Deloitte.

Kuwait Pillars for Financial Investment K.S.C.C

(Formerly: Strategia Investment Company – K.S.C.P)

And its subsidiaries

State of Kuwait

Interim Condensed Consolidated Financial Information

And Review Report For the six-month period ended 30 June 2018

(Unaudited)

Deloitte & Touche
Al-Wazzan & Co.
Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait
Tel : +965 22408844, 22438060
Fax : +965 22408855, 22452080
www.deloitte.com

Kuwait Pillars for Financial Investment K.S.C.C

(Formerly - Strategia Investment Company – K.S.C.P)
State of Kuwait

Report on Review of Interim Condensed Consolidated Financial Information to the Board of Directors

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Pillars For Financial Investment – K.S.C.C (Formerly Strategia Investment Company – K.S.C.P) (the "Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 June 2018, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with basis of preparation as disclosed 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 basis of preparation as disclosed in (Note 2).

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. To the extent of information made available to us, we have not become aware of any violations of the Companies Law No. 1 of 2016, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended during the six-month period ended 30 June 2018 that might have had a material effect on the business of the Group or on its consolidated financial position.

We further report that, during the course of our review, 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 organization 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 six-month period ended 30 June 2018, that might had a material effect on the business of Group or its consolidated financial position.

Talal Yousef Al-Muzaini
Licence No. 209 A
Deloitte & Touche – Al-Wazzan & Co.

Kuwait, 27 August 2018

Kuwait Pillars for Financial Investment (K.S.C.C)
(Formerly: Strategia Investment Company – K.S.C.P)
And its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Financial Position as at 30 June 2018 (Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	30 June 2018	31 December 2017 (Audited)	30 June 2017
Assets				
Cash and cash equivalents	5	487,164	1,163,005	1,957,621
Financial assets at fair value through profit or loss	6	282,613	-	-
Financial assets at fair value through OCI	6	4,327,931	-	-
Available for sale investments	6	-	3,976,075	3,300,904
Investments at amortized cost	7	1,689,244	-	-
Investments held to maturity		-	1,700,000	1,650,000
Receivables and other debit balances		111,128	280,273	262,558
Finance receivables	8	5,660,240	2,665,571	5,589,676
Investment in an associate and joint venture	9	22,756,381	22,939,221	19,302,159
Investment properties		2,492,750	1,988,252	1,646,238
Other assets		21,300	5,754	8,155
Total assets		37,828,751	34,718,151	33,717,311
Liabilities and equity				
Liabilities				
Payables and other credit balances		627,069	685,678	513,125
Due to banks		2,152,050	-	-
		2,779,119	685,678	513,125
Equity				
Share capital		30,000,000	30,000,000	30,000,000
Share premium		697,235	697,235	697,235
Statutory reserve		558,308	558,308	357,484
Voluntary reserve		55,829	55,829	35,747
Foreign currency translation reserve		13,722	15,150	13,594
Change in fair value reserve		(46,094)	63,180	(73,410)
Group's share of an associate's reserves		(2,072,858)	(1,429,272)	(998,014)
Treasury shares		-	(282,682)	(282,682)
Gains from sale of treasury shares		146,663	-	-
Retained earnings		5,696,827	4,354,725	3,454,232
Total equity		35,049,632	34,032,473	33,204,186
Total liabilities and equity		37,828,751	34,718,151	33,717,311

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

Ghazi Ahmed Al Osaimi
Chairman

Mishal Nasser Habib
Vice chairman & CEO

Kuwait Pillars for Financial Investment K.S.C.C
(Formerly: Strategia Investment Company – K.S.C.P)
And its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Income for the six-month period ended 30 June 2018 (Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 30 June		Six months ended 30 June	
		2018	**2017**	**2018**	**2017**
Revenues					
Management fees		17,550	13,425	31,589	31,721
Investments income	10	73,126	151,271	234,048	340,135
Group's share of result from an associate	9	276,552	147,736	734,068	645,561
Interest income		108,681	96,092	203,729	185,094
Rent income		19,141	18,803	37,842	37,394
Other (expenses)/ income		(67,563)	49,185	(29,188)	67,302
		427,487	476,512	1,212,088	1,307,207
Expenses					
Staff costs		156,325	143,558	294,750	271,956
General and Administrative expenses		61,232	66,757	153,826	145,976
Depreciation		9,814	8,957	18,551	19,023
Interest expense		18,948	-	45,871	-
Provision		-	-	31,496	-
		246,319	219,272	544,494	436,955
Profit before deductions		181,168	257,240	667,594	870,252
Contribution to KFAS		260	(340)	-	(1,377)
Zakat		-	149	-	(790)
Net profit for the period		181,428	257,049	667,594	868,085
Earnings per share (fils)	11	0.63	0.89	2.31	3.00

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

Kuwait Pillars for Financial Investment K.S.C.C
(Formerly: Strategia Investment Company – K.S.C.P)
And its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2018
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Three months ended 30 June		Six months ended 30 June	
	2018	**2017**	**2018**	**2017**
Net profit for the period	181,428	257,049	667,594	868,085
Other comprehensive income items:				
Items that may be reclassified subsequently to the consolidated statement of income:				
Change in fair value of available for sale investments	-	(288,607)	-	(47,242)
Transferred to the statement of income from sale of available for sale investments	-	(1,190)	-	(100,297)
Foreign currency translation differences	(3,928)	2,750	(1,428)	4,276
Group's share of an associate's reserves	788,812	(152,426)	37,725	(147,502)
Items that will not be reclassified subsequently to interim condensed consolidated statement of income:				
Change in fair value of equity investments at fair value through other comprehensive income	(280,481)	-	(257,234)	-
Total other comprehensive income/ (loss) items	504,403	(439,473)	(220,937)	(290,765)
Total comprehensive income/(loss) for the period	685,831	(182,424)	446,657	577,320

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

Kuwait Pillars for Financial Investment K.S.C.C
(Formerly: Strategia Investment Company – K.S.C.P)
And its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Changes in Equity for the six - month period ended 30 June 2018 (Unaudited)

(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Change in fair value reserve	Group's share of an associate's reserves	Treasury shares	Gain on sale of treasury shares	Retained earnings	Total
Balance as at 1 January 2017	**30,000,000**	**697,235**	**357,484**	**35,747**	**9,318**	**74,129**	**(850,512)**	**(282,682)**	-	**2,586,147**	**32,626,866**
Net profit for the period	-	-	-	-	-	-	-	-	-	868,085	868,085
Other comprehensive income/ (loss) items	-	-	-	-	4,276	(147,539)	(147,502)	-	-	-	(290,765)
Balance as at 30 June 2017	**30,000,000**	**697,235**	**357,484**	**35,747**	**13,594**	**(73,410)**	**(998,014)**	**(282,682)**	-	**3,454,232**	**33,204,186**
Balance as at 1 January 2018	**30,000,000**	**697,235**	**558,308**	**55,829**	**15,150**	**63,180**	**(1,429,272)**	**(282,682)**	-	**4,354,725**	**34,032,473**
Impact on adoption of IFRS 9 (Note 2.2)	-	-	-	-	-	-	(681,311)	-	-	681,311	-
Investment securities from available for sale to FVTPL	-	-	-	-	-	(3,953)	-	-	-	3,953	-
Expected credit losses under IFRS 9 on investment at amortized cost	-	-	-	-	-	-	-	-	-	(10,756)	(10,756)
Fair valuation of investments under IFRS 9	-	-	-	-	-	151,913	-	-	-	-	151,913
Balance as at 1 January 2018	**30,000,000**	**697,235**	**558,308**	**55,829**	**15,150**	**211,140**	**(2,110,583)**	**(282,682)**	-	**5,029,233**	**34,173,630**
Net profit for the period	-	-	-	-	-	-	-	-	-	667,594	667,594
Other comprehensive (loss)/ income items	-	-	-	-	(1,428)	(257,234)	37,725	-	-	-	(220,937)
Sale of treasury shares	-	-	-	-	-	-	-	282,682	146,663	-	429,345
Balance as at 30 June 2018	**30,000,000**	**697,235**	**558,308**	**55,829**	**13,722**	**(46,094)**	**(2,072,858)**	-	**146,663**	**5,696,827**	**35,049,632**

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

Kuwait Pillars for Financial Investment K.S.C.C
(Formerly: Strategia Investment Company – K.S.C.P)
And its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Cash Flows for the six-month period ended 30 June 2018 (Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	Six months ended 30 June	
		2018	**2017**
Cash flows from Operating activities			
Net profit for the period		667,594	868,085
Adjustments:			
Depreciation		18,551	19,023
Investment income	10	(234,048)	(340,135)
Group's share of result from an associate		(734,068)	(645,561)
Interest income		(203,729)	(185,094)
Interest expense		45,871	-
Provision expense		31,496	-
Operating losses before changes in working capital		(408,333)	(283,682)
Receivables and other debit balances		(2,215)	(14,950)
Finance receivables		(3,026,165)	(82,923)
Payables and other credit balances		(86,490)	(79,748)
Net cash used in operating activities		(3,523,203)	(461,303)
Cash flows from investing activities			
Paid for purchase of available for sale investments		(745,613)	(240,611)
Proceeds from sale of available for sale investments		-	429,920
Paid for purchase of additional share in an associate		-	(517)
Dividends received from an associate		954,633	676,495
Paid for purchase of investment properties		(339,873)	(48,291)
Paid for purchase of property and equipment		(19,442)	(2,171)
Dividends received		240,066	194,585
Interest income received		199,312	185,094
Proceeds from sale of treasury shares		429,345	-
Net cash generated from investing activities		718,428	1,194,504
Cash Flow from financing activities			
Due to banks		2,152,050	-
Finance cost paid		(23,116)	-
Net cash generated from financing activities		2,128,934	-
(Decrease)/ increase in cash and cash equivalents		(675,841)	733,201
Cash and cash equivalents at the beginning of the period		1,163,005	1,224,420
Cash and cash equivalents at the end of the period	5	487,164	1,957,621

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

1. Incorporation and activities

Kuwait Pillars for Financial Investment-KSCC (Formerly: Strategia Investment Company – K.S.C.P) (Parent Company) is a Kuwaiti shareholding Company incorporated in Kuwait in 1998 and is regulated by the Central Bank of Kuwait and Capital Markets Authority.

The objectives of the Parent Company are:

Financial Investment operations in all economic sectors by all legal means deemed appropriate by the Parent Company to achieve its objectives inside and outside Kuwait for its benefit or others.

The Parent Company's registered office is at Al Nassar Tower, Fahed Al Salem Street, P.O. Box 1346 Dasman 15464 Kuwait.

The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries, which are fully owned and mentioned below together referred to as "the Group".

Company Name	Country of incorporation	Principal activity	Equity interest (%)
Strategia Investors Inc.	United States	Investment manager and advisor	100
Marquee Fund Management Limited	United Kingdom	Investment manager and advisory services	100
Strategia Investors Service Limited	Antigua and Burmuda	Investment manager and advisor to real estate funds	100
Strategia Private Equity Limited	Cayman Islands	Investments	100

On 4 February 2018, the Extraordinary General Assembly Meeting for Shareholders of the Parent Company approved the increase of the authorized share capital from KD 30 million to KD 50 million at a nominal value of 100 fils per shares (from 300 million shares to 500 million shares). On 19 February 2018 it was approved in commercial register.

On 15 May 2018, the General Assembly for Shareholders of the Parent Company approved the Financial Statement for the year ended 31 December 2017 and also approved the Board of Director's recommendation not to distribute dividends.

The interim condensed consolidated financial information for the six-month period ended 30 June 2018 was authorized for issuance by the Parent Company Board of Directors on 27 August 2018.

2. Basis of presentation and significant accounting policies

2.1 Basis of presentation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard No. (34), "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements in accordance with International Financial Reporting Standards.

In the management's opinion, all necessary adjustments, including recurring accruals have been included in the interim condensed consolidated financial information for fair presentation. The operating results for the period ended 30 June 2018 are not necessarily indicative of results that may be expected for the year ending 31 December 2018. For further information, it is possible to refer to the consolidated financial statements and its related notes for the year ended 31 December 2017.

2.2 Significant accounting policies

The accounting policies used in preparing the interim condensed consolidated financial information similar to those used in the preparation of consolidated financial statements for the year ended 31 December 2017 except for the effect of application of new and revised International Financial Reporting Standards (IFRS) as the follows:

2.2.1 Impact of application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment for financial assets and
3) General hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in the standard starting on 1 January 2018.

In accordance with the transitional provision in IFRS 9, the Group chooses not to restate comparative information for prior periods, and then applied IAS 39 for the comparative period.

The key changes to the Group's accounting policies as well as impact on the Group's financial information are described below.

2.2.1.1 Accounting policy

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through consolidated statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through consolidated statement of income are recognised immediately in consolidated statement of income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order 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 on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost

Financial assets classified at amortized cost are subsequently measured at amortized cost using the effective interest method adjusted for impairment losses, if any.

Interest income is recognized in the consolidated statement of income.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Investments in equity instruments designated as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to consolidated statement of income on disposal of these investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in consolidated statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in consolidated statement of income to the extent they are not part of a designated hedging relationship.

The net gain or loss recognised in statement of income includes any dividend or interest earned on the financial assets. Fair value is determined in the manners described in Note 3.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

- For financial assets measured at amortised cost, exchange differences are recognised in consolidated statement of income.
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.
- For financial assets measured at FVTPL, exchange differences are recognised in consolidated statement of income.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses is updated at each financial reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognizes lifetime ECL for trade receivables, amounts due from customers under construction contracts and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood of risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

DE recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of income. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to consolidated statement of income. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to consolidated statement of income, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in consolidated statement of income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognized in consolidated statement of income.

2.2.1.2 Transition and disclosures in relation to the initial application of IFRS 9

The following table analyses the impact of transition to IFRS 9 on retained earnings and fair value reserve.

	Retained Earnings	Fair value reserve
Closing balance under IAS 39 (31 December 2017)	**4,354,725**	**63,180**
Impact on reclassification and re-measurements:		
Investment securities from available for sale to FVTPL	3,953	(3,953)
Expected credit losses under IFRS 9 on investments at amortised cost	(10,756)	-
Fair valuation of investments under IFRS 9	-	151,913
Impact of IFRS 9 adoption	681,311	-
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**5,029,233**	**211,140**

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Additional loss allowance recognised under IFRS 9	New carrying amount under IFRS 9
Cash and cash equivalents (Note 5)	Loans and receivables	FA at amortised cost	1,163,005	-	1,163,005
Investments in equity instruments (Note 6)	Available-for-sale investments	FA at FVTPL	288,438	-	288,438
Investments in equity instruments (Note 6)	Available-for-sale investments	FA at FVTOCI	3,687,637	151,913	3,839,550
Receivables	Loans and receivables	FA at amortised cost	280,273	-	280,273
Investments held to maturity	Investments held to maturity	FA at amortised cost	1,700,000	(10,756)	1,689,244
Finance receivables	Loans and receivables	FA at amortised cost	2,665,571	-	2,665,571
Accounts payables and borrowings	Financial liabilities at amortised cost	Financial liabilities at amortized cost	685,678	-	685,678

The Group's management has assessed that the impact of the application of IFRS 9 as of 1 January and 30 June 2018 to the financial information and therefore, appropriate adjustments were made to the financial assets and retained earnings as of 1 January 2018 and profit for the period ended 30 June 2018, if any.

2.2.2 Impact of application of IFRS 15 Revenue form Contract from Customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 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, 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. It established a new five-step model that will apply to revenue arising from contracts with customers 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: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group adopted IFRS 15 'Revenue from Contracts with 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.

3. Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that is not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: valuation techniques that are not based on observable market data.

The table below gives information about how the fair values of the significant financial assets and liabilities are determined:

Financial assets	Fair value as at 30/06/2018	Fair value as at 31/12/2017	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity instruments designated as FVTPL						
Quoted Shares	217,257	-	1	Last bid price	-	-
Funds	65,356	-	2	Net asset value	-	-
Equity instruments designated as FVTOCI						
Quoted Shares	3,042,134	-	1	Last bid price	-	-
Unquoted shares	1,285,797	-	3	Net book value	Book value adjusted with market risk	The higher market risk the lower the fair value

Financial assets	Fair value as at 30/06/2018	Fair value as at 31/12/2017	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available for sale investments						
Quoted Shares	-	2,777,888	1	Last bid price	-	-
Funds	-	70,251	2	Net book value	-	-

Reconciliation of Level 3 fair value measurements

	Unquoted investments 30 June 2018	Unquoted investments 31 December 2017 (Audited)
Balance as at beginning period	-	-
Transfers into Level 3	1,285,797	-
Balance as at ending period	1,285,797	-

The fair values of other financial assets and financial liabilities which are not measured at fair value on ongoing basis equal approximately their carrying values.

4. Judgment and estimates

In the application of the Group's accounting policies management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements:

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the assets recognized in the financial information:

Classification of investments in equity instruments - IFRS 9 (Effective from 1 January 2018)

On acquisition of an investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

Impairment

The Group has to assess whether credit risk on financial assets and other items has increased significantly since initial recognition in order to determine whether 12 months ECL or lifetime ECL should be recognized.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Valuation of financial instruments

The Group's management determines the appropriate valuation techniques and input for fair value measurement. In estimating the fair value of an asset or a liability the Group uses market observable data to the extent it is available. Information about valuation techniques and input used in determining the fair value of various assets and liabilities are disclosed in Note (3).

Impairment

The Group uses of forward-looking information and assumptions about the probability of default and expected credit risk rates.

5. Cash and cash equivalents

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Cash on hand and at banks	486,726	1,162,069	657,183
Time deposits (*less than 3 months*)	-	500	1,300,000
Cash in investment portfolio	438	436	438
	487,164	1,163,005	1,957,621

6. Investments

Financial assets at fair value through profit or loss

	30 June 2018
Quoted shares	217,257
Funds	65,356
	282,613

Financial assets at fair value through OCI

	30 June 2018
Quoted shares	3,042,134
Unquoted shares	1,285,797
	4,327,931

Financial assets available for sale

	31 December 2017 (Audited)	30 June 2017
Quoted shares	2,777,888	2,099,371
Unquoted shares	1,127,936	1,127,936
Funds	70,251	73,597
	3,976,075	3,300,904

7. Investments at amortised costs

This represents investments in bonds issued by local bank and financial institutions, carrying fixed and floating interest rates over the Central Bank of Kuwait discount rate.

8. Finance receivables

This represents commercial loans granted to related parties.

	30 June 2018	31 December 2017 (audited)	30 June 2017
Gross balance of commercial loans	5,891,401	2,869,030	5,846,849
Less: deferred revenue	(170,170)	(173,964)	(198,139)
	5,721,231	2,695,066	5,648,710
Less: Provision for credit losses - general	(60,991)	(29,495)	(59,034)
Balance as at the end of period/ year	5,660,240	2,665,571	5,589,676

The effective interest rates on these finance receivables is 6.25%. The fair value of the collaterals held against finance receivables is KD 4,989,677 as at 30 June 2018.

9. Investment in an associate and Joint Venture

This represents the Group's investment in Kuwait Financial Center by 28.36% as at 30 June 2018 (28.36% - 31 December 2017 and 23.45% - 30 June 2017). This also includes investment in a joint venture amounted to KD 25,783 as at 30 June 2018.

The Group's share of the associate's results and reserves has been computed based on the reviewed financial information for the period ended 30 June 2018.

Movement of the investment in an associate during the period / year is as follows:

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Balance as at 1 January	22,913,438	19,454,293	19,454,293
Additions during the period/ year	-	2,831,439	517
Cash dividends	(954,633)	(676,495)	(676,495)
Group's share in associate's results	734,068	909,931	645,561
Group's share in associate's reserves	37,724	(578,760)	(147,502)
Gain on bargain purchase	-	973,029	-
	22,730,597	22,913,437	19,276,374
Group ownership (%)	28.36	28.36	23.45

10. Investment income

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Gain on sale of investments available for sale	-	1,136	-	145,550
Cash dividends	97,951	150,135	240,066	194,585
Unrealised losses due to change in fair value of Investment FVTPL	(24,825)	-	(6,018)	-
	73,126	151,271	234,048	340,135

11. Earnings per share

Earnings per share are computed by dividing the net profit for the period attributable to the shareholders of the Parent Company by the weighted average number of ordinary shares outstanding after deduction of treasury shares. The computation of earnings per share is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
Net profit for the period	181,428	257,049	667,594	868,085
Weighted average number of outstanding ordinary shares (share)	289,445,284	289,266,390	289,445,284	289,266,390
Earnings per share (fils)	0.63	0.89	2.31	3.00

12. Related party transactions

Related parties are the shareholders of the Parent Company who are represented in Board of Directors as well as major shareholders and the companies in which any of its members is in the same time a board member in the Parent Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried out some transactions during the period with related parties, transactions and balances are included in the interim condensed consolidated financial information are as follows:

	Six months ended 30 June	
Transactions	**2018**	**2017**
Salaries and other benefits	150,699	128,790
End of service indemnity	25,843	34,045
Interest income	173,769	155,224

Balances	**30 June 2018**	**31 December 2017 (Audited)**	**30 June 2017**
Investments held to maturity	839,753	850,000	850,000
Finance receivables	5,660,240	2,665,571	5,589,677
Payables and other credit balances	342,338	428,757	295,774

Related parties transactions are subject to approval of shareholders' general assembly.

13. Segment information

In the purpose of management, the Group organizes its operations in main two sectors of business. The following are the main activities and services that are underlined in such two sectors:

Investment activities:	Investing in securities, funds, properties lending to corporate and individual customers and managing the Group's liquidity requirements.
Asset management and advisory services:	Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related financial services.

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

The following table presents segment revenues, profits, assets and liabilities regarding the Group's business segments:

	30 June 2018		
	Investment activities	**Asset management and advisory services**	**Total**
Segment revenue	1,180,498	31,589	1,212,087
Net profit	636,005	31,589	667,594
Segment assets	37,730,336	98,414	37,828,749
Segment liabilities	2,696,341	82,774	2,779,115

	30 June 2017		
	Investment activities	**Asset management and advisory services**	**Total**
Segment revenue	1,305,137	2,070	1,307,207
Net profit	866,015	2,070	868,085
Segment assets	33,624,981	92,330	33,717,311
Segment liabilities	429,419	83,706	513,125

14. Fiduciary assets

The Group manages portfolios on behalf of customers and maintains cash balances and securities in fiduciary accounts, which are not reflected in the Group's interim condensed consolidated financial information.

The aggregate net asset value held in a fiduciary capacity by the Group amounted to KD 14,596,445 as at 30 June 2018 (KD 15,795,127 - 31 December 2017 and KD 14,377,093 - 30 June 2017).