

Interim condensed consolidated financial information and review report

Al-Deera Holding Company – KPSC and Subsidiaries

Kuwait

30 September 2019 (Unaudited)

Contents

	Page
Review report	1
Interim condensed consolidated statement of profit or loss	2
Interim condensed consolidated statement of profit or loss and other comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of changes in equity	5 and 6
Interim condensed consolidated statement of cash flows	7
Notes to the interim condensed consolidated financial information	8 to 16



Report on review of interim condensed consolidated financial information

To the board of directors of
Al-Deera Holding Company – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Al-Deera Holding Company - KPSC ("the Parent Company") and its subsidiaries ("the Group") as of 30 September 2019 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 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 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 International Accounting Standard 34, "Interim Financial Reporting".

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 violations 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 nine-month period ended 30 September 2019 that might have had a material effect on the business or financial position of the Parent Company.

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
14 November 2019

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended		Nine months ended	
		30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Revenue					
Change in fair value of investments at fair value through profit or loss		(1,845)	(388)	(673)	(2,813)
Gain on sale of investments at fair value through profit or loss		-	-	1,101	91
Share of results of associates	6	74,770	340,620	718,750	459,836
Dividend income		15,273	6	15,299	32
Other income		-	128,079	126,517	177,776
		88,198	468,317	860,994	634,922
Expenses and other charges					
Staff costs		(30,725)	(76,384)	(121,060)	(149,131)
General, administrative and other expenses		(42,742)	(71,120)	(131,319)	(143,176)
Finance costs		(119,569)	(130,124)	(354,834)	(385,471)
Provision for doubtful debts		(145,800)	-	(145,800)	-
		(338,836)	(277,628)	(753,013)	(677,776)
(Loss)/profit for the period		(250,638)	190,689	107,981	(42,856)
Attributable to:					
Shareholders of the Parent Company		(175,761)	194,501	183,448	(39,016)
Non-controlling interests		(74,877)	(3,812)	(75,467)	(3,840)
		(250,638)	190,689	107,981	(42,856)
Basic and diluted (loss)/earnings per share attributable to the shareholders of the Parent Company					
	5	(0.89) Fils	0.99 Fils	0.93 Fils	(0.20) Fils

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

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

	Note	Three months ended		Nine months ended	
		30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
(Loss)/profit for the period		(250,638)	190,689	107,981	(42,856)
Other comprehensive income /(loss):					
<i>Items that will be reclassified subsequently to the consolidated statement of profit or loss:</i>					
Share of other comprehensive income/(loss) of associates	8	9,769	(97,672)	(1,514,626)	(2,080,323)
Total other comprehensive income /(loss) that will be reclassified to the subsequently consolidated statement of profit or loss					
		9,769	(97,672)	(1,514,626)	(2,080,323)
<i>Items that will not be reclassified subsequently to consolidated statement of profit or loss:</i>					
Investments at fair value through other comprehensive income:					
- Net change in fair value arising during the period		(267,697)	(132,561)	(551,324)	(358,013)
Total other comprehensive loss that will not be reclassified to the subsequently consolidated statement of profit or loss					
		(267,697)	(132,561)	(551,324)	(358,013)
Total other comprehensive loss		(257,928)	(230,233)	(2,066,150)	(2,438,336)
Total comprehensive loss for the period		(508,566)	(39,544)	(1,958,169)	(2,481,192)
Attributable to:					
Shareholders of the Parent Company		(433,689)	(35,732)	(1,882,702)	(2,477,352)
Non-controlling interests		(74,877)	(3,812)	(75,467)	(3,840)
		(508,566)	(39,544)	(1,958,169)	(2,481,192)

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		12	12	12
Investment in associates	6	17,500,809	18,325,810	18,621,685
Investments at fair value through other comprehensive income	7	2,376,162	2,933,314	2,712,552
		19,876,983	21,259,136	21,334,249
Current assets				
Receivables and other assets		368,002	510,099	917,338
Investments at fair value through profit or loss		9,197	8,769	10,224
Balances with banks and other financial institutions		34,265	94,740	92,350
		411,464	613,608	1,019,912
Total assets		20,288,447	21,872,744	22,354,161
Equity and liabilities				
Equity				
Share capital		19,737,880	19,737,880	19,737,880
Other components of equity	8	(1,400,413)	(68,077)	(476,662)
Accumulated losses		(13,686,675)	(13,107,384)	(13,162,052)
Total equity attributable to the shareholders of the Parent Company		4,650,792	6,562,419	6,099,166
Non-controlling Interests		256,460	331,927	361,045
Total equity		4,907,252	6,894,346	6,460,211
Liabilities				
Non-current liabilities				
Payables and other liabilities – non-current portion		10,139,704	10,172,338	11,139,915
Provision for employees' end of service benefits		149,693	137,866	134,200
		10,289,397	10,310,204	11,274,115
Current liabilities				
Payables and other liabilities – current portion		5,091,798	4,668,194	4,619,835
Total liabilities		15,381,195	14,978,398	15,893,950
Total equity and liabilities		20,288,447	21,872,744	22,354,161


 Talal Bader Al Bahar
 Chairman

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company				Non-controlling interests	Total
	Share capital KD	Other components of equity (note 8) KD	Accumulated losses KD	Sub-total KD		
Balance at 31 December 2018 (Audited)	19,737,880	(68,077)	(13,107,384)	6,562,419	331,927	6,894,346
Profit/(loss) for the period	-	-	183,448	183,448	(75,467)	107,981
Other comprehensive loss	-	(2,066,150)	-	(2,066,150)	-	(2,066,150)
Total comprehensive (loss) / income for the period	-	(2,066,150)	183,448	(1,882,702)	(75,467)	(1,958,169)
Realised loss on investments at FVOCI owned by the group	-	37,022	(37,022)	-	-	-
Share of realised loss on investments at FVOCI owned by an associate	-	696,792	(696,792)	-	-	-
Effect of the change in ownership percentage for a subsidiary of an associate	-	-	(28,925)	(28,925)	-	(28,925)
Balance at 30 September 2019 (Unaudited)	19,737,880	(1,400,413)	(13,686,675)	4,650,792	256,460	4,907,252

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (continued)

	Equity attributable to the shareholders of the Parent Company				Non-controlling interests	Total
	Share of equity capital KD	Other components of equity (note 8) KD	Accumulated losses KD	Sub-total KD		
Balance at 31 December 2017 (Audited)	19,737,880	1,937,594	(10,975,083)	10,700,391	364,885	11,065,276
Adjustments arising on adoption of IFRS 9 on 1 January 2018	-	-	(1,800,008)	(1,800,008)	-	(1,800,008)
Share of adjustments arising on adoption of IFRS 9 on 1 January 2018 by an associate	-	(60,066)	60,066	-	-	-
Balance as at 1 January 2018 (Restated)	19,737,880	1,877,528	(12,715,025)	8,900,383	364,885	9,265,268
Loss for the period	-	-	(39,016)	(39,016)	(3,840)	(42,856)
Other comprehensive loss for the period	-	(2,438,336)	-	(2,438,336)	-	(2,438,336)
Total comprehensive loss for the period	-	(2,438,336)	(39,016)	(2,477,352)	(3,840)	(2,481,192)
Realised loss on investment at FVOCI owned by the group	-	-	(323,865)	(323,865)	-	(323,865)
Share of realised loss on investment at FVOCI owned by an associate	-	84,146	(84,146)	-	-	-
Balance at 30 September 2018 (Unaudited)	19,737,880	(476,662)	(13,162,052)	6,099,166	361,045	6,460,211

The notes set out on pages 8 to 15 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2019 (Unaudited) KD	Nine months ended 30 Sept. 2018 (Unaudited) KD
OPERATING ACTIVITIES		
Profit /(loss) for the period	107,981	(42,856)
Adjustments for:		
Provision for doubtful debts	145,800	-
Provision for employees' end of service benefits	11,827	31,309
Share of results of associates	(718,750)	(459,836)
Finance costs	354,834	385,471
Dividend income	(15,299)	(32)
	(113,607)	(85,944)
Changes in operating assets and liabilities:		
Investments at fair value through profit or loss	(428)	2,469
Receivables and other assets	11,570	48,434
Payables and other liabilities	41,964	(220,376)
Employees' end of service benefits paid	-	(38,000)
Net cash used in operating activities	(60,501)	(293,417)
INVESTING ACTIVITIES		
Proceeds on sale of investment at fair value through other comprehensive income	-	299,875
Dividend income received	26	32
Net cash from investing activities	26	299,907
Net (decrease)/increase in cash and cash equivalents	(60,475)	6,490
Cash and cash equivalents at beginning of the period	94,740	85,860
Cash and cash equivalents at end of the period	34,265	92,350

The notes set out on pages 8 to 16 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

Al Deera Holding Company (“the Parent Company”) was established on 18 February 1998 as a Kuwaiti limited liability company. On 8 September 2005, the legal status of the Company was changed from a limited liability Company to a Kuwaiti public shareholding Company.

The extraordinary general assembly held on 26 June 2015 approved the amendment of the Parent Company’s objectives to become as follows:

- Management of the Parent Company’s subsidiaries or participation in management of other companies in which it holds ownership stakes and providing the necessary support thereto.
- Investing funds by way of trading in shares, bonds and other financial securities.
- Acquisition of properties and movables necessary to carry out the business activities as allowable by the law.
- Financing and extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or royalties and any other property related thereto, and renting such properties to the subsidiary companies and others whether inside Kuwait or abroad.

The Parent Company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The Parent Company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the Company in achieving its objectives whether in Kuwait or abroad. The Parent Company has the right to establish, participate in or acquire such institutions.

The Parent Company’s shares are listed on Kuwait Stock Exchange. The group comprises the Parent Company and its subsidiaries.

The address of the Parent Company’s registered offices is PO. Box 4839, Safat 13049 – Kuwait.

The interim condensed consolidated financial information of the group for the nine-month period ended 30 September 2019 was authorized for issue by the directors of the Parent Company on 14 November 2019.

2 Basis of presentation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2019 has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”. The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual financial statements of the Group for the year ended 31 December 2018, except for changes described in Note (3).

The interim condensed consolidated financial information has been presented in Kuwaiti Dinars which is the functional currency of the Parent Company.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of presentation (continued)

This interim condensed consolidated financial information does not include all information and disclosures required for complete 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 nine-month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For further details, refer to the financial statements and its disclosures for the year ended 31 December 2018.

3 Changes in accounting policies

3.1 New and amended standards adopted by the group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019 which have been adopted by the group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 16 Leases	1 January 2019
IAS 28 – Amendments	1 January 2019

IFRS 16 Leases

IFRS 16 replaced IAS 17 and the related Interpretations. IFRS 16 introduced new and amended requirements with respect to accounting for leases. As a result, lessee accounting is now significantly different and removes distinction between finance and operating leases. It now requires recognition of a right-of-use asset and lease liability at commencement date for all leases, except for short term leases and low value leases. However, the accounting by lessor has largely remained unchanged.

The adoption of this standard did not have a significant impact on the Group's interim condensed consolidated financial information.

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The adoption of these amendments did not result in any significant impact on the Group's financial statements.

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's interim condensed financial information.

Notes to the interim condensed consolidated financial information (continued)

4 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements 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 financial statements as at and for the year ended 31 December 2018 except for the changes arising from applying IFRS 16 as noted in 3 above. These include identification of whether a contract contains a lease, determine reasonable certainty of extension or termination of a lease, classification of leases, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in a single contract, determination of appropriate discount rate, and assessment of impairment

5 Basic and diluted (loss)/earnings per share attributable to the shareholders of the Parent Company

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the period attributable to the shareholders of the Parent Company by weighted average number of shares outstanding during the period. The Parent Company had no outstanding dilutive potential shares.

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited)	30 Sept. 2018 (Unaudited)	30 Sept. 2019 (Unaudited)	30 Sept. 2018 (Unaudited)
(Loss)/profit for the period attributable to the shareholders of the Parent Company (KD)	(175,761)	194,501	183,448	(39,016)
Weighted average number of shares outstanding during the period (shares)	197,378,800	197,378,800	197,378,800	197,378,800
Basic and diluted (loss)/earnings per share	(0.89) Fils	0.99 Fils	0.93 Fils	(0.20) Fils

6 Investment in associates

The movement of investment in associates during the period/year is as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Balance at beginning of the period/year	18,325,810	20,242,172	20,242,172
Share of results	718,750	481,047	459,836
Share of other comprehensive loss of the associates	(1,514,826)	(1,948,949)	(2,080,323)
Share of adjustments arising on adoption of IFRS 9 on 1 January 2018 of an associate	-	(349,921)	-
Effect of the change in ownership percentage for a subsidiary of an associate	(28,925)	(78,539)	-
	17,500,809	18,325,810	18,621,685

- Investment in associates amounting to KD3,886,444 (31 December 2018: KD4,090,993 and 30 September 2018: KD 3,988,719) is pledged against balances due to related parties (note 10).

Notes to the interim condensed consolidated financial information (continued)

7 Investments at fair value through other comprehensive income

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Investment portfolios	1,728,161	2,187,977	1,513,726
Equity contributions	648,001	745,337	1,198,826
	2,376,162	2,933,314	2,712,552

Investments at fair value through other comprehensive income with a carrying value of KD 1,728,161 (31 December 2018: KD2,025,701 and 30 September 2018: KD 1,981,826) are pledged as security against balances due to related parties (note 10).

8 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 31 December 2018 (Audited)	(90,873)	22,796	(68,077)
Share of other comprehensive (loss) / profit of associates	(1,526,413)	11,587	(1,514,826)
Investments at fair value through other comprehensive income: - Net change in fair value arising during the period	(551,324)	-	(551,324)
Total other comprehensive (loss) / profit	(2,077,737)	11,587	(2,066,150)
Realised loss on investments at FVOCI owned by the group (below)	37,022	-	37,022
Share of realised loss on investment at FVOCI owned by an associate	696,792	-	696,792
Balance at 30 September 2019 (Unaudited)	(1,434,796)	34,383	(1,400,413)
Balance at 31 December 2017 (Audited)	1,932,439	5,155	1,937,594
Adjustments arising on adoption of IFRS 9 on 1 January 2018 by an associate	(60,066)	-	(60,066)
Balance at 1 January 2018 (Restated)	1,872,373	5,155	1,877,528
Share of other comprehensive (loss)/ income of associates	(2,090,501)	10,178	(2,080,323)
Investments at fair value through other comprehensive income: - Net change in fair value arising during the period	(358,013)	-	(358,013)
Total other comprehensive (loss)/income for the period	(2,448,514)	10,178	(2,438,336)
- Share of realised loss on investment at FVOCI owned by an associate	84,146	-	84,146
Balance at 30 September 2018 (Unaudited)	(491,995)	15,333	(476,662)

During the period, an investment at fair value through OCI amounted to KD5,828 has been sold to a related party which resulted in a loss amounted to KD37,874 which has been recognised in the accumulated losses included in equity (Note 10).

Notes to the interim condensed consolidated financial information (continued)

9 Annual general assembly

The annual general assembly of the parent company's shareholders held on 22 May 2019 has approved the consolidated financial statements for the financial year ended 31 December 2018 and has also approved the board of directors' proposal not to distribute any dividends for the financial year ended 31 December 2018 (31 December 2017: KD Nil).

10 Related party balances and transactions

Related parties represent major shareholders, subsidiaries and associates, 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. Transactions between the Parent company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

Details of significant related party balances and transactions are as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Interim condensed consolidated statement of financial position:			
Due from related parties- net of provision (included in receivables and other assets)	42,727	42,117	379,871
Due from associates – net of provision (included in receivables and other assets)	1,015	1,015	75,153
Due to related parties – (included in payables and other liabilities)	12,814,987	12,362,650	12,936,815
Realised loss on investments at FVOCI owned (note 8)	37,874	-	-

- Due to related parties include balances amounting to KD1,478,371 (31 December 2018: KD1,478,371 and 30 September 2018: KD1,478,371) which carry interest rate of 5 % (31 December 2018: 5% and 30 September 2018: 5%) per annum are secured against investment in associates (note 6) and investments at fair value through other comprehensive income (note 7).
- Due to related parties include balances amounting to KD359,469, which carry interest rate of Nil (31 December 2018: 4.5% to 4.75% and 30 September 2018) and are secured against 5% of the share capital of Al-Deera International Communication Company: a subsidiary to the group.
- Due to related parties includes a balance of KD5,633,702 (31 December 2018: KD5,633,702 and 30 September 2018: KD5,633,702) which carries interest rate of 7% (31 December 2018: 7% and 30 September 2018: 7%) and is secured against investment in associates (note 6), investments at fair value through other comprehensive income (note 7) and investments at fair value through profit or loss.

Notes to the interim condensed consolidated financial information (continued)

10 Related party balances and transactions (continued)

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Interim condensed consolidated statement of profit or loss:				
Other income	-	128,079	-	128,079
Finance costs (other related parties)	119,429	130,124	354,393	385,471
Consulting fees	24,000	24,000	72,000	72,000
Compensation of key management personnel:				
Salaries and other short-term benefits	25,804	50,691	97,304	93,000
Employees' end of service benefits	6,520	3,602	9,720	18,144
	32,324	54,293	107,030	111,144

11 Segmental information

The group operates in one sector which is "investments". Most of the group's assets and operations are located inside Kuwait.

	Investments		Total	
	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Nine months ended:				
Segment revenue	860,994	634,922	860,994	634,922
Profit/(loss) for the period	107,981	(42,856)	107,981	(42,856)
Three months ended:				
Segment revenue	88,198	468,317	88,198	468,317
(Loss)/profit for the period	(250,638)	190,689	(250,638)	190,689
Total assets	20,288,447	22,354,161	20,288,447	22,354,161
Total liabilities	15,381,195	15,893,950	15,381,195	15,893,950

12 Fair value measurement

12.1 Fair value hierarchy

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

Notes to the interim condensed consolidated financial information (continued)

12 Fair value measurement (continued)

12.1 Fair value hierarchy (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 measured at fair value on a recurring basis in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

30 September 2019 (Unaudited)	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through profit or loss				
Investment portfolios	9,197	-	-	9,197
Investments at fair value through other comprehensive income				
Investment portfolios	1,728,161	-	-	1,728,161
Equity participations	-	-	648,001	648,001
	1,737,358	-	648,001	2,385,359
31 December 2018 (Audited)				
Investments at fair value through profit or loss				
Investment portfolios	8,769	-	-	8,769
Investments at FVTOCI				
Investment portfolios	2,187,977	-	-	2,187,977
Equity participations	-	-	745,337	745,337
	2,196,746	-	745,337	2,942,083
30 September 2018 (Unaudited)				
Investments at fair value through profit or loss				
Investment portfolios	10,224	-	-	10,224
Investments at fair value through other comprehensive income				
Investment portfolios	1,513,726	-	-	1,513,726
Equity participations	-	-	1,198,826	1,198,826
	1,523,950	-	1,198,826	2,722,776

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

Notes to the interim condensed consolidated financial information (continued)

12 Fair value measurement (continued)

12.1 Fair value hierarchy (continued)

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 measurement of 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:

	(Unquoted securities)		
	(Investments at fair value through OCI) 30 Sept. 2019 (Unaudited) KD	(Investments at fair value through OCI) 31 Dec. 2018 (Audited) KD	(Investments at fair value through OCI) 30 Sept. 2018 (Unaudited) KD
Opening balance at the beginning of the period/year	745,337	1,177,625	1,177,625
Transfer during the period/year	-	43,229	43,229
Transferred to level 1 during the period /year	-	(404,856)	-
Disposals during the period /year	(97,336)	(47,375)	-
Change in fair value during the period/year	-	(23,286)	(22,098)
Closing balance at the end of period/year	648,001	745,337	1,198,826

The group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

The fair value of financial instruments that are not traded in an active market (e.g. local unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the reporting date.

The investment managers in determining the fair value of these investments use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the interim condensed consolidated statement of profit or loss and other comprehensive income, total assets, total liabilities or total equity.

Notes to the interim condensed consolidated financial information (continued)

12 Fair value measurement (continued)

12.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements (continued)

The impact on consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

13 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements for the year ended 31 December 2018.

14 Legal cases

The management of the Parent Company filed legal cases against the Tax Department of the Ministry of Finance with regard to method of calculation of National Labour Support Tax and Zakat provision especially with respect to unrealised income items. Appeal judgements were issued in favour of the Parent Company and those legal cases are still under litigation at the Court of Cassation. The total amounts in dispute have been recognised in payables and other liabilities with a total of KD573,911. In case the Court of Cassation ruled in favour of the Parent Company, those amounts will be reflected as part of the revenue within the consolidated statement of profit or loss of the Group.