

Al Madar Finance and Investment Company K.S.C. (Public)
and its subsidiaries
State of Kuwait

Interim condensed consolidated financial information (unaudited)
and review report for the nine month period ended 30 September 2017

**Al Madar Finance and Investment Company K.S.C. (Public) and its subsidiaries
State of Kuwait**

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Independent auditors' report on review of interim condensed consolidated financial information to the board of directors of Al Madar Finance and Investment Company K.S.C. (Public) State of Kuwait

Introduction

We have reviewed the interim condensed consolidated financial information of Al Madar Finance and Investment Company K.S.C. (Public) ("the Parent Company") and its subsidiaries (together referred to as "the Group") which comprise the interim condensed consolidated statement of financial position as at 30 September 2017, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards 34: (Interim Financial Reporting). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the International Accounting Standard 34.

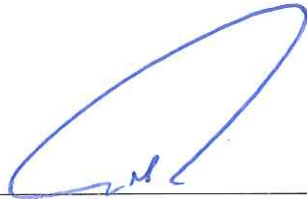
Emphasis of a matter

Without qualifying our conclusion, we draw attention to note 21 of the interim condensed consolidated financial information which indicates that current liabilities of the Group exceeded its current assets with an amount of KD 21,477,224 as at 30 September 2017 (31 December 2016: KD 21,018,660 and 30 September 2016: KD 19,008,292).

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that nothing has come to our attention indicating occurrence of contraventions during the nine month period ended 30 September 2017, of the Companies' Law No. 1 of 2016 and its executive regulations, Law No. 7 of 2010 in respect of the establishment of Capital Markets Authority and Organization of the Security Activity and its executive regulations, or of the Parent Company's memorandum of incorporation and articles of association, as amended, during the nine month period ended 30 September 2017 that might have had a material effect on business of the Group or on its interim condensed consolidated financial position.

We further report that, during the course of our review, we have not become aware of any material violations during the nine month period ended 30 September 2017 of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations.



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Kuwait: 6 November 2017



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Al Madar Finance and Investment Company K.P.S.C. and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of financial position (unaudited)
As at 30 September 2017

		30 September	(audited)	30 September
		2017	31 December	2016
	Notes	KD	KD	KD
Assets				
Bank balances and cash	5	1,688,191	460,583	518,745
Investments at fair value through statement of income	6	163,502	262,085	277,765
Receivables and other debit balances	7	3,801,147	4,793,262	5,184,384
Due from related parties	14	588,065	550,147	1,353,727
Investments available for sale	8	55,177	62,890	59,478
Investment properties	9	22,995,091	23,852,189	25,717,034
Investments in associates	10	1,111,360	1,131,460	1,348,123
Property, plant and equipment		6,964,617	7,157,444	7,141,890
Intangible assets		707,946	839,918	344,332
Total assets		38,075,096	39,109,978	41,945,478
Liabilities and equity				
Liabilities				
Wakala payables	11	21,937,257	23,003,659	22,987,712
Ijara payables	12	2,024,912	-	-
Payables and other credit balances	13	3,104,962	2,266,382	1,668,523
Due to related parties	14	650,998	1,814,696	1,838,666
Employees' end of service indemnity		1,366,162	1,108,573	934,128
Total liabilities		29,084,291	28,193,310	27,429,029
Equity				
Share capital		21,386,865	21,386,865	21,386,865
Share premium		4,990,296	4,990,296	4,990,296
Treasury shares	15	(4,573,296)	(4,573,296)	(4,573,296)
Change of fair value reserve		1,004	(14,520)	(14,760)
Revaluation surplus		97,037	97,037	147,324
Foreign currency translation reserve		(90,358)	(101,827)	79,893
Other reserve		(122,147)	(122,147)	(122,147)
Accumulated losses		(14,477,873)	(12,541,445)	(9,524,123)
Total equity attributable to the equity holders of the Parent Company		7,211,528	9,120,963	12,370,052
Non-controlling interests		1,779,277	1,795,705	2,146,397
Total equity		8,990,805	10,916,668	14,516,449
Total liabilities & equity		38,075,096	39,109,978	41,945,478

The notes on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.


Nabeel Ahmad Mohamad Ameen
Chief Executive Officer

Al Madar Finance and Investment Company K.P.S.C. and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of income (unaudited)

For the nine month period ended 30 September 2017

	Note	Three months ended 30 September		Nine months ended 30 September	
		2017	2016	2017	2016
		KD	KD	KD	KD
Revenues					
Finance revenues/(murabaha)		-	-	11,845	28,316
Change in fair value of investments at fair value through statement of income		3,150	1,500	(98,583)	(4,716)
Realized losses on sale of investments at fair value through statement of income		-	(2,100)	-	(231,324)
Cash dividends		-	2,066	-	2,066
Impairment of investments available for sale	8	-	(5,000)	(23,237)	(5,000)
Group's share of associates' business results		(18,724)	24,402	(41,103)	(1,132)
Investment services revenues		-	35,141	6,938	82,198
Realized profits/ (losses) on sale of investment properties		-	3,947	(28,408)	32,764
Rental income		402,409	371,355	1,055,514	1,088,375
Foreign currency valuation differences		(5,951)	3,740	2,056	(6,913)
Reversal of provision for receivables and other debit balances		-	182,311	34,310	182,311
Net sales profit		(66,963)	349,378	343,665	744,802
Other revenues		4,690	6,731	250,974	52,977
Total income		<u>318,611</u>	<u>973,471</u>	<u>1,513,971</u>	<u>1,964,724</u>
Expenses and other charges					
General and administrative expenses		685,989	1,019,277	2,887,375	2,751,283
Provision for doubtful debts		536,900	134,961	536,900	1,340,756
Finance costs		31,987	14,088	47,741	59,424
Total expenses and other charges		<u>1,254,876</u>	<u>1,168,326</u>	<u>3,472,016</u>	<u>4,151,463</u>
Net loss for the Period		<u>(936,265)</u>	<u>(194,855)</u>	<u>(1,958,045)</u>	<u>(2,186,739)</u>
Attributable to:					
Shareholders of the Parent Company		(929,288)	(200,189)	(1,936,428)	(2,200,076)
Non-controlling interests		(6,977)	5,334	(21,617)	13,337
Net loss for the period		<u>(936,265)</u>	<u>(194,855)</u>	<u>(1,958,045)</u>	<u>(2,186,739)</u>
Basic and diluted loss per share attributable to the shareholders of the Parent Company / (fils)	16	<u>(4.49)</u>	<u>(0.97)</u>	<u>(9.35)</u>	<u>(10.63)</u>

The notes on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.

Al Madar Finance and Investment Company K.P.S.C. and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of comprehensive income (unaudited)
For the nine month period ended 30 September 2017

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	KD	KD	KD	KD
Net loss for the period	(936,265)	(194,855)	(1,958,045)	(2,186,739)
Other comprehensive income/(loss) items:				
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income:</i>				
Change in fair value of investments available for sale	(15)	1,080	(7,713)	1,125
Transferred to interim condensed consolidated statement of income from impairment of investments available for sale	-	-	23,237	-
Foreign currency translation reserve	7,629	(7,911)	11,469	(46,997)
Other comprehensive income/(loss)	7,614	(6,831)	26,993	(45,872)
Total comprehensive loss for the period	(928,651)	(201,686)	(1,931,052)	(2,232,611)
Attributable to:				
Shareholders of the Parent Company	(921,674)	(207,020)	(1,909,435)	(2,245,948)
Non-controlling interests	(6,977)	5,334	(21,617)	13,337
	(928,651)	(201,686)	(1,931,052)	(2,232,611)

The notes on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.

Al Madar Finance and Investment Company K.P.S.C. and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of changes in equity (unaudited)
For the nine month period ended 30 September 2017

	Share capital	Share premium	Treasury shares	Change of fair value reserve	Revaluation surplus	Foreign currency translation reserve	Other reserve	Accumulated losses	Total equity attributable to the equity holders of the Parent Company	Non-controlling interests	Total equity
Balance at 1 January 2016	21,386,865	4,990,296	(4,573,296)	(15,885)	147,324	126,890	(122,147)	(7,324,047)	14,616,000	2,133,060	16,749,060
Net (loss)/profit for the period	-	-	-	-	-	-	-	(2,200,076)	(2,200,076)	13,337	(2,186,739)
Other comprehensive income/(loss) for the period	-	-	-	1,125	-	(46,997)	-	-	(45,872)	-	(45,872)
Total comprehensive income/(loss) for the period	-	-	-	1,125	-	(46,997)	-	(2,200,076)	(2,245,948)	13,337	(2,232,611)
Balance at 30 September 2016	21,386,865	4,990,296	(4,573,296)	(14,760)	147,324	79,893	(122,147)	(9,524,123)	12,370,052	2,146,397	14,516,449
Balance at 1 January 2017	21,386,865	4,990,296	(4,573,296)	(14,520)	97,037	(101,827)	(122,147)	(12,541,445)	9,120,963	1,795,705	10,916,668
Net loss for the period	-	-	-	-	-	-	-	(1,936,428)	(1,936,428)	(21,617)	(1,958,045)
Other comprehensive income for the period	-	-	-	15,524	-	11,469	-	-	26,993	-	26,993
Total comprehensive income/(loss) for the period	-	-	-	15,524	-	11,469	-	(1,936,428)	(1,909,435)	(21,617)	(1,931,052)
Effect of change in non-controlling interests	-	-	-	-	-	-	-	-	-	5,189	5,189
Balance at 30 September 2017	21,386,865	4,990,296	(4,573,296)	1,004	97,037	(90,358)	(122,147)	(14,477,873)	7,211,528	1,779,277	8,990,805

The notes on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.

Al Madar Finance and Investment Company K.P.S.C. and its subsidiaries
State of Kuwait

Interim condensed consolidated statement of cash flows (unaudited)

For the nine month period ended 30 September 2017

		Nine months ended 30 September	
	Notes	2017 KD	2016 KD
Operating activities			
Net loss for the period		(1,958,045)	(2,186,739)
Adjustments:			
Depreciation and amortization		318,472	182,184
Finance costs		47,741	59,424
Change in fair value of investments at fair value through statement of income		98,583	4,716
Realized losses on sale of investments at fair value through statement of income		-	231,324
Cash dividends		-	(2,066)
Realized losses / (profits) on sale of investment properties		28,408	(32,764)
Impairment of investments available for sale		23,237	5,000
Group's share of associates' business results		41,103	1,132
Gains on sale of property, plant and equipment		(1,941)	(600)
Provision for doubtful debts		536,900	1,340,756
Reversal of provision for receivables and other debit balances		(34,310)	(182,311)
Foreign currency valuation differences		(2,056)	6,913
Employees' end of service indemnity		480,580	160,254
Operations loss before calculating effect of change in working capital items		(421,328)	(412,777)
Receivables and other debit balances		490,401	(632,787)
Investments at fair value through statement of income		-	1,387,987
Due from / to related parties - net		(38,090)	(291,584)
Payables and other credit balances		(300,034)	(151,676)
Cash used in operations		(269,051)	(100,837)
Employees end of service benefits paid		(222,991)	(63,144)
Net cash used in operating activities		(492,042)	(163,981)
Investing activities			
Paid for purchase of investment in an associate		(38,193)	(36,000)
Paid for the acquisition of property, plant and equipment		(48,787)	(41,276)
Proceeds from sale of property, plant and equipment		57,055	600
Proceeds from sale of investment properties		81,208	260,139
Paid for purchase of investment properties	9	(19,869)	(65,750)
Dividends received from the associate		17,190	-
Cash dividend received		-	2,066
Net cash generated from investing activities		48,604	119,779
Financing activities			
Ijara payables		2,000,000	-
Wakala payables		(303,253)	-
Finance costs paid		(30,890)	(94,853)
Net movement in non-controlling interests		5,189	-
Net cash generated from/(used in) financing activities		1,671,046	(94,853)
Net increase/ (decrease) in bank balances and cash		1,227,608	(139,055)
Bank balances and cash at beginning of the period		460,583	657,800
Bank balances and cash at end of the period	5	1,688,191	518,745

The notes on pages 8 to 21 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (unaudited)
For the nine month period ended 30 September 2017

1. Incorporation and activities

Al Madar Finance and Investment Company – K.P.S.C. (“the Parent Company”) was incorporated on 23 November 1998. The Parent Company is registered with the Central Bank of Kuwait (CBK) and Capital Market Authority (CMA) as an investment company. The Company’s shares are listed in the Kuwait Stock Exchange on 20 June 2005.

The Parent Company is principally engaged in the following activities in compliance with the Islamic Sharia as follows:

- Promote and market the shares and bonds in favor of the companies.
- Investment in all types of movables whether for its own favor or for others by way of agency or brokerage except for the Parent Company’s trading in commodities in its favor.
- Lending, borrowing and financing international trading transactions as well as issue and exchange of Islamic bonds of all kinds and forms for its clients.
- Management of portfolios and third party funds.
- Purchase, lease, acquisition, rent, licensing of all kinds of investment equipment and subsequent sale or disposal thereof.
- Carry out real estate investments for the Parent Company’s account or for third parties.
- Provide research and studies and other technical services related to investment and employing funds for others.
- Establish and manage investment funds as per relevant laws and regulations and after approval of concerned parties.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside the State of Kuwait or abroad. It may also incorporate, purchase or affiliate such entities.

The Parent Company is domiciled in Kuwait and its registered office is P.O. Box 1376, Safat 13014, Kuwait.

The Parent Company is subsidiary to Al Thekair General Trading and Contracting Company W.L.L. (“the Ultimate Parent Company”).

The interim condensed consolidated financial information for the nine-month period ended 30 September 2017 was authorized for issue by the board of directors on 6 November 2017.

2. Basis of preparation

The condensed consolidated interim financial information of Al-Madar Finance and Investment Company K.S.C. (Public) and its subsidiaries (together referred to as “the Group”) has been prepared in accordance with the International Accounting Standard 34, “Interim Financial Reporting”. The interim condensed consolidated financial information does not include all the information and disclosures required for complete annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for fair presentation have been included.

Operating results for the nine-month period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017. For further information, refer to the annual audited consolidated financial statements of the Group for the year ended 31 December 2016.

2. Basis of preparation (Continued)

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

The accounting policies used in the preparation of this interim condensed consolidated financial information for the current interim financial period are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2016, except for the adoption of the following new standards and amendments effective as of 1 January 2017. The nature and the effect of these changes are disclosed below. Although these new standards and amendments will be applied for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial information of the Group.

New standards and amendments effective from 1 January 2017

Amendments to IAS 7 Statement of cash flows: Disclosure initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the Group needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments require Group to apply them retrospectively. However on initial application thereof, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity as appropriate) without allocating the change between opening retained earnings and other components of equity. It is required that in case such relief is applied, this fact must be disclosed.

Annual Improvements 2014-2016 Cycle

Amendments to IFRS 12 Disclosure of interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, apply to the entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Al Madar Finance and Investment Company K.P.S.C. and its subsidiaries
State of Kuwait

Notes to the interim condensed consolidated financial information (unaudited)
For the nine month period ended 30 September 2017

3. Subsidiaries

The interim condensed consolidated financial information includes the financial information of Al Madar Finance and Investment Company K.S.C. (Public) and its following subsidiaries:

Name of the subsidiary	Country of incorporation	Activity	Voting rights and equity interest %		
			30 September 2017	(Audited) 31 December 2016	30 September 2016
Dar Al-Thuraya Real Estate Co. K.S.C. (Public)	Kuwait	Real estate	88.35%	88.35%	88.35%
Fiduciary International For Programming and Printing Software Company W.L.L. *	Kuwait	Programming and operating computer, printing and distribution of software and computers	99%	99%	99%
Al-Madar Real Estate Development Company K.S.C. (Closed)*	Kuwait	Real estate	98.50%	98.50%	98.50%
Althuraya for Warehousing & Cold Storage K.S.C. (Closed) *	Kuwait	Warehousing	96%	96%	96%

* During the period ended 30 September 2017, the Group has consolidated the interim condensed financial information of Fiduciary International for Programming and Printing Software Company W.L.L., Al Madar Real Estate Development Company K.S.C. (Closed) and Althuraya for Warehousing & Cold Storage K.S.C. (Closed) based on interim financial information prepared by the management as at 30 September 2017.

The interim condensed consolidated financial information includes the interim condensed financial information of Dar Al-Thuraya Real Estate Co. K.P.S.C. and its following subsidiaries:

Name of the subsidiary	Country of incorporation	Activity	Voting rights and equity interest %		
			30 September 2017	(Audited) 31 December 2016	30 September 2016
Thuraya Star Company W.L.L. Kuwait Building Real Estate Company K.S.C (Closed)	Kuwait	General Trading and Contracting	99%	99%	99%
Pack & Move Holding Company K.S.C (Holding)	Kuwait	Real estate	96%	96%	96%
Golden Madar Real Estate Company W.L.L.	Kuwait	Holding	99.88%	99.88%	99.88%
	Kuwait	Real estate	98%	98%	98%

Notes to the interim condensed consolidated financial information (unaudited)
For the nine month period ended 30 September 2017

4. Significant accounting assumptions and judgments

The preparation of interim condensed consolidated financial information in accordance with International Financial Reporting Standards requires use of estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial information and the reported amounts of revenues and expenses during the period. Although these estimates depend on the best knowledge of the current events by the management, but the actual results may vary from these estimates.

5. Bank balances and cash

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Bank balances	1,647,815	420,731	393,832
Cash on hand	40,376	39,852	124,913
	<u>1,688,191</u>	<u>460,583</u>	<u>518,745</u>

Cash at banks includes unrestricted current and savings accounts with local banks.

The annual average effective yield rate on the savings accounts as at 30 September 2017 was 0.65% (31 December 2016: 0.65% and 30 September 2016: 0.73%).

6. Investments at fair value through statement of income

Below is analysis of investments at fair value through statement of income for the period / year / period:

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Investments in unquoted local shares	68,412	170,145	185,825
Investments in portfolio - local funds	41,147	41,147	41,147
Investments in portfolio – foreign funds	53,943	50,793	50,793
	<u>163,502</u>	<u>262,085</u>	<u>277,765</u>

Valuation techniques for investments at fair value through statement of income are disclosed in note 20.

Unquoted local shares and foreign funds of KD 91,142 (31 December 2016: KD 207,900 and 30 September 2016: KD 66,068) are carried at cost less impairment since their fair values could not be measured reliably. Management does not have any indication of impairment in these investments.

Investments in unquoted shares are valued in accordance with the estimated operations based on the available information on the financial position, results of operations of the investee companies, the expected future profits of these companies and by taking in consideration recent transactions on the shares with other parties in investee companies or similar companies

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Notes to the interim condensed consolidated financial information (unaudited)
For the nine month period ended 30 September 2017

7. Receivables and other debit balances

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Trade receivables	5,963,437	6,004,927	6,078,749
Provision for doubtful debts	(5,828,679)	(5,326,089)	(5,389,771)
	<u>134,758</u>	<u>678,838</u>	<u>688,978</u>
Receivables from sale of financial and real estate investments and services	681,010	772,503	892,353
Accrued revenues	809,876	723,976	635,119
Staff receivables	16,505	46,443	19,117
Prepaid expenses	622,567	1,015,935	556,557
Other receivables	1,536,431	1,555,567	2,392,260
	<u>3,801,147</u>	<u>4,793,262</u>	<u>5,184,384</u>

Receivables from sale of financial and real estate investments and services has been presented after deducting doubtful debts provision of KD 849,049 as at 30 September 2017 (31 December 2016: KD 849,049 and 30 September 2016: KD 748,480).

The item "other receivables" has been presented after deducting doubtful debts provision of KD 122,057 as at 30 September 2017 (31 December 2016: KD 122,057 and 30 September 2016: KD 122,057).

The maximum exposure to credit risks at reporting date is the fair value of each class of receivables. The Group holds guarantees amounting to KD 517,688 for trade receivables as at 30 September 2017 (31 December 2016: KD 1,046,921 and 30 September 2016: KD 1,046,909).

Based on meeting of the Parent Company's board of directors held in the previous year, the debt due from one of the finance clients of KD 3,286,804 was approved to be written off and write-off its related provision of KD 3,191,071 and its related deferred revenues of KD 95,733 from the accounting books and records of the Parent Company. This procedure will not affect the legal actions taken by the Parent Company for claiming the client to pay the debt in full.

The Group does not charge any financial charges on the overdue receivables.

Analysis of provision for doubtful debts during the period/year is as follows:

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Specific provision	<u>6,799,785</u>	<u>6,297,195</u>	<u>6,260,308</u>

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8. Investments available for sale

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Investment in quoted local shares	5,015	4,219	1,483
Investments in unquoted local shares	13,969	22,477	21,801
Investment in foreign unquoted shares	36,193	36,194	36,194
	<u>55,177</u>	<u>62,890</u>	<u>59,478</u>

Investments in local and foreign shares include unquoted shares of KD 41,900 (31 December 2016: KD 41,194 and 30 September 2016: KD 41,194) carried at cost due to non-availability of a basis to be based upon to measure its fair value at the date of the interim condensed consolidated statement of financial position. Management does not have any indication of impairment in these investments.

Available for sale financial investments include unquoted foreign shares at an actual cost of KD 3,698,839 (31 December 2016: KD 3,698,839 and 30 September 2016: KD 3,698,839) brought forward from 2009. Since these investments are the subject of a legal dispute, the management decided to reduce the cost of these investments in full in the previous years until they are finally resolved.

During the period, the Group's management has recognized impairment of available for sale investments of KD 23,237 (30 September 2016: KD 5,000).

Investments in unquoted shares are valued in accordance with the estimated operations based on the available information on the financial position, results of operations of the investee companies, the expected future profits of these companies and by taking in consideration recent transactions on the shares with other parties in investee companies or similar companies

9. Investment properties

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Completed investment properties			
Balance at the beginning of the period/ year/ period	14,839,420	16,025,352	16,025,352
Disposals	(780,000)	-	-
Transfer from properties under development	3,325,883	-	-
Change in fair value	-	(1,199,035)	-
Foreign currency translation differences	-	13,103	-
Balance at the end of the period/year/period	<u>17,385,303</u>	<u>14,839,420</u>	<u>16,025,352</u>

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9. Investment properties (Continued)

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Properties under development			
Balance at the beginning of the period/ year/ period	9,012,769	9,853,307	9,853,307
Additions	19,869	137,956	65,750
Disposals	(96,967)	(260,928)	(227,375)
Transfers to investment properties	(3,325,883)	-	-
Change in fair value	-	(776,130)	-
Foreign currency translation differences	-	58,564	-
Balance at the end of the period/ year/ period	5,609,788	9,012,769	9,691,682
Balance at the end of the period/ year/ period	22,995,091	23,852,189	25,717,034

During the period, the Group has partially paid its due wakala to one of the wakala payables through assigning one of its owned properties to such party (note 11). This transaction was eliminated from the interim condensed consolidated statement of cash flows as it is a non-cash transaction.

Ijara contracts, with a promise for purchase by a local bank, were granted to some of the investment properties of the Group during the period ended 30 September 2017 (Note 12).

10. Investments in associates

The details of investments in associates are as follows:

Name of the associate	Country of incorporation	Measurement method	Activity	Voting rights and equity interest % (Audited)		
				30 September 2017	31 December 2016	30 September 2016
Interpack Kuwait Limited for General Trading and Contracting Company W.L.L.	State of Kuwait	Equity method	General Trading and Contracting	40%	40%	40%
Egyptian Saudi Company for Medical Equipment MASCOMED (S.A.E)	The Arab Republic of Egypt	Equity method	Medical devices and equipment	30.26%	25.93%	25.93%

The carrying value of each individual associate is as follows:

	30 September 2017	(audited) 31 December 2016	30 September 2016
<u>Name of the associate</u>	KD	KD	KD
Interpack Kuwait Limited for General Trading and Contracting Company W.L.L.	868,106	927,769	950,462
Egyptian Saudi Company for Medical Equipment MASCOMED (S.A.E)	243,254	203,691	397,661
	1,111,360	1,131,460	1,348,123

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10. Investments in associates (Continued)

The Group's share in results of associates is recorded based on the financial information prepared by the management as at 30 September 2017 as the associates did not have available financial statements as at 30 September 2017.

During the period, the Group increased its ownership percentage in the Egyptian Saudi Company for Medical Equipment MASCOMED (S.A.E.) from 25.93% to 30.26% representing 4.33%. Such transaction did not have a material impact on the interim condensed consolidated financial information for the period ended 30 September 2017.

11. Wakala payables

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Current portion	21,937,257	23,003,659	22,835,724
Non current portion	-	-	151,988
	<u>21,937,257</u>	<u>23,003,659</u>	<u>22,987,712</u>

The average effective cost rate on wakala was 5.8% as at 30 September 2017 (31 December 2016: 4% and 30 September 2016: 4%).

Wakala payables include past due wakala of KD 4,887,212. The Parent Company was obliged to pay in accordance with a legal judgment against the Parent Company, and amicable settlement is currently in progress with the prevailing party. During the period, the Group made an agreement with such party, under which the wakala due to that party was partially paid through assigning one of the properties owned by the Group of KD 750,000 and a cash amount of KD 250,396 was paid. Hence, wakala balance reached KD 3,886,816 as at 30 September 2017. This settlement was resulted in a loss of KD 30,000 recorded in the interim condensed consolidated statement of income as "losses realized from sale of investment properties". This transaction was eliminated from the interim condensed consolidated statement of cash flows as it is a non-cash transaction.

Further, wakala of KD 16,999,319 was due with one of the payable parties during the previous year and was not renewed. Such party has filed a legal lawsuit against the Parent Company. The litigation is still in process and no final judgment was made up to date of preparing the interim condensed consolidated financial information.

12. Ijara payables

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Ijara payables	2,115,300	-	-
Future finance costs	(90,388)	-	-
	<u>2,024,912</u>	<u>-</u>	<u>-</u>

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12. Ijara payables (Continued)

Ijara payables represent facilities contracts granted by Kuwait Finance House to a subsidiary in return for lease contracts concluded with the bank related to utilization rights for investment properties, with a promise for purchase as follows:

- Amount of KD 793,275 represents deferred rental value due at end of the contract period on 3 June 2018. The effective yield rate is 5.77% per annum (31 December 2016: nil & 30 September 2016: nil).
- Amount of KD 1,322,025 represents deferred rental value due at end of the contract period on 5 August 2018. The effective yield rate is 5.78% per annum (31 December 2016: nil & 30 September 2016: nil).

13. Payables and other credit balances

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Trade payables	1,592,351	1,796,889	1,337,195
Accrued expenses	71,155	187,963	47,198
Purchase of land and financial investments payables	277,930	281,530	284,130
Other payables*	1,163,526	-	-
	<u>3,104,962</u>	<u>2,266,382</u>	<u>1,668,523</u>

* This item represents the balance due to the previous Ultimate Parent Company. During the period, this item was reclassified from due to related parties to other payables as the ownership interest of the previous Parent Company was transferred to the current Parent Company. This transaction was eliminated from the interim condensed consolidated statement of cash flows as it is a non-cash transaction.

14. Related party transactions

Related parties comprise of the Group's major shareholders who are members of the board of directors, board of directors, key management personnel, and subsidiaries in which the Company has representatives in their board. In the ordinary course of business, related party transactions were carried out with approval of the Group's management during the period / year / period. Balances and transactions between the Group and its subsidiaries, which are deemed as related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

Balances due from/to related parties and related party transaction are as follows:

	30 September 2017	(audited) 31 December 2016	30 September 2016
	KD	KD	KD
Interim condensed consolidated statement of financial position			
Investments at fair value through statement of income	-	644	644
Due from related parties	588,065	550,147	1,353,727
Due to related parties	650,998	1,814,696	1,838,666

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14. Related party transactions (Continued)

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	KD	KD	KD	KD
Interim condensed consolidated statement of income				
Salaries and other short term benefits	79,739	66,853	246,376	230,176
End of service benefits	29,495	6,639	85,184	20,998

15. Treasury shares

	(audited)		
	30 September 2017	31 December 2016	30 September 2016
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Number of shares purchased (share)	6,845,096	6,845,096	6,845,096
Ownership percentage (treasury shares percentage to total issued shares)	3.2%	3.2%	3.2%
Cost	<u>4,573,296</u>	<u>4,573,296</u>	<u>4,573,296</u>
Market value (KD)	157,437	85,564	85,564

The Parent Company is committed to keeping capital share premium equal to the purchased treasury shares cost which are non-distributable along acquisition period by the Parent Company in accordance with instructions of the concerned regulatory authorities.

16. Basic and diluted loss per share attributable to equity holders of the Parent Company / (fils)

Basic and diluted loss per share is computed by dividing loss for the period attributable to the shareholders of Parent Company by the weighted average number of ordinary shares outstanding during the period except treasury shares.

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
Net loss for the period attributable to equity holders of the Parent Company	(929,288)	(200,189)	(1,936,428)	(2,200,076)
Weighted average number of outstanding shares:				
Number of issued shares	213,868,650	213,868,650	213,868,650	213,868,650
Less: weighted average number of treasury shares	(6,845,096)	(6,845,096)	(6,845,096)	(6,845,096)
Weighted average number of outstanding shares	207,023,554	207,023,554	207,023,554	207,023,554
Basic and diluted loss per share attributable to the shareholders of the Parent Company / (fils)	(4.49)	(0.97)	(9.35)	(10.63)

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17. Fiduciary assets

Fiduciary assets comprise of investments and funds managed on behalf of clients. These assets are not owned by the Parent Company, and accordingly they are not included in the interim condensed consolidated financial information. As at the interim condensed consolidated financial position date, total fiduciary assets managed on behalf of clients amounted to KD 4,196,000 (31 December 2016: KD 9,147,000, and 30 September 2016: KD 8,223,000) including a portfolio managed on behalf of a related party amounting to KD nil as at 30 September 2017 (31 December 2016: KD 119,000 and 30 September 2016: KD 118,914).

18. Segment information

Operating segments are identified based on the internal reports of Group segments which are regularly reviewed by the Chairman and general manager as the principal decisions makers in the Group so as to allocate resources to and evaluate performance of these segments on an ongoing basis.

The operating segments that meet the conditions and criteria for reporting them in the interim condensed consolidated financial statements and are used in the internal reports regularly submitted to decision makers are as follows:

a) Real estate:

This sector represents investing in investment properties to generate rental income, for capital appreciation, or for trading purposes.

b) Financial investments:

This sector represents investment in short term money market instruments, investment in shares of listed and unlisted companies whose articles of association and activities are in compliance with rules of the noble Islamic Shari'a.

c) Corporate finance:

Activity of this segment is to provide finance to companies by using the different Islamic financing instruments, i.e. Murabaha, Wakala, future sales and other contracts that are in compliance with rules of the noble Islamic Shari'a.

d) Other:

This includes the revenues and expenses that are not included under the above sectors.

Summarized information in respect of the Group's segment information is given below:

	Segment revenues		Segment loss	
	Nine months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
Investment properties	1,027,106	1,121,139	1,027,106	1,121,139
Financial investments	(162,923)	(240,106)	(162,923)	(240,106)
Corporate finance	11,845	28,316	(35,896)	(31,108)
Other	637,943	1,055,375	637,943	1,055,375
	1,513,971	1,964,724	1,466,230	1,905,300
General and administrative expenses			(2,887,375)	(2,751,283)
Provision for doubtful debts			(536,900)	(1,340,756)
Loss for the period			(1,958,045)	(2,186,739)

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18. Segment information (Continued)

The assets and liabilities of the different operating segments are analysed as follows:

Segment assets	30 September	(audited)	30 September
	2017	31 December	2016
	KD	KD	KD
Investment properties	22,995,091	23,852,189	25,717,034
Financial investments	3,018,230	1,917,018	2,204,111
Corporate finance	134,758	678,838	688,978
Other	11,927,017	12,661,933	13,335,355
Total segment assets	38,075,096	39,109,978	41,945,478

Segment liabilities	30 September	(audited)	30 September
	2017	31 December	2016
	KD	KD	KD
Investment properties	237,175	241,375	243,975
Corporate finance	23,962,169	23,003,659	22,987,712
Other	4,884,947	4,948,276	4,197,342
Total segment liabilities	29,084,291	28,193,310	27,429,029

19. Shareholders general assembly

The annual general assembly meeting of the shareholders was held on 14 August 2017 and approved the consolidated financial statements of the Group for the financial year ended 31 December 2016. It also approved board of directors' recommendations not to distribute dividends for the financial year ended 31 December 2016 and not to distribute remuneration to the board members for the financial year ended 31 December 2016.

20. Financial instruments

Categories of financial instruments

The financial assets and liabilities of the Group have been classified in the interim condensed consolidated statement of financial position as follows:

Financial assets	30 September	(audited)	30 September
	2017	31 December	2016
	KD	KD	KD
Bank balances and cash	1,688,191	460,583	518,745
Investments at fair value through statement of income	163,502	262,085	277,765
Receivables and other debit balances (excluding prepaid expenses)	3,178,580	3,777,327	4,627,827
Due from related parties	588,065	550,147	1,353,727
Investments available for sale	55,177	62,890	59,478
	5,673,515	5,113,032	6,837,542

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20. Financial instruments (Continued)

Categories of financial instruments (continued)

Financial liabilities	30 September	(audited) 31 December	30 September
	2017	2016	2016
	KD	KD	KD
Wakala payables	21,937,257	23,003,659	22,987,712
Ijara payables	2,024,912	-	-
Payables and other credit balances	3,104,962	2,266,382	1,668,523
Due to related parties	650,998	1,814,696	1,838,666
	<u>27,718,129</u>	<u>27,084,737</u>	<u>26,494,901</u>

Fair value of financial instruments

The 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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (for example: inputs relating to prices).
- Level3: Inputs derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Total
	KD	KD	KD
30 September 2017			
<u>Financial assets:</u>			
Investments at fair value through statement of income	-	72,360	72,360
Available for sale investments	5,015	8,262	13,277
Total	<u>5,015</u>	<u>80,622</u>	<u>85,637</u>

	Level 1	Level 2	Total
	KD	KD	KD
31 December 2016 (audited)			
<u>Financial assets:</u>			
Investments at fair value through statement of income	-	54,185	54,185
Available for sale investments	4,219	17,477	21,696
Total	<u>4,219</u>	<u>71,662</u>	<u>75,881</u>

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20. Financial instruments (Continued)

Fair value of financial instruments (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	KD	KD	KD
30 September 2016			
<u>Financial assets:</u>			
Investments at fair value through statement of income	-	211,697	211,697
Investments available for sale	1,483	16,801	18,284
Total	<u>1,483</u>	<u>228,498</u>	<u>229,981</u>

21. Liquidity risk

Liquidity risk is the risk that the Group will encounter the difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable. Further, the Group plans and manages its expected cash flows through maintaining cash reserves.

As at 30 September 2017, the current liabilities of the Group exceeded its current assets with an amount of KD 21,477,224 (31 December 2016: KD 21,018,660 and 30 September 2016: KD 19,008,292). Whereas the Group maintains adequate cash reserves and owns investment properties of KD 22,995,091 as at 30 September 2017 (31 December 2016: KD 23,852,189 and 30 September 2016: KD 25,717,034) which the Group intends to sell or utilize them in settlement of its debt with debtors related to wakala payables of KD 21,937,257 as at 30 September 2017 (31 December 2016: KD 23,003,659 and 30 September 2016: KD 22,987,712). Furthermore, the Group maintains guarantees of KD 517,688 as at 30 September 2017 (31 December 2016: KD 1,046,921 and 30 September 2016: KD 1,046,909) against receivables from customers. This indicates that the Group will be able to meet its short term commitments.