National International Holding Company K.S.C.P.
And its subsidiaries
State of Kuwait

Interim Condensed Consolidated Financial Information
And Review Report
For the nine months period ended 30 September 2018
(Unaudited)

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INDEX

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National International Holding Company K.S.C.P.

State of Kuwait

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National International Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (together referred to as "the Group") as at 30 September 2018, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine months 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 Standard No. (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 No. (34) "Interim Financial Reporting".

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, the executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine months period ended 30 September 2018 that might have had a material effect on the business of the Group or on its consolidated financial position.

Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche, Al-Wazzan & Co.

Kuwait, 31 October 2018

National International Holding Company K.S.C.P.
And its subsidiaries
State of Kuwait

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

(All amounts are in Kuwaiti Dinar)

	Note	30 September 2018	31 December 2017 (Audited)	30 September 2017
Assets				
Cash and cash equivalents	4	542,058	845,380	443,756
Financial assets at fair value through profit or loss	5	6,193,915	72,772	85,954
Accounts receivable and other assets		1,776,379	1,622,014	1,849,853
Inventories		1,052,836	1,020,780	1,039,580
Financial assets at fair value through OCI	5	15,451,368	-	-
Financial assets available for sale	5	-	22,205,975	16,448,344
Investment in associates	6	7,457,311	7,175,716	17,490,652
Investment properties	7	4,613,130	2,463,130	2,605,819
Furniture and equipment		4,110,455	3,991,993	4,010,203
Assets classified as held for sale		4,576,054	4,576,054	-
Total assets		45,773,506	43,973,814	43,974,161
Liabilities and equity				
Liabilities				
Bank facilities		2,679,342	2,846,044	375,635
Murabaha payable		-	-	2,511,709
Accounts payable and other liabilities		2,288,222	2,470,081	2,448,809
Total liabilities		4,967,564	5,316,125	5,336,153
Equity				
Share capital		21,687,750	21,687,750	21,687,750
Share premium		2,813,184	2,813,184	2,813,184
Statutory reserve		706,279	706,279	560,389
Cumulative changes in fair values reserve		10,284,618	11,172,435	11,255,425
Treasury shares	8	(1,906,792)	(1,906,792)	(1,873,467)
Treasury shares reserve		318,561	318,561	318,561
Group's share in associate's reserves		68,870	-	-
Retained earnings		4,610,936	3,866,272	3,876,166
Total equity		38,583,406	38,657,689	38,638,008
Non-controlling Interest		2,222,536	-	-
Total liabilities and equity		45,773,506	43,973,814	43,974,161

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

Abdul Wahab Mohamed Al-Wazzan
Chairman

Mamdouh Abdul Ghani El Sherbiny
Chief Executive Officer

National International Holding Company K.S.C.P.
And its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Income for the nine months period ended 30 September 2018 (Unaudited)

(All amounts are in Kuwaiti Dinar)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
Revenues					
Net investment income	9	(21,396)	5,010	1,127,351	1,182,033
Share of results of an associate		71,663	-	262,948	(34,281)
Share of results of associates		-	21,911	-	21,911
Profit from operating activities		468,465	286,191	1,362,361	1,070,648
Other income		48,762	80,330	101,604	95,641
		567,494	393,442	2,854,264	2,335,952
Expenses					
Other expenses		(377,547)	(337,862)	(1,137,378)	(986,079)
Finance costs		(21,995)	(19,018)	(114,512)	(58,009)
Profit for the period before deductions		167,952	36,562	1,602,374	1,291,864
Contribution to KFAS		(1,547)	(329)	(14,421)	(11,627)
National Labour Support Tax		(5,233)	(1,690)	(41,811)	(33,491)
Zakat		(2,093)	(311)	(6,017)	(11,771)
Profit for the period		159,079	34,232	1,540,125	1,234,975
Attributable to:					
Shareholders of the Parent Company		87,966	34,232	1,413,959	1,234,975
Non-controlling interests		71,113	-	126,166	-
		159,079	34,232	1,540,125	1,234,975
Basic and diluted earnings per share (fils)	10	0.44	0.17	7.06	6.11

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

National International Holding Company K.S.C.P.
And its subsidiaries
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Interim Condensed Consolidated Statement of Comprehensive Income for the nine months period ended 30 September 2018
(Unaudited)

(All amounts are in Kuwaiti Dinar)

	Three months ended 30 September		Nine months ended 30 September	
	2018	**2017**	**2018**	**2017**
Profit for the period	159,079	34,232	1,540,125	1,234,975
Other comprehensive income items:				
Items that are or may be reclassified subsequently to the interim condensed consolidated statement of income:				
Change in fair value of available for sale investments	-	145,761	-	645,099
Group's share in associate's reserves	971		68,870	
Reclassified to interim condensed consolidated statement of income on impairment	-	-	-	21,569
Reclassified to interim condensed consolidated statement of income on sale	-	(8,115)	-	30,697
	-			
Items that will not be reclassified subsequently to interim condensed consolidated statement of income:				
Change in fair value of equity investments at fair value through other comprehensive income	(53,595)	-	(500,152)	-
Other comprehensive income items for the period	(52,624)	137,646	(431,282)	697,365
Total comprehensive income for the period	106,455	171,878	1,108,843	1,932,340
Attributable to:				
Shareholders of the Parent Company	35,342	171,878	982,677	1,932,340
Non-controlling interests	71,113	-	126,166	-
	106,455	171,878	1,108,843	1,932,340

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

National International Holding Company K.S.C.P.
And its subsidiaries
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Interim Condensed Consolidated Statement of Changes in Equity for the nine months period ended 30 September 2018 (Unaudited)

(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Statutory reserve	Cumulative changes in fair values reserve	Treasury shares	Treasury shares reserve	Group's share in associate's reserves	Retained earnings	Total equity to the shareholders of the Parent Company	Non-controlling interests	Total
As at 1 January 2018	21,687,750	2,813,184	706,279	11,172,435	(1,906,792)	318,561	-	3,866,272	38,657,689	-	38,657,689
Impact on adoption of IFRS 9 (Note 2.2)	-	-	-	(382,361)	-	-	-	292,163	(90,198)	-	(90,198)
Restated balance at 1 January 2018	21,687,750	2,813,184	706,279	10,790,074	(1,906,792)	318,561	-	4,158,435	38,567,491	-	38,567,491
Profit for the period	-	-	-	-	-	-	-	1,413,959	1,413,959	126,166	1,540,125
Other comprehensive income items for the period	-	-	-	(500,152)	-	-	68,870	-	(431,282)	-	(431,282)
Total comprehensive income for the period	-	-	-	(500,152)	-	-	68,870	1,413,959	982,677	126,166	1,108,843
Cash dividends	-	-	-	-	-	-	-	(1,001,436)	(1,001,436)	-	(1,001,436)
Gains on sale of financial assets at fair value through OCI	-	-	-	(5,304)	-	-	-	5,304	-	-	-
Disposal of share in a subsidiary	-	-	-	-	-	-	-	-	-	2,131,044	2,131,044
Effect of impairment of Parent Company's contribution in a subsidiary (Note 1)	-	-	-	-	-	-	-	34,674	34,674	(34,674)	-
As at 30 September 2018	21,687,750	2,813,184	706,279	10,284,618	(1,906,792)	318,561	68,870	4,610,936	38,583,406	2,222,536	40,805,942
As at 1 January 2017	21,687,750	2,813,184	560,389	10,558,060	(1,711,249)	318,561	-	2,641,191	36,867,886	-	36,867,886
Profit for the period	-	-	-	-	-	-	-	1,234,975	1,234,975	-	1,234,975
Other comprehensive income items for the period	-	-	-	697,365	-	-	-	-	697,365	-	697,365
Total comprehensive income for the period	-	-	-	697,365	-	-	-	1,234,975	1,932,340	-	1,932,340
Purchase of treasury shares	-	-	-	-	(162,218)	-	-	-	(162,218)	-	(162,218)
As at 30 September 2017	21,687,750	2,813,184	560,389	11,255,425	(1,873,467)	318,561	-	3,876,166	38,638,008	-	38,638,008

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

Notes to the Interim Condensed Consolidated Financial Information for the nine months period ended 30 September 2018
(Unaudited)
(All amounts are in Kuwaiti Dinar unless otherwise stated)

	Note	Nine months ended 30 September	
		2018	**2017**
Cash flow from operating activities			
Profit for the period		1,540,125	1,234,975
Adjustments:			
Net investment income	9	(1,127,351)	(1,182,033)
Share of result of an associate		(262,948)	34,281
Gain on partial disposal of an associate		-	(21,911)
Provision for doubtful debts		-	11,200
Depreciation		38,510	109,546
Profits from sale of furniture and equipment		(1,962)	-
Provision for employees' end of service benefits		96,793	76,687
Finance costs		114,512	58,009
Operating profits before changes in working capital		397,679	320,754
Accounts receivable and other assets		(154,365)	(303,238)
Financial assets at fair value through profit or loss		484,938	51,638
Inventories		(32,056)	212,724
Accounts payable and other liabilities		(877,430)	(351,257)
Provision for employees' end of service benefits – paid		(26,394)	-
Net cash used in operating activities		(207,628)	(69,379)
Cash flow from investing activities			
Purchase of financial assets available for sale		-	(889,981)
Proceeds from sale of financial assets available for sale		223,818	1,819,985
Purchase of shares in associate		(39,975)	-
Acquisition of an associate		-	(7,087,092)
Proceeds from partial disposal of an associate		-	425,000
Purchase of furniture and equipment		(157,010)	(72,615)
Proceeds from sale of furniture and equipment		2,000	-
Dividends income received		1,097,473	960,879
Net cash generated from /(used in) investing activities		1,126,306	(4,843,824)
Cash flow from financing activities			
Changes in non-controlling interests		(18,956)	-
Net changes in bank facilities		(166,702)	1,107,470
Finance costs paid		(114,512)	(58,009)
Cash dividends paid		(921,830)	-
Purchase of treasury shares		-	(162,218)
Net cash (used in)/generated from financing activities		(1,222,000)	887,243
Decrease in cash and cash equivalents		(303,322)	(4,025,960)
Cash and cash equivalents at the beginning of the period		845,380	4,094,081
Cash and cash equivalents at the end of the period	4	542,058	68,121

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

1. Incorporation and activities

The Parent Company is a Kuwaiti Public Shareholding Company registered and incorporated in Kuwait on 14 January 1979 whose shares are listed on the Kuwait Stock Exchange and the Dubai Financial Market. The Parent Company is engaged in investing activities in both local and international markets as set forth in Article No. 5 of the Parent Company's Articles of Association. The Parent Company is regulated by the Capital Market Authority ("CMA").

The registered office of the Parent Company is located at Al –Raya Tower 2, Floor 45, Abdulaziz Al-Saqer Street, P.O. Box 25825 Safat Kuwait.

The interim condensed consolidated financial information includes the financial statements of the Parent Company and its subsidiaries, together referred to as "the Group" as follows:

Company Name	Country of incorporation	Principal activity	Equity interest (%)		
			30 September 2018	31 December 2017 (Audited)	30 September 2017
Al Oula National Real Estate Company *sole proprietorship*	Kuwait	Real estate activities	100	100	100
Al Ghad Project Management Company *sole proprietorship*	Kuwait	Real estate projects management	100	100	100
Al Ghad International General Trading W.L.L.	Kuwait	General Trading	100	100	100
Ahlia Chemicals Company K.S.C.C.	Kuwait	Manufacturing	62.6	100	100
Smart Wood for General Trading Company W.L.I	Kuwait	General Trading	100	-	-

During the period, a share of 37.4% of Ahlia Chemicals Company K.S.C.C. "subsidiary" has been sold against obtaining property assets with an amount of KD 2,150,000 which has been classified as investment properties (Note 7), therefore the Group's holding in this subsidiary has been reduced from 100% to 62.6%, and recognized an amount of KD 34,674 into equity which represents the difference between the fair value of the property assets and net book value of the subsidiary.

The Group has pledged 60.7% of Ahlia Chemicals Company's shares against credit facilities granted by a local bank.

The Group does not have any subsidiaries with non-controlling interests.

The consolidated financial statements for the year ended 31 December 2017 were approved in the general assembly of the shareholders dated 8 May 2018 and also approved Board of Directors' recommendation to distribute dividends of 5% (5 fils per share) and Board of Directors remuneration for the financial year 2017.

This interim condensed consolidated financial information was approved for issue by the Board of Directors in the meeting held on 31 October 2018.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

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

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

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

2.2 Significant accounting policies

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

2.2.1 Impact of application of IFRS 9 Financial Instruments

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

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

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

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

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

2.2.1.1 Changes in accounting policy

Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

The financial assets are classified as follows:

- Amortised cost
- Equity instruments designated as at FVTOCI
- Financial assets at FVTPL

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

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

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

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

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

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

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

Amortised cost

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

Interest income is recognized in the consolidated statement of income.

Equity instruments designated as at FVTOCI

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

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

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

Financial assets at FVTPL

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

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

The net gain or loss recognised in statement of income includes any dividend or interest earned on the financial assets. Fair value is determined in the manners described in Note 12.

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

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

Foreign exchange gains and losses

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

Derecognition of financial liabilities

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

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

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

	Retained Earnings	Fair value reserve
Closing balance under IAS 39 (31 December 2017)	**3,866,272**	**11,172,435**
Impact on reclassification and re-measurements:		
Investment securities from available for sale to FVTPL	382,361	(382,361)
IFRS 9 ECL on financial assets at amortized cost (share of associate ECL)	(90,198)	-
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**4,158,435**	**10,790,074**

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

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Re-measurement ECL	New carrying amount under IFRS 9
Investments in equity instruments (Note 5)	Available-for-sale investments	FA at FVTPL	6,649,228	-	6,649,228
Investments in equity instruments (Note 5)	Available-for-sale investments	FA at FVTOCI	15,556,747	-	15,556,747
Receivables	Loans and receivables	FA at amortised cost	1,622,014	-	1,622,014
Cash and bank balances (Note 4)	Loans and receivables	FA at amortised cost	845,380	-	845,380
Accounts payables and borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	5,316,125	-	5,316,125

The Group's management has assessed that the impact of the application of IFRS 9 as of 1 January and 30 September 2018 is not significant in terms of expected credit losses to the financial information and therefore, no adjustments were made to the financial assets, financial liabilities and retained earnings except for the impact of reclassification on 1 January 2018.

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

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It established a new five-step model that will apply to revenue arising from contracts with customers as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group adopted IFRS 15 'Revenue from Contracts with Customers' resulting in no change in the revenue recognition policy of the company in relation to its contracts with customers. Further, adoption of IFRS 15 had no impact on this interim condensed consolidated financial information of the Group.