Interim condensed consolidated financial information and review report

Kuwait Financial Centre – KPSC and Subsidiaries

Kuwait

31 March 2018 (Unaudited)

Contents

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Report on review of interim condensed consolidated financial information

To the Board of Directors of
Kuwait Financial Centre – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Financial Centre – KPSC ("the Parent Company") and its subsidiaries ("the Group") as at 31 March 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 three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2018 that might have had a material effect on the business or financial position of the Parent Company.

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 organisation of banking business, and its related regulations, or of the provision of law no 7 of 2010 concerning the Capital Market Authority and its related regulations during the three-months period ended 31 March 2018 that might have had a material effect on the business or financial position of the Parent Company.

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Kuwait
9 May 2018

Interim condensed consolidated statement of profit or loss

	Note	Three months ended 31 March 2018 (Unaudited) KD '000	Three months ended 31 March 2017 (Unaudited) KD '000
Revenue			
Interest income		148	183
Dividend income		376	435
Management fees and commission		2,101	1,451
Gain from investments at fair value through profit or loss	6	2,350	1,748
Gain on redemption of debt instruments at fair value through other comprehensive income		5	-
Gain on redemption/sale of available for sale investments		-	797
Gain on liquidation of a subsidiary		-	43
Share of results of associate and joint venture		(35)	(14)
Loss on sale of investment properties		-	(189)
Net rental income		96	167
Foreign currency exchange loss		(160)	(59)
Other income		20	-
		4,901	4,562
Expenses and other charges			
General and administrative expenses		(2,406)	(1,936)
Impairment of available for sale investments		-	(15)
Other expenses		-	(12)
Finance costs		(432)	(355)
		(2,838)	(2,318)
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		2,063	2,244
Provision for contribution to KFAS		(16)	(21)
Provision for NLST		(46)	(59)
Provision for Zakat		(19)	(23)
Profit for the period		1,982	2,141
Profit/(loss) for the period attributable to:			
Owners of the Parent Company		1,714	2,190
Non-controlling interests		268	(49)
Profit for the period		1,982	2,141
Basic and diluted earnings per share attributable to the owners of the Parent Company	7	4 Fils	5 Fils

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended 31 March 2018 (Unaudited) KD '000	Three months ended 31 March 2017 (Unaudited) KD '000
Profit for the period	1,982	2,141
Other comprehensive (loss)/income:		
Items to be reclassified to statement of profit or loss in subsequent periods:		
Available for sale investments:		
- Net change in fair value arising during the period	-	921
- Transferred to interim condensed consolidated statement of profit or loss on redemption/sale	-	(797)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	-	15
Debt instruments at fair value through other comprehensive income:		
- Net change in fair value arising during the period	6	-
-Transferred to interim condensed consolidated statement of profit or loss on redemption	(5)	-
Foreign currency translation:		
- Exchange differences arising on translation of foreign operations	(245)	(108)
Share of other comprehensive loss of associate and joint venture	(3)	(3)
Total other comprehensive (loss)/income	(247)	28
Total comprehensive income for the period	1,735	2,169
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Parent Company	1,468	2,211
Non-controlling interests	267	(42)
	1,735	2,169

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	31 March 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	31 March 2017 (Unaudited) KD '000
Assets				
Cash and bank balances	8	**6,725**	7,622	17,761
Time deposits	8	**7,154**	1,430	2,471
Accounts receivable and other assets		**4,847**	7,131	5,808
Loans to customers		**270**	272	287
Investments at fair value through profit or loss	9	**91,070**	49,498	39,884
Available for sale investments	10	**-**	49,842	51,125
Debt instruments at fair value through other comprehensive income	11	**428**	-	-
Investments carried at amortised cost	12	**4,971**	-	-
Investment in associate and joint venture		**3,313**	3,231	3,069
Investment properties	13	**48,363**	46,450	36,335
Equipment		**605**	631	419
Total assets		**167,746**	166,107	157,159
Liabilities and equity				
Liabilities				
Accounts payable and other liabilities		**12,984**	10,309	7,736
Bank borrowings	14	**17,563**	17,516	8,777
Bonds issued		**25,000**	25,000	25,000
Total liabilities		**55,547**	52,825	41,513
Equity				
Share capital		**48,080**	48,080	48,080
Share premium		**7,902**	7,902	7,902
Statutory reserve		**15,756**	15,756	15,280
Voluntary reserve		**14,111**	14,111	13,635
Other components of equity	15	**242**	2,890	5,058
Retained earnings		**4,328**	3,679	5,464
Equity attributable to the owners of the Parent Company		**90,419**	92,418	95,419
Non-controlling interests		**21,780**	20,864	20,227
Total equity		**112,199**	113,282	115,646
Total liabilities and equity		**167,746**	166,107	157,159

Diraar Yusuf Alghanim
Chairman

Manaf AbdulAziz Alhajeri
Chief Executive Officer

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Share capital KD '000	Share premium KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Other components of equity (note 15) KD '000	Retained earnings KD '000	Sub Total KD '000	KD '000	KD '000
Balance at 1 January 2018	**48,080**	**7,902**	**15,756**	**14,111**	**2,890**	**3,679**	**92,418**	**20,864**	**113,282**
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (refer note 3)	-	-	-	-	(2,402)	2,402	-	-	-
Balance at 1 January 2018 (Restated)	**48,080**	**7,902**	**15,756**	**14,111**	**488**	**6,081**	**92,418**	**20,864**	**113,282**
Net change in non-controlling interests	-	-	-	-	-	-	-	548	548
Effect of change in ownership percentage of subsidiaries (refer note 5)	-	-	-	-	-	(101)	(101)	101	-
Cash dividend (refer note 16)	-	-	-	-	-	(3,366)	(3,366)	-	(3,366)
Transactions with owners	-	-	-	-	-	(3,467)	(3,467)	649	(2,818)
Profit for the period	-	-	-	-	-	1,714	1,714	268	1,982
Total other comprehensive loss	-	-	-	-	(246)	-	(246)	(1)	(247)
Total comprehensive (loss)/income for the period	-	-	-	-	(246)	1,714	1,468	267	1,735
Balance at 31 March 2018	**48,080**	**7,902**	**15,756**	**14,111**	**242**	**4,328**	**90,419**	**21,780**	**112,199**

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company							Non-controlling interests	Total
	Share capital KD '000	Share premium KD '000	Statutory reserve KD '000	Voluntary reserve KD '000	Other components of equity (note 15) KD '000	Retained earnings KD '000	Sub Total KD '000	KD '000	KD '000
Balance at 1 January 2017	48,080	7,902	15,280	13,635	5,037	3,341	93,275	22,000	115,275
Net change in non-controlling interests	-	-	-	-	-	-	-	477	477
Effect arising on liquidation of subsidiary	-	-	-	-	-	-	-	(2,241)	(2,241)
Effect of change in ownership percentage of subsidiaries	-	-	-	-	-	(67)	(67)	67	-
Payment of cash dividend to non-controlling interests	-	-	-	-	-	-	-	(34)	(34)
Transactions with owners	-	-	-	-	-	(67)	(67)	(1,731)	(1,798)
Profit/(loss) for the period	-	-	-	-	-	2,190	2,190	(49)	2,141
Total other comprehensive income	-	-	-	-	21	-	21	7	28
Total comprehensive income/(loss) for the period	-	-	-	-	21	2,190	2,211	(42)	2,169
Balance at 31 March 2017	48,080	7,902	15,280	13,635	5,058	5,464	95,419	20,227	115,646

Interim condensed consolidated statement of cash flows

	Note	Three months ended 31 March 2018 (Unaudited) KD '000	Three months ended 31 March 2017 (Unaudited) KD '000
OPERATING ACTIVITIES			
Profit for the period		1,982	2,141
Adjustments for:			
Interest income		(148)	(183)
Dividend income		-	(435)
Depreciation		155	79
Gain on redemption/sale of available for sale investments		-	(797)
Gain on redemption of debt instruments at fair value through other comprehensive income		(5)	-
Share of results of associate and joint venture		35	14
Gain on liquidation of a subsidiary		-	(43)
Loss on sale of investment properties		-	189
Impairment of available for sale investments		-	15
Reversal of provisions		(1)	-
Finance costs		432	355
		2,450	1,335
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		2,858	3,157
Accounts receivable and other assets		2,325	(462)
Loans to customers		3	(34)
Accounts payable and other liabilities		(692)	(573)
Net cash from operating activities		6,944	3,423
INVESTING ACTIVITIES			
Change in time deposits maturing after three months		786	790
Purchase of equipment		(53)	(18)
Proceeds from redemption of debt instruments at fair value through other comprehensive income		19	-
Proceeds from redemption/sale of available for sale investments		-	3,806
Purchase of available for sale investments		-	(12,139)
Additions to investment properties		(2,233)	(1,714)
Proceeds from sale of investment properties		-	793
Increase in investment in associate and joint venture		(120)	(84)
Proceeds from liquidation of a subsidiary (net of cash and cash equivalent)		-	5,066
Dividend income received		-	435
Interest income received		107	154
Net cash used in investing activities		(1,494)	(2,911)
FINANCING ACTIVITIES			
Dividend paid		(12)	(58)
Dividend paid to non-controlling interests shareholders		-	(34)
Proceeds from bank borrowings		9,942	5,610
Repayment of bank borrowings		(9,895)	(4,979)
Finance costs paid		(421)	(325)
Net change in non-controlling interests		548	(1,764)
Net cash from/(used in) financing activities		162	(1,550)
Increase/(decrease) in cash and cash equivalents		5,612	(1,038)
Foreign currency adjustments		1	(34)
Cash and cash equivalents at the beginning of the period	8	8,226	21,237
Cash and cash equivalents at the end of the period	8	13,839	20,165

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

Kuwait Financial Centre – KPSC ("the Parent Company") was incorporated in 1974 in accordance with the Commercial Companies Law in the State of Kuwait. The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company is listed on Boursa Kuwait and is governed under the directives of the Central Bank of Kuwait and Capital Markets Authority of Kuwait.

The Extraordinary General Assembly held on 19 April 2017 approved the amendments to Parent Company's objectives and these amendments have been documented in the commercial register and published in the official gazette on 30 April 2017.

The principal activities of the Parent Company are as follows:

- Funding import and export operations, whether by direct credit or accepting drafts drawn on the Company for short terms, as well as brokerage in securing the banking facilities for clients in Kuwait and abroad.
- Undertake the job of broker between the public of borrowers and lenders, undertake approved agency works for the payment processes arising from issuing medium and long term securities, in addition to keeping securities on behalf of the clients.
- Dealing and trading in the foreign currencies and the precious metal markets inside and outside Kuwait.
- Undertake all the services which assist to extend and support the money and capital market capacity in Kuwait and fulfil its needs within the limits of the law and the procedures or instructions issued by the Central Bank of Kuwait. The Company may have an interest or participate in any manner with the bodies practicing business similar to its business or which may assist it to achieve its objectives inside or outside Kuwait and it may acquire such bodies or append them to itself.
- Offering personal, commercial and consumer loans, undertake finance operations on the basis of margin related to investment operations in the local and international markets, trading currencies, as well as the finance operations related to pledging investment portfolios and securities, and undertaking finance and brokerage in international and local commercial operations.
- Investment in the various economic sectors such as the industrial, real estate, agricultural, services and other sectors, whether directly or by contribution through existing companies or incorporating these companies related to the said activity or acquire projects which fulfil such objective.
- Undertake the functions of investment trustees and investment portfolio management for the account of third parties with the required loaning and borrowing operations.
- Unregistered securities broker in the stock exchange.
- Investment portfolio manager.
- Collective investment scheme manager.
- Investment advisor.
- Placement agent.
- Custodian.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities (continued)

The Parent Company may carry out similar or complementary or necessary activities or related to its above mentioned activities after getting the approval from the regulatory authorities.

The address of the Parent Company's registered office is PO Box 23444, Safat 13095, State of Kuwait.

The Board of Directors of the Parent Company approved these interim condensed consolidated financial information for issue on 9 May 2018.

2 Basis of preparation

This interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2018 has been prepared in accordance with IAS 34, Interim Financial Reporting except as noted below.

The annual consolidated financial statements for the year ended 31 December 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 Central Bank of Kuwait ("CBK"). The accounting polices used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017, except for the changes described in Note 3 arising from the partial adoption of IFRS 9 "Financial Instruments" effective from 1 January 2018 and adoption of IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018.

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

Operating results for the three months ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. For more details, refer to the annual audited consolidated financial statements and its related disclosures for the year ended 31 December 2017.

3 Changes in accounting policies

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the Group. Information on these new standards is presented below:

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

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

IFRS 9 Financial Instruments

The Group has adopted IFRS 9, financial instruments effective from 1 January 2018 with the exception of requirements of the expected credit losses ("ECL") on credit facilities which have been replaced by the provisioning requirements of the Central Bank of Kuwait.

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Classification and Measurement of Financial assets

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 and in order to generate contractual cash flows. 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 a number of observable factors such as:

- The stated policies and objectives for the financial assets and the operation of those policies in practice;
- 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;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Classification and Measurement of Financial assets (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
The Group assesses the contractual terms of financial assets 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. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Group classifies its financial assets upon initial recognition into the following categories:
- Financial assets carried at amortised cost
- Financial assets carried at fair value through profit or loss (FVTPL)
- Financial assets carried at fair value through other comprehensive income (FVOCI)

Financial assets carried at Amortised cost:
A financial asset is carried at amortised cost if it meets both of the following conditions:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss.

Financial asset carried at FVTPL:
Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of profit or loss. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss when the right to the payment has been established.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Classification and Measurement of Financial assets (continued)

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 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 subsequent measurement of these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognised in consolidated statement of profit or loss when the right to 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 other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative change in fair value are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Debt instruments at FVOCI:

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- 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 SPPI test

Debt instruments at FVOCI are subsequently measured at fair value and gains and losses arising due to changes in fair value are recognised in other comprehensive income. Interest income and foreign exchange gains or losses are recognised in the consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognised in other comprehensive income is reclassified from equity to the consolidated statement of profit or loss. The management of the Group classifies certain unquoted debt instruments under debt instruments at FVOCI.

Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Group has applied new impairment model for cash and bank balances and trade and other receivables, investment in debt securities measured at amortised cost and investments in debt instruments at FVOCI. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money and reasonable and supportive information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Impairment of Financial Assets (continued)

Stage 2: Lifetime ECL – not credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment
At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Measurement of ECLs
ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade and other receivables (represented management fees and other dues from clients) as required or permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The measurement of receivables under IFRS 9 did not have a material impact on the interim condensed consolidated statement of profit or loss of the Group.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Impairment of Financial Assets (continued)
The Group's balances with banks are low risk and are considered to be fully recoverable and hence No ECL is measured. The Group's debt instruments measured at FVOCI and amortised cost comprised of mortgaged note receivables and sukuk which are not rated but considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis. However, the ECL provision on these balances are not material to the Group's interim condensed consolidated financial information. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

	Original Classification under IAS 39	New classification under IFRS 9	Original Carrying amount under IAS 39 KD '000	Re-measurement - ECL/others KD '000	New carrying amount under IFRS 9 KD '000
Financial assets					
Cash and bank balances	Loans and receivables	At amortized cost	7,622	-	7,622
Time deposits	Loans and receivables	At amortized cost	1,430	-	1,430
Accounts receivable and other assets*	Loans and receivables	At amortized cost	4,832	-	4,832
Loans to customer	Loans and receivables	At amortized cost	272	-	272
Derivative:					
- Forward foreign currency contracts held for trading	FVTPL (included in other assets)	FVTPL	17	-	17
Investments:					
- Debt instruments (Sukuk)	AFS	At amortized cost	4,973	-	4,973
- Debt instruments (others)	AFS	FVOCI	439	-	439
- Fixed income securities	FVTPL	FVTPL	761	-	761
- Managed funds	AFS	FVTPL	25,129	-	25,129
- Managed funds	FVTPL	FVTPL	22,071	-	22,071
- Quoted securities	AFS	FVTPL	4,362	-	4,362
- Quoted securities	FVTPL	FVTPL	26,666	-	26,666
- Unquoted securities	AFS	FVTPL	1,305	-	1,305
- Equity participation	AFS	FVTPL	13,634	-	13,634

*Excluding non-financial assets of KD2,282 thousand.

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

Notes to the interim condensed consolidated financial information (continued)

3 Significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

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

	IFRS 9 Categories		
	Financial assets at Fair Value Through Profit or Loss (FVTPL)	Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	Financial Assets at Amortised cost
	KD '000	KD '000	KD '000
Cash and bank balances	-	-	7,622
Time deposits	-	-	1,430
Accounts receivable and other assets excluding derivative	-	-	4,832
Derivative	17	-	-
Loans to customer			272
Investments	93,928	439	4,973
Balance at 1 January 2018	93,945	439	19,129

Impairment of Credit facilities (loans to customer)

The adoption of IFRS 9 did not result in any change in the classification and measurement of loans to customers. These credit facilities are carried at amortised cost less an amounts written off and provision for impairment, in accordance with the existing accounting policies for financial assets at amortised cost as detailed in the annual consolidated financial statements for the year ended 31 December 2017. The provision for impairment is based on the provisioning requirements of Central Bank of Kuwait.

Summary of impact on application of IFRS 9:

As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement, and impairment requirements. Accordingly, the information presented for the comparative periods does not generally reflect the requirements of IFRS 9 but rather those of IAS 39. However, there are no differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 as disclosed above.

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

	Balance at 31 December 2017 as reported	Adjustments	Balance at 1 January 2018 as restated
	KD '000	KD '000	KD '000
Assets			
Investments at fair value through profit or loss	49,498	44,430	93,928
Investments at amortized cost	-	4,973	4,973
Debt instruments at fair value through other comprehensive income	-	439	439
Available for sale investments	49,842	(49,842)	-

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

Notes to the interim condensed consolidated financial information (continued)

3 Significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

	Fair value reserve	Retained earnings
	KD '000	KD '000
Closing balance under IAS 39 – 31 December 2017	**2,477**	**3,679**
Impact of reclassifications & re-measurements:		
Securities, equity participation and managed funds from available for sale to FVTPL	(2,402)	2,402
Adjustments arising on adoption of IFRS 9 -1 January 2018	(2,402)	2,402
Opening balance under IFRS 9 – 1 January 2018	**75**	**6,081**

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenues – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue from the following major sources:

- Management fee and commission income which represent asset management, custody incentive fee and commission income and other management fees. The Group has reassessed its revenue recognition policy and has concluded that it will continue to recognize fees when services are rendered. Hence, application of IFRS 15 on 1 January 2018 did not have any material impact on the Group's interim condensed consolidated financial information.

- Dividend income represents distributions made by investments classified in accordance with IFRS 9. The Group has reassessed its revenue recognition policy and has concluded that it will continue to recognize revenue at the time the right to receive payment is established. Hence, application of IFRS 15 on 1 January 2018 did not have any material impact on the Group's interim condensed consolidated financial information.

4 Judgment 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.

Notes to the interim condensed consolidated financial information (continued)

4 Judgment and estimates (continued)

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017, except as mentioned below:

Classification of equity investment securities
On acquisition of an equity investment security, the Group decides whether it should be classified as fair value through profit or loss or fair value through other comprehensive income.

Measurement of the expected credit loss allowance
Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

5 Group's subsidiaries

During the period, the Group's ownership has changed in the following subsidiary:

		Ownership percentage			
Name	**Country of incorporation**	**31 March 2018 (Unaudited)**	31 Dec. 2017 (Audited)	31 March 2017 (Unaudited)	**Activities**
Markaz Arabian Fund	Kingdom of Bahrain	**61.25%**	58.92%	58.44%	Investment Fund

The ownership of Markaz Arabian Fund increased by 2.33% due to changes in units held by non-controlling interest holders as a result of subscription and redemption of the fund's units. These changes in the ownership resulted in a net loss of KD101 thousand (31 March 2017: KD67 thousand) which was included in the interim condensed consolidated statement of changes in equity.

6 Gain from investments at fair value through profit or loss

	Three months ended 31 March 2018 (Unaudited) KD '000	Three months ended 31 March 2017 (Unaudited) KD '000
Change in fair value of investments at fair value through profit or loss	**1,900**	1,000
Gain on sale of investments at fair value through profit or loss	**450**	748
	2,350	1,748

Notes to the interim condensed consolidated financial information (continued)

7 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share attributable to the owners of the Parent Company is calculated by dividing the profit for the period attributable to the owners of the Parent Company by the weighted average number of shares in issue.

	Three months ended 31 March 2018 (Unaudited)	Three months ended 31 March 2017 (Unaudited)
Profit for the period attributable to the owners of the Parent Company (KD '000)	**1,714**	2,190
Weighted average number of issued and fully paid up shares (000's)	**480,802**	480,802
Basic and diluted earnings per share attributable to the owners of the Parent Company	**4 Fils**	5 Fils

8 Cash and cash equivalents

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows comprise of the following accounts:

	31 March 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	31 March 2017 (Unaudited) KD '000
Cash and bank balances	**6,725**	7,622	17,761
Time deposits	**7,154**	1,430	2,471
	13,879	9,052	20,232
Less: Time deposits maturing after three months	**(40)**	(826)	(67)
Cash and cash equivalent for interim condensed consolidated statement of cash flows	**13,839**	8,226	20,165

The Group's time deposits carry an effective interest rate of 1.09% (31 December 2017 and 31 March 2017: 0.81%) per annum.

9 Investments at fair value through profit or loss

	31 March 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	31 March 2017 (Unaudited) KD '000
Trading :			
Local quoted securities	**3,212**	2,903	2,706
Foreign quoted securities	**22,493**	23,763	14,540
Derivative – forward foreign exchange contracts*	**28**	-	-
	25,733	26,666	17,246

Notes to the interim condensed consolidated financial information (continued)

9 Investments at fair value through profit or loss (continued)

	31 March 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	31 March 2017 (Unaudited) KD '000
Non Trading :			
Local managed funds	**37,336**	22,071	21,461
Foreign managed funds	**11,484**	-	-
Fixed income securities	**5,130**	761	1,177
Equity participation	**11,387**	-	-
	65,337	22,832	22,638
	91,070	49,498	39,884

The interest rates on fixed income securities range from 2.375% to 9.00% (31 December 2017: 7.00% to 9.00% and 31 March 2017: 6.25% to 9.00%) per annum.

*The contractual amounts of out-standing derivative instruments together with the fair value are as follows:

	31 March 2018 (Unaudited)		31 Dec. 2017 (Audited)		31 March 2017 (Unaudited)	
	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000	Contractual amounts KD'000	Assets/ (liabilities) KD'000
Held for trading:						
Forward foreign exchange contracts	**15,623**	**28**	10,903	17	10,748	11

10 Available for sale investments

	31 March 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	31 March 2017 (Unaudited) KD '000
Quoted securities	-	4,362	4,363
Unquoted securities	-	1,305	1,536
Managed funds	-	25,129	21,506
Equity participation	-	13,634	18,269
Debt instruments	-	5,412	5,451
	-	49,842	51,125

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

11 Debt instruments at fair value through other comprehensive income

This represents investment in foreign debt instrument amounting to KD428 thousand which is secured by charges over real estate properties and carry average interest rate of 7.25% (31 December 2017 and 31 March 2017: 7.25%) per annum.

Notes to the interim condensed consolidated financial information (continued)

12 Investments carried at amortised cost

This represents investment in sukuk, a debt instrument amounting to KD4,971 thousand carrying profit rate of 2% above Central Bank of Kuwait discount rate (31 December 2017 and 31 March 2017: 2% above Central Bank of Kuwait discount rate) per annum.

13 Investment properties

The movement in investment properties is as follows:

	31 March 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	31 March 2017 (Unaudited) KD '000
Carrying value at the beginning of the period/year	**46,450**	35,745	35,745
Additions	**2,233**	14,062	1,714
Loss on sale	-	(405)	(189)
Proceeds from sale	-	(1,279)	(793)
Impairment	-	(993)	-
Depreciation	**(76)**	(156)	(79)
Foreign currency translation adjustment	**(244)**	(524)	(63)
	48,363	46,450	36,335

14 Bank borrowings

This represents following bank borrowings:

a. Unsecured loan facilities amounting to KD21,922 thousand obtained from local commercial banks carry interest rate ranging from 1.5% to 2.5% above Central Bank of Kuwait discount rate. Outstanding balance of these loan facilities as at 31 March 2018 amounted to KD2,986 thousand (31 December 2017: KD4,128 thousand and 31 March 2017: KD1,970 thousand).

b. Two Murabaha facilities were obtained from a local Islamic bank amounting to KD8,000 thousand with a profit rate of 1.5% to 1.9% above Central Bank of Kuwait discount rate. Outstanding balance of these Murabaha facilities as at 31 March 2018 amounted to KD7,945 thousand (31 December 2017: KD5,958 thousand and 31 March 2017: KD4,970 thousand).

c. Two loan facilities were obtained from a foreign commercial bank amounting to AED151,350 thousand equivalent to KD12,353 thousand and carry an interest rate of 3.25% to 3.50% above 3 month EIBOR. Outstanding balance of these loan facilities as at 31 March 2018 amounted to AED77,575 thousand equivalents to KD6,332 thousand. (31 December 2017: AED68,577 thousand equivalents to KD5,635 thousand and 31 March 2017: AED22,118 thousand equivalents to KD1,837 thousand).

d. An unsecured credit facility amounting to USD 10 million was obtained from a foreign commercial bank which carries an interest rate of 3.275% per annum. Outstanding balance of this credit facility as at 31 March 2018 amounted to USD1,000 thousand equivalent to KD300 thousand (31 December 2017: USD5,950 thousand equivalents to KD1,795 thousand and 31 March 2017: Nil).

Notes to the interim condensed consolidated financial information (continued)

14 Bank borrowings (continued)

e. During the period, an unsecured loan facility of USD16,585 thousand equivalent to KD4,971 thousand were obtained from a local commercial bank carries interest rate of 3% above 3 months LIBOR repayable on every six months and mature on 31 October 2022. No amount has been availed from this loan facility as of 31 March 2018. The purpose of this facility is to finance the real estate activities in certain foreign countries.

15 Other components of equity

	Fair value reserve KD'000	Foreign currency translation reserve KD'000	Total KD'000
Balance at 1 January 2018	**2,477**	**413**	**2,890**
Adjustments arising on adoption of IFRS 9 on 1 January 2018 (refer note 3)	(2,402)	-	(2,402)
Balance at 1 January 2018 (restated)	**75**	**413**	**488**
Debt instruments at fair value through other comprehensive income:			
- Net changes in fair value arising during the period	6	-	6
- Transferred to interim condensed consolidated statement of profit or loss on redemption	(5)	-	(5)
Exchange differences arising on translation of foreign operations	-	(244)	(244)
Share of other comprehensive loss of associate and joint venture	-	(3)	(3)
Total other comprehensive income/(loss)	1	(247)	(246)
Balance at 31 March 2018	**76**	**166**	**242**
Balance at 1 January 2017	4,141	896	5,037
Available for sale investments :			
- Net changes in fair value arising during the period	911	-	911
- Transferred to interim condensed consolidated statement of profit or loss on sale	(797)	-	(797)
- Transferred to interim condensed consolidated statement of profit or loss on impairment	15	-	15
Exchange differences arising on translation of foreign operations		(105)	(105)
Share of other comprehensive loss of associate and joint venture	-	(3)	(3)
Total other comprehensive income/(loss)	129	(108)	21
Balance at 31 March 2017	4,270	788	5,058

16 Annual General Assembly of the Shareholders

The Annual General Assembly of the Shareholders held on 14 March 2018 approved the consolidated financial statements of the Group for the year ended 31 December 2017 and approved cash dividend of 7 Fils (31 December 2016: 6 Fils) per share amounting to KD3,366 thousand (31 December 2016: KD2,885 thousand). Total cash dividend payable amounting to KD3,366 thousand is included in accounts payable and other liabilities as of the reporting date.

Notes to the interim condensed consolidated financial information (continued)

17 Related party transactions

Related parties represent associate, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Details of transactions between the Group and other related parties are disclosed below.

During the period, the Group entities entered into the following transactions with related parties.

	Three months ended 31 March 2018 (Unaudited)	Three months ended 31 March 2017 (Unaudited)
	KD '000	KD '000
Transactions included in the interim condensed consolidated statement of profit or loss:		
Interest income on loans to customer	**22**	1
Management fees and commission	**1,222**	1,009
Key management compensation:		
Salaries and other short term benefits	**195**	189
End of service benefits	**25**	21
	220	210

	31 March 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	31 March 2017 (Unaudited) KD '000
Balances included in the interim condensed consolidated statement of financial position:			
Loans to customer	**29**	32	86
Accounts receivable and other assets	**803**	723	582
Due from a related party*	**-**	2,118	-
Accounts payable and other liabilities	**1,417**	1,514	1,333

* This represents a secured short term advance payment given to a related party with an interest rate of 6% per annum. During the period, the Parent Company has received the total amount due in cash.

18 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to Group profit or loss. The measurement policies the Group uses for segment reporting under IFRS 8 are the same as those used in its annual consolidated financial statements.

Notes to the interim condensed consolidated financial information (continued)

18 Segmental information (continued)

The revenues and profits generated by the Group from business segments are summarised as follows:

	Asset Management (Unaudited)		Investment Banking (Unaudited)		Total (Unaudited)	
	31 March 2018 (Unaudited) KD'000	31 March 2017 (Unaudited) KD'000	**31 March 2018 (Unaudited) KD'000**	31 March 2017 (Unaudited) KD'000	**31 March 2018 (Unaudited) KD'000**	31 March 2017 (Unaudited) KD'000
Segment revenue	**4,334**	4,094	**567**	468	**4,901**	4,562
Segment result	**2,282**	2,122	**(219)**	122	**2,063**	2,244
Provisions for KFAS, NLST and Zakat	**(81)**	(98)	**-**	(5)	**(81)**	(103)
Profit/(loss) for the period	**2,201**	2,024	**(219)**	117	**1,982**	2,141
Total assets	**142,339**	127,173	**25,407**	29,986	**167,746**	157,159

19 Fiduciary accounts

The Group manages portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which are not reflected in the interim condensed consolidated statement of financial position. Assets under management at 31 March 2018 amounted to KD1,042,406 thousand (31 December 2017: KD1,026,984 thousand and 31 March 2017: KD958,574 thousand). The Group earned management fee of KD1,663 thousand (31 March 2017: KD1,283 thousand) from the asset management activities.

20 Commitments

	31 March 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	31 March 2017 (Unaudited) KD '000
Commitments for purchase of investments	**3,952**	4,018	3,997
Commitments for investment properties	**12,692**	16,606	26,583
Letters of guarantees	**-**	-	75
	16,644	20,624	30,655

21 Fair value measurement

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

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

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

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

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

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

31 March 2018 (Unaudited)	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	25,705	-	-	25,705
Managed funds	-	48,820	-	48,820
Equity participation	-	-	11,387	11,387
Fixed income securities	4,530	-	600	5,130
Forward foreign currency contracts held for trading	-	28	-	28
	30,235	48,848	11,987	91,070
Investments at fair value through OCI				
Debt instruments	-	-	428	428
	-	-	428	428
	30,235	48,848	12,415	91,498

Fair value of financial instruments carried at amortised cost are not materially different from their carrying values.

31 December 2017 (Audited)	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	26,666	-	-	26,666
Managed funds-GCC	-	22,071	-	22,071
Fixed income securities	761	-	-	761
	27,427	22,071	-	49,498
Derivative				
Forward foreign currency contracts held for trading	-	17	-	17
Available for sale investments				
Quoted securities	4,362	-	-	4,362
Managed funds				
- GCC	-	14,427	-	14,427
- Others	-	10,702	-	10,702
Debt instruments	-	-	5,412	5,412
Equity participations	-	-	13,634	13,634
Unquoted securities	-	-	1,305	1,305
	4,362	25,129	20,351	49,842
	31,789	47,217	20,351	99,357

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

31 March 2017 (Unaudited)	KD'000			
	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Quoted securities	17,246	-	-	17,246
Managed funds-GCC	-	21,461	-	21,461
Fixed income securities	832	-	-	832
	18,078	21,461	-	39,539
Derivative				
Forward foreign currency contracts held for trading	-	11	-	11
Available for sale investments				
Quoted securities	4,363	-	-	4,363
Managed funds				
- GCC	-	13,476	-	13,476
- Foreign	-	8,030	-	8,030
Debt instruments	-	-	5,451	5,451
Equity participations	-	18,269	-	18,269
Unquoted securities	-	-	1,536	1,536
	4,363	39,775	6,987	51,125
	22,441	61,247	6,987	90,675

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

Measurement at fair value

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

Level 3 fair value measurements

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

	31 March 2018 (Unaudited) KD '000	31 Dec. 2017 (Audited) KD '000	31 March 2017 (Unaudited) KD '000
Opening balance	**20,351**	6,975	6,975
Transfer from level 2 to level 3	**-**	13,634	-
Reclassification on adoption of IFRS 9	**(4,973)**	-	-
(Redemption)/additions	**(2,996)**	(116)	14
Gains or losses recognised in:			
-Other comprehensive income/(loss)	**33**	(142)	(2)
Closing balance	**12,415**	20,351	6,987

22 Comparative information

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