**GLOBAL INVESTMENT HOUSE K.S.C. (CLOSED)
AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION (UNAUDITED)**

30 SEPTEMBER 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 September 2018

	Notes	*Three months ended 30 September* **2018** ***KD 000***	*Three months ended 30 September* *2017* *KD 000*	*Nine months ended 30 September* **2018** ***KD 000***	*Nine months ended 30 September* *2017* *KD 000*
INCOME					
Fees and commission income	4	**2,119**	2,185	**7,064**	7,960
Interest and similar income		**367**	292	**993**	1,024
Net (loss) gain on financial assets designated at fair value through profit or loss		**(284)**	1,025	**245**	2,057
Net loss on sale of investment properties		**-**	-	**(90)**	-
Foreign exchange gain (loss)		**14**	19	**36**	(252)
Other operating income	5	**1,695**	155	**3,095**	1,270
TOTAL INCOME		**3,911**	3,676	**11,343**	12,059
EXPENSES					
Personnel expenses		**1,587**	2,178	**4,765**	6,242
Other operating expenses		**452**	498	**1,725**	2,055
Depreciation of property and equipment		**127**	233	**507**	707
Net (write back) charge of expected credit losses on other financial assets		**(23)**	2	**(176)**	23
Net write back of provision for credit losses		**(77)**	(61)	**(305)**	(546)
TOTAL EXPENSES		**2,066**	2,850	**6,516**	8,481
PROFIT BEFORE PROVISION FOR CONTRIBUTION TO KFAS AND ZAKAT		**1,845**	826	**4,827**	3,578
Provision for contribution to Kuwait Foundation for Advancement of Science (KFAS)		**(20)**	(7)	**(43)**	(33)
Provision for Zakat		**(23)**	(9)	**(46)**	(32)
PROFIT FOR THE PERIOD		**1,802**	810	**4,738**	3,513
Attributable to:					
Equity holders of the Parent Company		**1,788**	808	**4,718**	3,488
Non-controlling interests		**14**	2	**20**	25
		1,802	810	**4,738**	3,513

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2018

	Three months ended 30 September		*Nine months ended 30 September*	
	2018 KD 000	*2017 KD 000*	***2018 KD 000***	*2017 KD 000*
Profit for the period	**1,802**	810	**4,738**	3,513
Other comprehensive income (loss)				
Items of other comprehensive income that will not be reclassified to the consolidated statement of income in subsequent periods:				
Net change on equity instruments designated at fair value through other comprehensive income	**(191)**	-	**201**	-
Items of other comprehensive income (loss) that are or may be reclassified to the consolidated statement of income in subsequent periods:				
Net unrealised gain on financial assets available for sale	**-**	44	**-**	64
Impairment loss on financial assets available for sale transferred to interim condensed consolidated statement of income	**-**	-	**-**	8
Exchange differences on translation of foreign operations	**36**	(38)	**33**	(213)
Net other comprehensive (loss) income for the period	**(155)**	6	**234**	(141)
Total comprehensive income for the period	**1,647**	816	**4,972**	3,372
Attributable to:				
Equity holders of the Parent Company	**1,632**	816	**4,948**	3,361
Non-controlling interests	**15**	-	**24**	11
	1,647	816	**4,972**	3,372

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2018

	Notes	***30 September 2018 KD 000***	*(Audited) 31 December 2017 KD 000*	*30 September 2017 KD 000*
ASSETS				
Bank balances and deposits	6	**32,916**	31,883	47,698
Financial assets designated at fair value through profit or loss		**18,995**	23,912	24,234
Financial assets designated at fair value through other comprehensive income		**6,882**	-	-
Financial assets designated at amortised cost		**150**	-	-
Financial assets available for sale		-	3,288	3,313
Loans and advances		**5,991**	4,682	3,446
Investments in associates		**127**	134	135
Investment properties		**691**	1,404	1,417
Property and equipment		**7,528**	7,985	8,203
Other assets	7	**11,466**	8,032	9,644
TOTAL ASSETS		**84,746**	81,320	98,090
EQUITY AND LIABILITIES				
Equity				
Share capital	8	**57,017**	57,017	57,017
Share premium		**8,796**	8,796	8,796
Treasury shares	8	**(8,796)**	(8,796)	(8,796)
Statutory reserve		**2,173**	2,173	1,902
General reserve		**2,173**	2,173	1,902
Cumulative changes in fair values		**246**	3	22
Foreign currency translation reserve		**1,197**	1,171	1,240
Retained earnings		**9,207**	7,313	8,831
Equity attributable to equity holders of the Parent Company		**72,013**	69,850	70,914
Non-controlling interests		**1,518**	1,494	1,511
Total equity		**73,531**	71,344	72,425
Liabilities				
Other liabilities		**11,215**	9,976	25,665
Total liabilities		**11,215**	9,976	25,665
TOTAL EQUITY AND LIABILITIES		**84,746**	81,320	98,090

Faisal Sarkhou
Chairman

Sulaiman Mohammad Al Rubaie
Chief Executive Officer

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2018

		Nine months ended 30 September	
	Note	***2018 KD '000***	*2017 KD '000*
OPERATING ACTIVITIES			
Profit for the period		**4,738**	3,513
Adjustments for:			
Depreciation on property and equipment		**507**	707
Net write back of provision for credit losses		**(305)**	(546)
Net (write back) charge of expected credit losses on other financial assets		**(176)**	23
Interest and similar income		**(993)**	(1,024)
Dividend income		**(1,330)**	(787)
Net loss on sale of investment properties		**90**	-
		2,531	1,886
Changes in operating assets and liabilities:			
Financial assets designated at fair value through profit or loss		**1,303**	763
Loans and advances		**(1,013)**	1,093
Financial assets available for sale		**-**	(2,025)
Financial assets designated at fair value through other comprehensive income		**89**	-
Financial assets designated at amortised cost		**62**	-
Other assets		**(3,278)**	(1,034)
Other liabilities		**1,535**	(1,956)
Cash flows from (used in) operations		**1,229**	(1,273)
Interest and similar income received		**1,014**	1,194
Dividend income received		**1,330**	787
Net cash flows from operating activities		**3,573**	708
INVESTING ACTIVITIES			
Proceeds from sale of investment properties		**626**	-
Purchase of property and equipment		**(50)**	(30)
Net movement in deposits		**63**	20,187
Net cash flows from investing activities		**639**	20,157
FINANCING ACTIVITIES			
Dividends paid to shareholders of the Parent Company		**(2,733)**	(171)
Capital reduction amount paid to shareholders of the Parent Company		**(383)**	(5,810)
Net cash flows used in financing activities		**(3,116)**	(5,981)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,096**	14,884
Cash and cash equivalents at 1 January	6	**28,941**	24,936
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	6	**30,037**	39,820

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2018

	Attributable to the equity holders of the Parent Company										
	Share capital KD 000	*Share premium KD 000*	*Treasury shares KD 000*	*Statutory reserve KD 000*	*General reserve KD 000*	*Cumulative changes in fair values KD 000*	*Foreign currency translation reserve KD 000*	*Retained earnings KD 000*	*Sub total KD 000*	*Non-controlling interests KD 000*	*Total KD 000*
As at 1 January 2018	57,017	8,796	(8,796)	2,173	2,173	3	1,171	7,313	69,850	1,494	71,344
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 3)	-	-	-	-	-	39	-	(39)	-	-	-
As at 1 January 2018 (restated)	57,017	8,796	(8,796)	2,173	2,173	42	1,171	7,274	69,850	1,494	71,344
Profit for the period	-	-	-	-	-	-	-	4,718	4,718	20	4,738
Other comprehensive income for the period	-	-	-	-	-	204	26	-	230	4	234
Total comprehensive income for the period	-	-	-	-	-	204	26	4,718	4,948	24	4,972
Dividend (Note 8)	-	-	-	-	-	-	-	(2,785)	(2,785)	-	(2,785)
As at 30 September 2018	**57,017**	**8,796**	**(8,796)**	**2,173**	**2,173**	**246**	**1,197**	**9,207**	**72,013**	**1,518**	**73,531**
As at 1 January 2017	79,923	8,796	(8,796)	1,902	1,902	(45)	1,434	5,343	90,459	1,500	91,959
Profit for the period	-	-	-	-	-	-	-	3,488	3,488	25	3,513
Other comprehensive income (loss) for the period	-	-	-	-	-	67	(194)	-	(127)	(14)	(141)
Total comprehensive income (loss) for the period	-	-	-	-	-	67	(194)	3,488	3,361	11	3,372
Capital reduction	(22,906)	-	-	-	-	-	-	-	(22,906)	-	(22,906)
As at 30 September 2017	57,017	8,796	(8,796)	1,902	1,902	22	1,240	8,831	70,914	1,511	72,425

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

The Group comprises of Global Investment House K.S.C. (Closed) (the "Parent Company") and its Subsidiaries (collectively the "Group"). The Parent Company is a Kuwaiti shareholding company (closed) incorporated under the laws of the State of Kuwait on 16 September 1998. The Parent Company is regulated by the Capital Markets Authority (CMA) of Kuwait as an investment company and Central Bank of Kuwait (CBK) for financing activities.

The Group is principally engaged in provision of asset management, investment banking and brokerage activities. Its registered office is at Global Tower, Sharq, Al Shuhada St, P.O. Box 28807, Safat 13149, Kuwait. The Group primarily operates in the Gulf Co-operation Council (GCC) and other Middle Eastern and North African (MENA) countries. The Ultimate Parent Company of the Group is Kuwait Projects Company Holding K.S.C.P., an entity which is listed on the Kuwait Stock Exchange.

This interim condensed consolidated financial information for the period ended 30 September 2018 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on ________ 2018.

2 BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2018 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting.

The annual consolidated financial statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK. These regulations required adoption of all International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") except for International Accounting Standards ("IAS") 39: Financial Instruments: Recognition and Measurement requirement for collective provision, which was replaced by the CBK's requirement for a minimum general provision. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the previous financial year, except for the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018 as explained Note 3.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. The Group has adopted IFRS 9: Financial Instruments, effective 1 January 2018, except for the requirement of Expected Credit Losses ("ECL") on loans and advances for which the Group continues to follow the CBK's requirement for credit losses. The Group has also adopted IFRS 15: Revenue from Contracts with Customers from 1 January 2018. The accounting policies, significant judgments and estimates relating to impairment are disclosed in note 3 considering IFRS 9 first time adoption.

Further, results for the nine months period ended 30 September 2018, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarised below:

IFRS 15 Revenue from Contracts with Customers
The Group has adopted IFRS 15: Revenue from Contracts with Customers ("IFRS 15"). 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. It established a new five-step model that will apply to revenue arising from contracts with customers.

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 15 Revenue from Contracts with Customers (continued)
Under IFRS 15, revenue is recognised 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. The adoption of IFRS 15 did not have any material impact on the accounting policies, financial position or performance of the Group.

IFRS 9 – Financial Instruments
The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018, with the exception of requirements of the expected credit losses on loans and advances as noted below in note 3.2. 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.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below.

3.1 Classification of financial assets and financial liabilities
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics.

Business model assessment
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 revaluated 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 Solely Payments of Principal and Interest (SPPI) test
As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet 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 amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement 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.

In contrast, contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 9 – Financial Instruments (continued)

The Solely Payments of Principal and Interest (SPPI) test (continued)
The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

The IAS 39 measurement categories of financial assets FVTPL, available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

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 an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the 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.

3.1.1 Debt instruments at amortised cost

Classification
A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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.

Bank balances and deposits, loans and advances, financial assets designated at amortised cost and certain other assets are classified as debt instruments at amortised cost.

Subsequent measurement
Debt instruments measured at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any.

3.1.2 Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of 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.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in 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. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of interim condensed consolidated changes in equity.

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 9 – Financial Instruments (continued)

3.1.3 Financial asset at FVTPL

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the interim condensed consolidated statement of financial position at fair value.

Changes in fair values, interest income and dividends are recorded in interim condensed consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain quoted and unquoted equity securities and managed funds that are not designated as hedging instruments in a hedge relationship, that have been acquired principally for the purpose of selling or repurchasing in the near term.

3.2 Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVPL. The management has applied the new impairment model only to debt instruments at amortised cost excluding loans and advances for which the Group continues to apply impairment requirements under CBK regulations. The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

3.3 Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as 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 recognised 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.

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.

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 9 – Financial Instruments (continued)

3.3 Transition (continued)

Impact of Adopting IFRS 9

The impact of this change in accounting policy as at 1 January 2018 has been to decrease retained earnings by KD 39 thousand, and to increase the fair value reserve by KD 39 thousand as follows:

	Retained earnings KD 000	*Fair value reserve KD 000*
Closing balance under IAS 39 (31 December 2017)	7,313	3
Impact on reclassification:		
Investment securities (equity) from available-for-sale to FVTPL	(37)	37
Investment securities (equity) from FVTPL to FVOCI	(2)	2
Opening balance under IFRS 9 on date of initial application of 1 January 2018	7,274	42

3.3.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39 KD 000*	*New carrying amount under IFRS 9 KD 000*
Financial assets				
Investment securities –debt	AFS	Amortised cost	212	212
Investment securities –equity	AFS	FVOCI	384	384
Investment securities –equity and managed funds	AFS	FVTPL	2,692	2,692
Investment securities –equity	FVTPL	FVTPL	17,606	17,606
Investment securities –equity	FVTPL	FVOCI	6,306	6,306
Bank balances and deposits	Loans and receivables	Amortised cost	31,883	31,883
Loans and advances to customers	Loans and receivables	Amortised cost	4,682	4,682
Other assets	Loans and Receivables	Amortised cost	8,032	8,032
Total financial assets			71,797	71,797

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

IFRS 9 – Financial Instruments (continued)

3.3 Transition (continued)

3.3.2 Reconciliation of carrying amounts under IAS 39 to carrying amounts under IFRS 9 at the adoption of IFRS 9

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	IAS 39 carrying amount as at 31 December 2017 KD 000	*Reclassification KD 000*	*IFRS 9 carrying amount as at 1 January 2018 KD 000*
Financial assets available for sale			
Opening balance	3,288	-	3,288
To FVOCI – equity	-	(384)	(384)
To amortised cost	-	(212)	(212)
To FVTPL	-	(2,692)	(2,692)
Closing balance	3,288	(3,288)	-
FVOCI-equity			
Opening balance	-	-	-
From available-for-sale	-	384	384
From FVTPL	-	6,306	6,306
Closing balance	-	6,690	6,690
FVTPL			
Opening balance	23,912	-	23,912
To FVOCI – equity	-	(6,306)	(6,306)
From available-for-sale	-	2,692	2,692
Closing balance	23,912	(3,614)	20,298
Amortised cost			
Opening balance	-	-	-
From available-for-sale	-	212	212
Closing balance	-	212	212

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

4 FEES AND COMMISSION INCOME

	Three months ended 30 September		*Nine months ended 30 September*	
	2018	*2017*	***2018***	*2017*
	KD 000	*KD 000*	***KD 000***	*KD 000*
Management fees on assets under management	**1,834**	2,060	**5,547**	6,754
Incentive fees on assets under management	**-**	(18)	**161**	18
Placement/initial/redemption/ fees – managed funds	**24**	5	**346**	126
Investment banking and advisory fees	**18**	2	**439**	425
Brokerage	**243**	136	**571**	637
	2,119	2,185	**7,064**	7,960

5 OTHER OPERATING INCOME

Other operating income for the current period includes an amount of KD 1,037 thousand (30 September 2017: KD nil) representing recovery from a client.

6 BANK BALANCES AND DEPOSITS

	30 September 2018	*(Audited) 31 December 2017*	*30 September 2017*
	KD 000	*KD 000*	*KD 000*
Bank balances and cash	**3,712**	4,485	19,881
Bank balances and cash arising on consolidation	**3,692**	3,481	2,691
Deposits with banks arising on consolidation	**5,370**	5,459	5,592
Deposits with banks	**20,142**	18,458	19,534
	32,916	31,883	47,698
Less: deposits with banks with maturity of more than three months	**(2,879)**	(2,942)	(7,878)
Cash and cash equivalents in the interim condensed consolidated statement of cash flows	**30,037**	28,941	39,820

7 OTHER ASSETS

Other assets include KD 1,500 thousand (31 December 2017 and 30 September 2017: KD nil) deposited in a bank under an escrow arrangement with the Parent Company's legal counsel for certain legal claims. Based on the advice of the legal counsel, this escrow arrangement does not represent any deterioration in the Group's legal position and no provision is required relating to these legal claims as at 30 September 2018.

8 SHARE CAPITAL AND TREASURY SHARES

(i) Share capital

	Authorised			*Issued and fully paid*		
	30 September 2018	*(Audited) 31 December 2017*	*30 September 2017*	***30 September 2018***	*(Audited) 31 December 2017*	*30 September 2017*
	KD 000	*KD 000*	*KD 000*	***KD 000***	*KD 000*	*KD 000*
Shares of KD 0.100 each	**57,017**	57,017	57,017	**57,017**	57,017	57,017

The shareholders at Annual General Assembly (AGM) held on 22 April 2018 approved the consolidated financial statements for the year ended 31 December 2017 and distribution of a cash dividend of 5 fils per share, as recommended by the Board of Directors of the Parent Company in the meeting held.

8 SHARE CAPITAL AND TREASURY SHARES (continued)

The Extraordinary General Meeting (EGM) held on 6 September 2018 approved to reduce the Share Capital of the Parent Company by KD 7,500 thousand. The Share Capital decrease will be implemented by cancelling 75,000,000 shares. The shareholders will be paid KD 0.100 cash for each share cancelled. The share cancellation will be applied pro-rata to the holdings of all shareholders excluding the Treasury Shares. On conclusion of the capital reduction the authorized, issued and fully paid share capital of the Parent Company will reduce from KD 57,017 thousand to KD 49,517 thousand and the number of issued and fully paid up shares will reduce from 570,168,980 to 495,168,980.

As at the date of approval of the interim condensed consolidated financial information, the legal formalities are under process.

(ii) Treasury shares

	30 September 2018	*(Audited) 31 December 2017*	*30 September 2017*
Number of shares (000)	**13,254**	13,254	13,254
Percentage holding	**2.32%**	2.32%	2.32%
Cost of treasury shares (KD 000)	**8,796**	8,796	8,796

Market value of the treasury shares was non-determinable, as the Parent Company shares are not listed.

An amount equivalent to the cost of purchased of treasury shares have been earmarked as non-distributable from share premium throughout the holding period of treasury shares.

9 RELATED PARTY TRANSACTIONS

In the normal course of business, the Group enters into various transactions with related parties (i.e. associates, major shareholders, directors and executive officers of the Parent Company) concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant related party transactions and balances are as follows:

	30 September 2018 KD 000	*(Audited) 31 December 2017 KD 000*	*30 September 2017 KD 000*
Interim condensed consolidated statement of financial position			
Other assets	**-**	89	87
Other liabilities	**-**	1,785	1,788
Bank balances and deposits	**1,500**	-	-

	Nine months ended 30 September	
	2018 KD 000	*2017 KD 000*
Transactions included in interim condensed consolidated statement of income		
Fee and commission income	**539**	959
Interest and similar income	**30**	-
Other operating expenses		
Consultancy fee		
- Directors remuneration for 2016 approved by AGM held on 22 June 2017	**-**	131
- Independent directors fee	**20**	18
- Board and board committees sitting fee, travel and other incidental expenses	**28**	30

9 RELATED PARTY TRANSACTIONS (continued)

	Nine months ended 30 September	
	2018	*2017*
	KD 000	*KD 000*
Key management personnel compensation		
Short-term employee benefits	**549**	914
End of service benefits	**53**	57
	602	971

10 SEGMENTAL INFORMATION

For management purposes the continuing operations of the Group is organised into four major business segments:

- Assets Management: Managing of GCC, MENA and international managed funds, discretionary and non-discretionary portfolio management, custody services and co-investments in the Group's Asset Management products.
- Investment Banking and Advisory: Private placement of equities and debt, advising and managing listings, initial public offerings (IPOs), arranging conventional and Islamic debt, buy and sell side advisory, advising on strategy, privatisation, mergers, reverse mergers, acquisitions and debt restructuring.
- Brokerage: Quoted and unquoted equity and debt instruments brokerage activities and margin financing.
- Group Treasury and Asset based Income: Managing the Group's liquidity and foreign currency requirements, lending to corporate and individual customers and extremely limited and selective investing activities.

	Nine months ended 30 September 2018				
	Asset management KD '000	***Investment banking and advisory KD '000***	***Brokerage KD '000***	***Group treasury and asset based income KD '000***	***Total KD '000***
Revenue – fee based	**6,054**	**439**	**571**	**-**	**7,064**
Revenue – asset based	**1,198**	**-**	**412**	**2,669**	**4,279**
Total segment revenue	**7,252**	**439**	**983**	**2,669**	**11,343**
Segment result – fee based	**876**	**(218)**	**(160)**	**-**	**498**
Segment result – asset based	**1,198**	**-**	**274**	**2,768**	**4,240**
Total segment result	**2,074**	**(218)**	**114**	**2,768**	**4,738**

	Nine months ended 30 September 2017				
	Asset management KD '000	*Investment banking and advisory KD '000*	*Brokerage KD '000*	*Group treasury and asset based income KD '000*	*Total KD '000*
Revenue – fee based	6,898	425	637	-	7,960
Revenue – asset based	1,506	-	381	2,212	4,099
Total segment revenue	8,404	425	1,018	2,212	12,059
Segment result – fee based	142	(264)	(147)	-	(269)
Segment result – asset based	1,506	-	92	2,184	3,782
Total segment result	1,648	(264)	(55)	2,184	3,513

10 SEGMENTAL INFORMATION (continued)

	Asset management KD '000	*Investment banking and advisory KD '000*	*Brokerage KD '000*	*Group treasury and asset based income KD '000*	*Total KD '000*
30 September 2018					
Total segment assets	**22,574**	**108**	**19,757**	**42,307**	**84,746**
Total segment liabilities	**2,563**	-	**626**	**8,026**	**11,215**
31 December 2017 (Audited)					
Total segment assets	22,495	258	17,492	41,075	81,320
Total segment liabilities	2,482	-	718	6,776	9,976
30 September 2017					
Total segment assets	23,417	261	17,578	56,834	98,090
Total segment liabilities	2,456	-	576	22,633	25,665

11 FIDUCIARY ACCOUNTS

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

The aggregate value of assets held in a fiduciary capacity by the Group at 30 September 2018 amounted to KD 880 million (31 December 2017: KD 910 million and 30 September 2017: KD 949 million).

12 CONTINGENT LIABILITIES AND COMMITMENTS

The total outstanding contingent liabilities and commitments are as follows:

	30 September 2018 KD 000	*(Audited) 31 December 2017 KD 000*	*30 September 2017 KD 000*
Commitments			
Commitments to invest in private equity funds	**515**	513	514
Uncalled share capital	**79**	89	90
Contingent liability			
Irrevocable and unconditional bank guarantee	**611**	608	610

Commitments to invest in private equity funds

Commitments to invest in private equity funds represent the uncalled capital by the investment managers (general partners) of various private equity funds in which the Group has made investments. The capital can be called at the investment manager's discretion.

Parent Company in its capacity as an investment manager for a fund has given a guarantee to a foreign bank for future investment obligations in connection with a real estate transcation of the fund. The additional investment, which is highly unlikely in the event of the guarantee being exercised, is estimated to be maximum of KD 2,000 thousand (31 December 2017 and 30 September 2017: KD Nil).

The Group is engaged in litigation cases, which involve claims made by and against the Group which have arisen in the ordinary course of business. The management of the Group, after reviewing the claims pending against the Parent Company and Group companies and based on the advice of the relevant professional legal advisors, are satisfied that the outcome of these claims will not have a material adverse effect on the interim condensed consolidated financial statement of the Group. Refer note 7 for details on amounts deposited under escrow arrangements for certain legal losses.

13 MEASUREMENT OF FAIR VALUES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Financial instruments:
Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, financial assets designated at fair value through profit or loss, financial assets designated at fair value through other comprehensive income, financial assets designated at amortised cost, loans and advances and other assets.

Financial liabilities consist of other liabilities.

Fair values of all financial instruments are not materially different from their carrying values. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

30 September 2018	***Level 1***	***Level 2***	***Level 3***	***Total***
	KD 000	***KD 000***	***KD 000***	***KD 000***
Financial assets designated at fair value through profit or loss :				
Unquoted equity securities	**-**	**-**	**88**	**88**
Quoted equity securities	**442**	**-**	**-**	**442**
Managed funds and portfolios	**-**	**13,167**	**5,298**	**18,465**
Financial assets designated at fair value through other comprehensive income :				
Unquoted securities	**-**	**-**	**2,926**	**2,926**
Quoted equity securities	**3,956**	**-**	**-**	**3,956**

31 December 2017 (Audited)	*Level 1*	*Level 2*	*Level 3*	*Total*
	KD 000	*KD 000*	*KD 000*	*KD 000*
Financial assets designated at fair value through profit or loss :				
Unquoted equity securities	-	-	2,984	2,984
Quoted equity securities	4,087	-	-	4,087
Managed funds and portfolios	-	9,852	6,989	16,841
Financial assets available for sale :				
Unquoted equity securities	-	-	551	551
Quoted equity securities	297	-	-	297
Managed funds and portfolios	-	2,440	-	2,440

13 MEASUREMENT OF FAIR VALUES (continued)

30 September 2017	*Level 1 KD '000*	*Level 2 KD '000*	*Level 3 KD '000*	*Total KD '000*
Financial assets designated at fair value through profit or loss :				
Unquoted equity securities	-	-	3,370	3,370
Quoted equity securities	4,378	-	-	4,378
Managed funds and portfolios	-	10,417	6,069	16,486
Financial assets available for sale :				
Unquoted securities	-	-	552	552
Quoted equity securities	310	-	-	310
Managed funds and portfolio	-	2,451	-	2,451

During the period ended 30 September 2018, there were no transfers between level 1 and level 2 fair value measurement.

The following table shows a reconciliation of the opening and closing amount of level 3 assets which are recorded at fair value.

30 September 2018	***At 1 January 2018 KD 000***	***Gain (loss) recorded in the interim condensed consolidated statement of income KD 000***	***(Sales and settlements) , Net purchases KD 000***	***Transfer (out) in as per IFRS 9 KD 000***	***(Loss)gain recorded in interim condensed consolidated statement of comprehensive income KD 000***	***At 30 September 2018 KD 000***
Financial assets designated at fair value through profit or loss:						
Unquoted equity securities	**2,984**	**81**	**(309)**	**(2,668)**	**-**	**88**
Managed funds and portfolio	**6,989**	**(890)**	**(801)**	**-**	**-**	**5,298**
Financial assets designated at fair value through other comprehensive income:						
Unquoted securities	**-**	**-**	**17**	**3,007**	**(98)**	**2,926**
Non-financial assets:						
Investment properties	**1,404**	**(90)**	**(626)**	**-**	**3**	**691**

13 MEASUREMENT OF FAIR VALUES (continued)

31 December 2017 (Audited)	*As at 1 January 2017 KD 000*	*Gain (loss) recorded in the consolidated statement of income KD 000*	*(Sales and settlements), Net purchases KD 000*	*Transfer from Level 2 KD 000*	*Loss recorded in other comprehensive income KD 000*	*As at 31 December 2017 KD 000*
Financial assets designated at fair value through profit or loss:						
Unquoted equity securities	4,615	178	(1,809)	-	-	2,984
Managed Funds and portfolio	6,078	(131)	894	148	-	6,989
Financial assets available for sale:						
Unquoted securities	571	-	(20)	-	-	551
Non-financial assets:						
Investment properties	853	-	574	-	(23)	1,404

30 September 2017	*At 1 January 2017 KD 000's*	*Gain (loss) recorded in the interim condensed consolidated statement of income KD 000's*	*Net purchases, (sales and settlements) KD 000's*	*Transfer from Level 2 KD 000's*	*Loss recorded in interim condensed consolidated statement of comprehensive income KD 000's*	*At 30 September 2017 KD 000's*
Financial assets designated at fair value through profit or loss:						
Unquoted equity securities	4,615	533	(1,778)	-	-	3,370
Managed funds and portfolio	6,078	(288)	131	148	-	6,069
Financial assets available for sale:						
Unquoted securities	571	-	(19)	-	-	552
Non-financial assets:						
Investment properties	853	-	577	-	(13)	1,417

The Group recorded net loss of KD 899 thousand (31 December 2017: net gain of KD 47 thousand and 30 September 2017: net gain of KD 245 thousand) in the interim condensed consolidated statement of income with respect to assets classified under level 3.

Description of significant unobservable inputs to valuation of assets:
Unquoted equity securities are valued based on book value and price to book multiple method, multiples using latest financial statements available of the investee entities and adjusted for lack of marketability discount in the range of 25% to 50%. The Group has determined that market participants would take into account these discounts when pricing the investments.

13 MEASUREMENT OF FAIR VALUES (continued)

Funds and managed portfolio have been valued based on Net Asset Value (NAV) of the fund provided by the custodian of the fund or portfolio and certain managed funds were adjusted for lack of marketability discount by 15% to 20%.

A change in assumptions used for valuing the Level 3 financial instruments, by possible using an alternative ±5% higher or lower liquidity and market discount could have resulted in increase or decrease in the results by KD 269 thousand (31 December 2017: KD 499 thousand and 30 September 2017: KD 472 thousand) and increase or decrease in other comprehensive income by KD 146 thousand (31 December 2017: KD 28 thousand and 30 September 2017: KD 28 thousand).

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in interest rates. Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating certain assumptions such as credit spreads that are appropriate in the circumstances.

Non-financial instruments:
Investment properties are fair valued and are classified under level 3 of the fair value hierarchy.