities			
Net change in non-controlling interests		**-**	(53,733)
Net cash used in financing activities		**-**	(53,733)
Net Increase / (decrease) in cash and cash equivalents		**69,741**	(3,999,837)
Cash and cash equivalents at beginning of the period		**254,040**	4,190,646
Cash and cash equivalents at end of the period	4	**323,781**	190,809

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Al Madina for Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Notes to the interim condensed consolidated financial information for the nine months ended September 30, 2018
(Unaudited)
(All amounts are in Kuwaiti Dinar unless stated otherwise)

1. Brief on "The Parent" Company

Al Madina for Finance and Investment Company (the Parent Company) is a Public Kuwaiti Shareholding Company incorporated in the State of Kuwait on 1980 and is registered as an investment company with the Central Bank of Kuwait on April 27, 2005. The shares of the Parent Company were listed on the Kuwait Boursa on April 24, 2006 and on the Dubai Financial Market on September 10, 2007.

The Parent Company's head office is domiciled at Al-Soar Street - Al-Mirqab - Kuwait.

The principle activities of the Parent Company are represented in all investing activities, finance and management of funds, trading and leasing of properties to customers and trading in lands and properties.

The interim condensed consolidated financial information include the financial information of the parent company and its subsidiaries (together referred to as "the Group") (Note - 3).

The activities of the Parent Company are carried out in accordance with Islamic Sharia principles.

The interim condensed consolidated financial information was approved for issuance by the Board of Directors on November 13, 2018.

2. Significant accounting policies

2/1) Basis of preparation

The interim condensed consolidated financial information of the "Group" has been prepared in accordance with IAS 34, "**Interim Financial Reporting**". Accordingly, it does not include all of the information and footnotes required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual audited consolidated financial statements of "the Group" for the financial year ended December 31, 2017 except for the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers from January 1, 2018. The changes in the accounting policies arising from the adoption of these standards are explained below.

In the opinion of the management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the interim consolidated period are not necessarily indicative of the results that may be expected for the consolidated year ending December 31, 2018. For further information, refer to the annual audited consolidated financial statements and notes thereto for the year ended December 31, 2017.

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

2/2) Application of new International Financial Reporting Standards (IFRSs)

- **Application of IFRS 9: Financial Instruments**
  The Group has adopted IFRS 9 issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

  Financial assets
  The Group classifies financial assets upon initial recognition of IFRS 9 into the following categories:
  - Fair value Through Profit and Loss (FVTPL)
  - Fair value through other comprehensive income (FVOCI)
  - Amortized cost (AC)

  All financial assets are initially measured at fair value. Transaction costs are added to the cost of all financial instruments except for financial assets classified as at fair value through profit or loss. Transaction costs on financial assets classified as at fair value through profit or loss are recognized in the interim condensed consolidated statement of profit or loss.

  Fair value through profit or loss (FVTPL)
  The Group's financial assets classified as at fair value through profit or loss are acquired or issued principally for short-term profit through trading activities, or through forming a part of a portfolio of jointly managed financial instruments, an evidence of a recent model for short-term profit is present.

  In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

  Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in the interim condensed consolidated statement of profit or loss. Interest income and dividends are recognized in the interim condensed consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

  Fair value through other comprehensive income (FVOCI)
  Debt instruments at FVOCI
  The Group classifies debt instruments at FVOCI if it meets both of the following conditions:

  - The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
  - The contractual terms of the financial asset meet the solely payments of principal and interest (SPPI) test.

Debt instruments classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in the interim condensed consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to interim condensed consolidated statement of profit or loss.

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair value including foreign exchange gains and losses are recognized in OCI. Dividends are recognized in interim condensed consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI.

Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition, cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the interim condensed consolidated statement of changes in equity.

Amortized cost (AC)
The Group classifies financial assets at AC if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets classified at AC are subsequently measured at amortized cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognized in the interim condensed consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in the interim condensed consolidated statement of profit or loss.

Financial liabilities
The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from Group's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the interim condensed consolidated statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Classification and measurement of financial assets and financial liabilities
The Group determines classification and measurement category of financial assets, except equity instruments and derivatives, based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account.

The SPPI test
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows met the SPPI test.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

The effect of the adoption of IFRS 9 regarding the classification and measurement of investments is the reclassification of some of the Groups' investments in accordance with the requirements of the Standard as described in notes (5) and (9) to the interim condensed consolidated financial information and there is no impact on the interim condensed consolidated statement of profit or loss.

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "Expected Credit Loss" (ECL) model. Accordingly, the Group applies the new impairment model for its financial assets. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Incorporating forward-looking information increases the degree of judgment required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognized.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognized.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realized and the time value of money.

The Group expects to apply the simplified approach to recognize lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorized under stage 2 and lifetime ECL is recognized.

Objective evidence that debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Group assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets measured at fair value.

The impact of the adoption of IFRS 9 on ECL is recognizing an amount of KD 3,489 for the period, also, an additional amount amounting to KD 74,595 included in the interim condenses consolidated statement of changes in equity as described in (Note – 6) to the condensed consolidated interim financial information.

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except what is described below:

a. Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.
b. The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL;
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

- **Adoption of IFRS 15: Revenue from Contract from Customers**
IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after January 1, 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. Under IFRS 15, It established a new five-step model that will apply to revenue arising from contracts with customers. revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer as follows:

Step 1 : Identify the contract(s) with a customer
Step 2 : Identify the performance obligations in the contract
Step 3 : Determine the transaction price
Step 4 : Allocate the transaction price to the performance obligations in the contract
Step 5 : Recognize revenue when (or as) the entity satisfies a performance obligation

The Group adopted IFRS 15 "Revenue from Contract from Customers" resulting in no change in the revenue recognition policy of the Group in relation to its contracts with customers. Further, adoption of IFRS 15 had no impact on this interim condensed consolidated financial information of the Group.

2/3) Critical 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 applied to the annual audited consolidated financial statements as at and for the year ended December 31, 2017.

3. The subsidiary companies

This interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries, described below, together referred to as the Group.

				Ownership percentage %		
Company's name	**Legal form**	**Incorporation country**	**Activity**	**September 30, 2018**	December 31, 2017	September 30, 2017
Real Capita and its subsidiaries	W.L.L.	Kuwait	General trading	99	99	99
Murgan One Co	W.L.L.	Cayman Island	Real estate	100	100	100
Held through Real Capita						98
Dar Al-Bayraq for General trading and its Subsidiaries	W.L.L.	Kuwait	General trading & Contracting	98	98	98
Morlo for General Trading	W.L.L.	Kuwait	General trading & Contracting	99	99	99
Dasman United Real Estate	W.L.L.	Kuwait	Real estate	99	99	99
Held through Dar Al Bayraq						
Tatweer Capital Real Estate co. and its Subsidiaries	K.S.C.C.	Kuwait	Real estate	55.08	55.08	67.08
Held through Tatweer Capital Real Estate Co.						
Economic Pen for Publishing, Distribution & Advertising Co.	W.L.L.	Kuwait	Publishing, distribution & advertising	99	99	99
Halawani Saber for General Trading and Contracting	W.L.L.	Kuwait	General trading & Contracting	-	-	99
Develop for General Trading & Contracting Co.	W.L.L	Kuwait	General trading & Contracting	99	99	99

As of June 30, 2018, the financial information of the subsidiaries has been consolidated based on the financial information prepared by the management for the purpose of consolidation as their audited financial statement will be prepared by the end of the year. the total of their assets and results of these subsidiaries amounted to KD 33,877,451 and KD (723,231) respectively.

4. Cash and cash equivalents

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Cash at banks	**314,152**	242,582	157,535
Restricted cash against letters of credit	**70,105**	70,125	70,125
Cash at portfolios and Kuwait Clearing Company	**25,311**	228,847	4,327
Cash on hand	**9,629**	11,458	28,947
Cash and cash equivalents as per interim condensed consolidated statement of financial position	**419,197**	553,012	260,934
Less: Restricted cash against letters of credit	**(70,105)**	(70,125)	(70,125)
Less: Cash at portfolios and Kuwait Clearing Company	**(25,311)**	(228,847)	-
Cash and cash equivalents	**323,781**	254,040	190,809

5. Investments at fair value through statement of profit or loss

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Investments in local shares - quoted	**2,189,581**	1,218,902	1,678,675
Investments in local shares - unquoted	**528**	528	528
Investments in local funds - unquoted	**348,477**	348,477	350,918
	2,538,586	1,567,907	2,030,121

- On January 1, 2018, and as a result of the adoption of IFRS 9, the Group reclassified available for sale investments with a book value of KD 1,775,954 to investments at fair value through statement of profit or loss (Note – 9).
- The investment in local shares – unquoted (Madia Fund and Al-matiaz Investment Fund) were evaluated based on the net asset value as of December 31, 2017, and June 30, 2015, respectively as these funds are under liquidation.
- Investments at fair value through statement of profit or loss were evaluated according to the evaluation methods disclosed in (Note – 21).

6. Receivables and other debit balances

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Receivables from sale of properties	**891,253**	1,167,027	1,389,856
Deferred income	**(29,501)**	(29,501)	(76,306)
	861,752	1,137,526	1,313,550
Due from related parties (Note – 17)	**10,808,604**	11,036,507	5,602,127
Accrued income	**119,848**	118,349	128,258
Accrued rents	**491,210**	491,210	491,210
Other	**617,000**	799,110	1,097,597
	12,898,414	13,582,702	8,632,742
Less: provision for doubtful debts	**(1,633,461)**	(1,555,377)	(1,352,380)
	11,264,953	12,027,325	7,280,362

In applying IFRS 9, the Group evaluated it's ECL during the nine month period ended September 30, 2018, at an amount of KD 3,489, also it recorded an additional amount of impairment of KD 74,595 in the receivables balances as adjustment in the opening balance of accumulated losses.

7. Investments properties

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Local investments properties	**1,155,000**	1,155,000	1,231,000

Investment properties were not evaluated during the period as it's evaluated annually at the end of the financial year, and the Group's management deems that the fair values of those investments approximate their fair values at the end of the financial year ended December 31, 2017.

Investment properties are registered in the name of related parties and there is a written waiver is in favor of the group.

8. Investments in associates

The Investment in associates is represented as follows:

	Ownership	September 30, 2018	Ownership	December 31, 2017 (Audited)	Ownership	September 30, 2017
Ekttitab Holding Co. K.S.C.P.	**16.22%**	**1,584,471**	16.17%	1,683,760	%16.17	2,108,622
AAN Digital Services Holding Co. K.S.C.P	**14.70%**	**5,321,914**	14.77%	6,190,660	14.83%	6,101,089
Sarh Capital Real Estate Company K.S.C.C	**42.41%**	**14,909,256**	42.41%	14,911,968	48.71%	17,666,466
		21,815,641		22,786,388		25,876,177

The Group's share of result in associates for both Ektitab Holding Company K.S.C.P. and AAN Digital Services Holding Company K.S.C.P. has been recognized based on interim condensed consolidated financial information as of June 30, 2018.

The Group's share of result in Sarh Capital Real Estate Company K.S.C.C has been recognized based on prepared by the management as of June 30, 2018.

Ekttitab Holding Co. K.S.C.P. and AAN Digital Services Holding Co. K.S.C.P. are listed on the Kuwait Boursa based on published quoted prices, the market value of Ekttitab Holding Co. K.S.C.P. was KD 1,152,593 as of September 30, 2018 (KD 1,622,738 as of December, 31 2017 and KD 1,756,679 as of September 30, 2017) and AAN Digital Services Holding Co. K.S.C.P. was KD 2,327,572 as of September 30, 2018 (KD 3,640,939 as of December 31, 2017 and KD 4,732,304 as of September 30, 2017).

The investment in associates includes investments amounted to KD 559,342 as of September 30, 2018 (KD 647,784 as of December 31, 2017 and KD 635,950 as of September 30, 2017) which are pledged against purchasing investment properties.

9. Available for sale investments

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Investments in securities – quoted	-	1,775,954	2,086,641

On January 1, 2018, the Group adopted IFRS 9, accordingly the Group reclassified available for sale investments with a book value of KD 1,775,954 to investments at fair value through statement of profit or loss (Note – 5).

10. Payables and other credit balances

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Trade payables	**62,134**	62,469	66,755
Due to contractors	**90,857**	109,541	289,581
Provision for amount payable towards purchase of Investment properties	**781,250**	781,250	781,250
Provision for claims	**100,000**	438,000	688,000
Due to related parties (Note – 17)	**54,280**	54,280	54,280
Dividends payables	**111,711**	112,372	112,372
Accrued expenses	**135,463**	148,712	143,961
Tax Provision	**802,522**	785,093	785,093
Other credit balances	**232,039**	252,311	250,677
	2,370,256	2,744,028	3,171,969

11. Wakala payables

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Wakala payables from investment funds	**2,522,653**	2,522,653	2,522,653

All Wakala payables have matured previously, but have not been renewed, or paid. The Group had ceased to record finance cost. There is a legal dispute with all parties of the Wakala contracts on the amounts that should be paid.

During prior years, the Parent Company submitted an application to the competent Court for protection from the creditors in accordance with Law No. 2 of 2009 "Financial Stability Law" and has submitted a Restructuring Plan for the Wakala payable. The General Counsel head of department issued a judgment accepting the request for restructuring of the facility and the resultant cessation of the civil procedures of litigation and execution. The proposal was registered at the Court of Appeal in Corporate Restructuring Circle for settlement.

12. Other reserves

	Employees' share options reserves	Group's share in associates reserves	Change in fair value reserve	Total
Balance as at January 1, 2017	490,500	106,570	278,634	875,704
Total comprehensive income for the period	-	151,434	(78,159)	73,275
Balance as at September 30, 2017	490,500	258,004	200,475	948,979
Balance as at January 1, 2018	490,500	(353,827)	(155,437)	(18,764)
Reclassification from AFS to FVTPL investments through statement of profit or loss on adoption of IFRS 9	-	-	155,437	155,437
Total comprehensive loss for the period	-	(22,393)	-	(22,393)
Balance as at September 30, 2018	**490,500**	**(376,220)**	-	**114,280**

Employees' share option rights were not used as of the date of the report.

13. Treasury shares

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Number of shares	**17,466,619**	17,466,619	17,466,619
Percentage (%)	**4.3**	4.3	4.3
Market value	**431,426**	593,865	798,224
Cost value	**2,694,680**	2,694,680	2,694,680

The Parent Company is required to retain reserves and share premium equivalent to the cost of treasury shares throughout the period and not distribute it as long as they are held as per instructions of the relevant regulatory authorities. The pledged treasury shares are 8,000,000 shares as at September 30, 2018 (December 31, 2017 8,000,000 share and September 30, 2017 8,000,000 shares).

Notes to the interim condensed consolidated financial information for the nine months ended September 30, 2018
(Unaudited)
(All amounts are in Kuwaiti Dinar unless stated otherwise)

14. Loss from investments

	The three months ended September 30		The nine months ended September 30	
	2018	2017	**2018**	2017
Realized (losses)/gains on sale of investments at fair value through statement of profit or loss	**(48,100)**	16,263	**(78,134)**	18,737
Change in fair value of investments at fair value through statement of profit or loss	**151,183**	(286,285)	**(652,325)**	(436,790)
Gain from sale of available for sale investments	**-**	25,581	**-**	93,121
Dividends revenue	**1,000**	-	**1,000**	-
	104,083	(244,441)	**(729,459)**	(324,932)

15. Net (charged)/reversal of provisions and impairment of value

	The three months ended September 30		The nine months ended September 30	
	2018	2017	**2018**	2017
Net reversal of impairment losses of the value of investments in associates	-	-	-	1,935,306
(Charged)/reversal of provision for doubtful debits	-	-	**(3,489)**	83,480
	-	-	**(3,489)**	2,018,786

16. (Loss) / Earning per share attributable to shareholders of the Parent Company (fils)

(Loss) / earning per share attributable to shareholders of the Parent Company are computed by dividing net (loss) / profit for the period by the weighted average number of shares outstanding during the period excluding treasury shares and the following are the (loss)/earning per share calculation:

	The three months ended September 30		The nine months ended September 30	
	2018	2017	**2018**	2017
Net (loss) / profit for the period attributable to Shareholders of the Parent Company	**(39,370)**	209,723	**(2,111,745)**	857,286
Weighted average of outstanding shares:				
Number of issued shares	**407,065,225**	407,065,225	**407,065,225**	407,065,225
Less: Weighted average of treasury shares (share)	**(17,466,619)**	(17,466,619)	**(17,466,619)**	(17,466,619)
Weighted average of outstanding shares during the period (share)	**389,598,606**	389,598,606	**389,598,606**	389,598,606
(Loss) / Earning per share attributable to Shareholders of the Parent Company (fils)	**(0.1)**	0.54	**(5.42)**	2.2

17. Related parties' transactions

Related parties include Parent Company's shareholders who have representation in the board of directors, major shareholders, companies at which members of the board of directors of the parent company participate in their management, also, major shareholder, In the normal course of business, subject to the Parent Company's management approval, there were transactions with the major shareholder and the subsidiaries. Those transactions were carried out in accordance with the same terms of dealing with other parties, approved by the board of directors. Other than what was disclosed elsewhere those are the transactions with the related parties:

	September 30, 2018	December 31, 2017 (Audited)	September 30, 2017
Interim condensed consolidated statement of financial position			
Due from related parties	**10,808,604**	11,036,507	5,602,127
Due to related parties	**54,280**	54,280	54,280
Top management's benefits	**7,837**	12,129	9,097

Notes to the interim condensed consolidated financial information for the nine months ended September 30, 2018
(Unaudited)
(All amounts are in Kuwaiti Dinar unless stated otherwise)

	The three months ended September 30		The nine months ended September 30	
	2018	2017	**2018**	2017
Interim condensed consolidated statement of profit or loss				
Top management's benefits	**19,502**	13,139	**41,310**	33,649

The Group manages portfolios on behalf of related parties, the net assets of those portfolios amounted to KD 6,297,210 as of September 30, 2018 (KD 13,411,873 as of December 31, 2017 and KD 13,496,007 as of September 30, 2017) they were included of the interim condensed consolidated statement of financial position.

The transactions with the related parties are subject to the approval of the Shareholders General Assembly.

18. Segment distribution

The Group carries out the majority of its activities through two major segments:

- Real estate segment: represent developing and selling land and properties.
- Investment segment: represent direct investment and portfolios management and investment funds for third party.

Analysis of the financial information according to segments for the period ended September 30, is as follows:

	Real estate		Investment		Total	
	2018	2017	**2018**	2017	**2018**	2017
Segment losses	**2,512**	11,300	**(1,667,315)**	95,406	**(1,664,803)**	106,706
Segment results	**2,512**	11,300	**(1,667,315)**	95,406	**(1,664,803)**	106,706
Segment assets	**1,165,567**	1,926,362	**24,354,227**	29,992,940	**25,519,794**	31,919,302
Segment liabilities	**872,107**	1,070,831	**4,196,607**	4,828,181	**5,068,714**	5,899,012

	2018	2017
Total segment result	**(1,664,803)**	106,706
Other income	**73,999**	91,368
Net (charged)/reversal of provisions	**(3,489)**	2,018,786
Other expenses	**(576,404)**	(975,260)
Net (loss) / profit for the period	**(2,170,697)**	1,241,600
Total segment assets	**25,519,794**	31,919,302
Cash and cash equivalents	**419,197**	260,934
Accounts receivable and other debit balances	**11,254,386**	6,584,999
Property and equipment	**20,241**	54,184
Total assets	**37,213,618**	38,819,419

19. Contingent liabilities and contingent assets

Contingent liabilities

There are legal disputes between the Group and certain portfolio clients in respect of liquidation of those parties' accounts amounting to KD 5.6 million approximately as at September 30, 2018 (KD 5.6 million approximately as at December 31, 2017 and KD 5.6 million approximately as at September 30, 2017). There is a legal decision issued from the Court of Cassation to enforce the Group to pay the due amount. The Group has signed a settlement agreement to settle these obligations against payment of KD 3.5 Million. As of September 30, 2018, the Group has paid an amount of KD 3.4 Million from the settlement amount and made necessary provisions for unpaid amounts. The balance amount payable is KD 100,000 as disclosed in (Note 10) to the interim condensed consolidated financial information.

- There is a lawsuit for settlement of accounts from one of the investment properties creditors. The Creditor filed a case against the parent company but it was rejected in the Court of first instance and creditor had appealed against the ruling. The proceedings were suspended as Parent Company are subject to financial stability law.
- The Group has provided a joint security against Murabahas payable granted to a related party of KD 2,116,073 as at September 30, 2018 (KD 2,116,073 as at December 31, 2017 and KD 2,116,013 as at September 30, 2017). There are disputes with respect to those Murabahas. There was a Court judgment from a foreign Court in favor of the lender who filed a lawsuit to execute the above mentioned Judgment in the Kuwait Court. During the year 2016, the Court's judgment was issued to revoke the case. During the previous year, the lender filed a new case regarding the merit of the dispute. During the previous year the judgement was issued to refer the case to the expert department. The case is currently being deliberated before the expert department.

Contingent assets

The Parent Company has filed a case against certain foreign parties to recover loss resulted from the purchase of some properties in Abu Dhabi, United Arab Emirates. The Court of Appeal of Abu Dhabi issued a judicial decision in favor of the Group to receive an amount of UAE Dirham 76 million approximately (KD 6 million approximately) as of September 30, 2018 (KD 6 million approximately December 31, 2017 and KD 6 million approximately September 30, 2017) in addition to receiving delay interests of 5% per year. The litigant has filed an appeal against this judicial decision and the Court of Cassation upheld the judgment of the Court of Appeal's which obligates the litigant to pay the amount. The execution of this judgment is in progress.

20. Shareholders' General Assembly

The Shareholders' General Assembly was held on May 13, 2018 and approved the consolidated financial statements for the year ended December 31, 2017. approved the Board of Directors' recommendation not to distribute dividends for the financial year ended December 31, 2017 as well as not to distribute remuneration to the Board of Directors for the financial year ended December 31, 2017.

Notes to the interim condensed consolidated financial information for the nine months ended September 30, 2018
(Unaudited)
(All amounts are in Kuwaiti Dinar unless stated otherwise)

21. Financial instruments

A- Categories of financial instruments

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

Financial assets	**September 30, 2018**	December 31, 2017 (Audited)	September 30, 2017
Cash and cash equivalents	**419,197**	553,012	260,934
Investment at fair value through statement of profit or loss	**2,538,586**	1,567,907	2,030,121
Receivables and other debit balances	**11,264,953**	12,027,325	7,280,362
Investment in associates	**21,815,641**	22,786,388	25,876,177
Available for sale investments	**-**	1,775,954	2,086,641
	36,038,377	38,710,586	37,534,235

Financial liabilities	**September 30, 2018**	December 31, 2017 (Audited)	September 30, 2017
Payables and other credit balances	**2,370,256**	2,744,028	3,171,969
Wakala payables	**2,522,653**	2,522,653	2,522,653
	4,892,909	5,266,681	5,694,622

B- Fair value of the financial instruments

The fair value of the financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group has used the assumptions and accepted methods in the assessment of fair values of financial instruments. The fair values of the Group's financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on an active market are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flows using prices from observable current market transactions and dealer quotes for similar instrument.
- The fair value of the financial instruments carried at amortized cost is not significantly different from their carrying value

The following table presents financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy group's financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial 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 liabilities, 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 inputs to the fair value measurement.

September 30, 2018:	**Level 1**	**Level 2**	**Total**
Investments at fair value through statement of profit or loss			
Financial investments in local shares - quoted	**2,189,581**	**-**	**2,189,581**
Total	**2,189,581**	**-**	**2,189,581**

September 30, 2017:	Level 1	Level 2	Total
Investments at fair value through statement of profit or loss			
Financial investments in local shares - quoted	1,678,675	-	1,678,675
Financial investments in local funds - unquoted	-	337,539	337,539
Investments at fair value through other comprehensive income			
Financial investments - quoted	2,086,641	-	2,086,641
Total	3,765,316	337,539	4,102,855

22. Consignment assets

The Group manages portfolios on behalf of other parties, the net assets of those portfolios amounted to KD 6,526,097 as at September 30, 2018 (KD 14,661,877 as at December 31, 2017 and KD 16,325,112 as at September 30, 2017), the balances for those portfolios are not present in the interim condensed consolidated financial position.

23. Comparative figures

Certain comparative figures for the prior period have been re-classified to conform to current period presentations. Such reclassification did not affect the previously reported loss or equity.