

**COAST INVESTMENT & DEVELOPMENT
COMPANY K.S.C.P. AND SUBSIDIARIES**

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

30 SEPTEMBER 2018

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Coast Investment & Development Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, “the Group”) as at 30 September 2018, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and nine-month period then ended, and the related interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

Except as explained in the following paragraph, we conducted our review in accordance with the 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.

Basis for Qualified Conclusion

As stated in Note 2.2 of the interim condensed consolidated financial information, IFRS 9 ‘*Financial Instruments*’ is effective for annual reporting periods beginning on or after 1 January 2018. The Group is still in the process of evaluating the potential effect of the new measurement requirements of this Standard relating to certain equity securities classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss at the date of initial application and as at 30 September 2018. Consequently, we were unable to determine whether any adjustments might be necessary to the interim condensed consolidated financial information.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

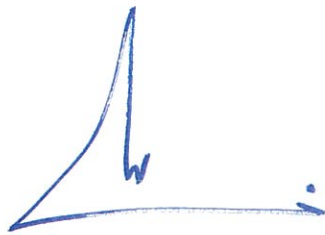
Qualified Conclusion

Except for the adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been for the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Report on 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, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine-month period ended 30 September 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations and Law No.7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2018 that might have had a material effect on the business of the Parent Company or on its financial position.



BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN AL OSAIMI & PARTNERS

1 November 2018
Kuwait

Coast Investment & Development Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the nine months ended 30 September 2018

	<i>Notes</i>	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 September</i>		<i>30 September</i>	
		<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Net investment income		343,786	108,414	1,253,087	479,593
Management fees		87,923	112,082	276,088	470,004
Other income		7,314	29,839	8,172	75,376
Share of results of associates	4	524,766	361,203	(244,857)	390,868
Impairment loss on available-for-sale financial assets		-	(45,611)	-	(56,654)
General and administrative expenses		(278,679)	(264,871)	(886,229)	(981,008)
Depreciation		(2,666)	(2,474)	(7,919)	(6,463)
Finance costs		(759)	(1,049)	(3,079)	(3,283)
Net foreign exchange differences		24,653	70,659	(66,875)	322,169
Profit for the period before tax		706,338	368,192	328,388	690,602
National Labour Support Tax ("NLST")		(9,901)	(9,310)	(9,901)	(18,570)
Zakat		(2,826)	(3,726)	(2,826)	(7,426)
Profit for the period		693,611	355,156	315,661	664,606
Basic and diluted earnings per share attributable to equity holders of the Parent Company	3	1 fils	1 fils	1 fils	1 fils

The attached notes 1 to 9 form part of the interim condensed consolidated financial information.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)

For the nine months ended 30 September 2018

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>
Profit for the period	693,611	355,156	315,661	664,606
Other comprehensive (loss) income:				
<i>Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:</i>				
Available-for-sale financial assets (IAS 39):				
- Net gain arising during the period	-	(46,305)	-	(238,470)
- Transferred to interim condensed consolidated statement of profit or loss on disposal/impairment	-	12,672	-	12,672
Net gain on available-for-sale financial assets	-	(33,633)	-	(225,798)
Share of other comprehensive income of associates	830,778	319,958	173,048	531,525
Exchange differences on translation of foreign operations	(375,544)	491,915	(410,962)	1,823,988
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods	455,234	778,240	(237,914)	2,129,715
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Share of other comprehensive (loss) income of associates	(180,767)	8,428	(180,767)	873,596
Net other comprehensive (loss) income not being reclassified to profit or loss in subsequent periods	274,467	786,668	(418,681)	3,003,311
Other comprehensive (loss) income	274,467	786,668	(418,681)	3,003,311
Total comprehensive (loss) income for the period	968,078	1,141,824	(103,020)	3,667,917
Attributable to:				
Equity holders of the Parent Company	967,391	1,141,240	(103,664)	3,668,113
Non-controlling interest	687	584	644	(196)
Total comprehensive (loss) income for the period	968,078	1,141,824	(103,020)	3,667,917

The attached notes 1 to 9 form part of the interim condensed consolidated financial information.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
As at 30 September 2018

	<i>Notes</i>	<i>30 September 2018 KD</i>	<i>(Audited) 31 December 2017 KD</i>	<i>30 September 2017 KD</i>
ASSETS				
Non-current assets				
Property, plant and equipment		1,084,055	1,081,319	1,080,047
Investment property		151,550	150,875	151,075
Investment in associates	4	36,715,094	38,253,650	36,353,179
Available-for-sale financial assets		-	11,910,095	13,187,343
Financial assets at fair value through profit or loss		10,998,274	-	-
Financial assets at fair value through other comprehensive income		2,985,256	-	-
Other assets		2,201,139	3,107,435	2,908,461
		54,135,368	54,503,374	53,680,105
Current assets				
Financial assets at fair value through profit or loss		28,486	17,388	220,181
Prepayments and other assets		327,444	579,856	394,198
Cash and cash equivalents		4,788,759	4,404,557	3,782,168
		5,144,689	5,001,801	4,396,547
TOTAL ASSETS		59,280,057	59,505,175	58,076,652
EQUITY AND LIABILITIES				
EQUITY				
Share capital		62,529,315	62,529,315	62,529,315
Statutory reserve		11,647,495	11,647,495	11,647,495
Voluntary reserve		1,991,146	1,991,146	1,991,146
Treasury shares	5	(4,775,819)	(4,775,819)	(4,775,819)
Treasury shares reserve		25,702	25,702	25,702
Other reserves		125,246	306,013	269,097
Foreign currency translation reserve		2,069,065	2,307,623	1,725,978
Fair value reserve		-	247,064	1,064,980
Accumulated losses		(16,115,206)	(16,677,931)	(18,195,794)
Equity attributable to equity holders of the Parent Company		57,496,944	57,600,608	56,282,100
Non-controlling interests		32,349	31,705	31,358
TOTAL EQUITY		57,529,293	57,632,313	56,313,458
LIABILITIES				
Non-current liabilities				
End of service benefits		328,842	258,795	243,760
		328,842	258,795	243,760
Current liabilities				
Other liabilities		1,421,922	1,614,067	1,519,434
		1,421,922	1,614,067	1,519,434
TOTAL LIABILITIES		1,750,764	1,872,862	1,763,194
TOTAL EQUITY AND LIABILITIES		59,280,057	59,505,175	58,076,652



Anwar Jassim Al-Kharafi
Chairman



Thamer Nabeel Al Neseef
Chief Executive Officer

The attached notes 1 to 9 form part of the interim condensed consolidated financial information.

Coast Investment & Development Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2018

	Attributable to equity holders of the Parent Company										Total KD	
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Treasury shares KD	Treasury shares reserve KD	Other reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Accumulated losses KD		Sub-total KD
Balance at 1 January 2018 before the adoption of IFRS 9 (Audited)	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	306,013	2,307,623	247,064	(16,677,931)	57,600,608	31,705	57,632,313
Transition adjustment on initial application of IFRS 9 at 1 January 2018 (Note 2.2)	-	-	-	-	-	-	-	(247,064)	247,064	-	-	-
Adjusted balance as at 1 January 2018	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	306,013	2,307,623	-	(16,430,867)	57,600,608	31,705	57,632,313
Profit for the period	-	-	-	-	-	-	-	-	315,661	315,661	-	315,661
Other comprehensive (loss) income for the period	-	-	-	-	-	(180,767)	(238,558)	-	-	(419,325)	644	(418,681)
Total comprehensive (loss) income for the period	-	-	-	-	-	(180,767)	(238,558)	-	315,661	(103,664)	644	(103,020)
Balance at 30 September 2018	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	125,246	2,069,065	-	(16,115,206)	57,496,944	32,349	57,529,293
As at 1 January 2017 (Audited)	62,529,315	11,647,495	1,991,146	(5,214,557)	235,947	(604,499)	(629,731)	1,290,778	(18,860,400)	52,385,494	31,554	52,417,048
Profit for the period	-	-	-	-	-	-	-	-	664,606	664,606	-	664,606
Other comprehensive income (loss) for the period	-	-	-	-	-	873,596	2,355,709	(225,798)	-	3,003,507	(196)	3,003,311
Total comprehensive income (loss) for the period	-	-	-	-	-	873,596	2,355,709	(225,798)	664,606	3,668,113	(196)	3,667,917
Sale of treasury shares	-	-	-	438,738	(210,245)	-	-	-	-	228,493	-	228,493
As at 30 September 2017	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	269,097	1,725,978	1,064,980	(18,195,794)	56,282,100	31,358	56,313,458

The attached notes 1 to 9 form part of the interim condensed consolidated financial information.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the nine months ended 30 September 2018

	<i>Nine months ended 30 September</i>	
	<i>2018 KD</i>	<i>2017 KD</i>
OPERATING ACTIVITIES		
Profit for the period before tax	328,388	690,602
<i>Adjustments to reconcile profit before tax to net cash flows:</i>		
Share of results of associates	244,857	(390,868)
Unrealised (gain) loss on financial assets at fair value through profit or loss	(514,671)	9,541
Dividend income	(116,538)	-
Interest income	(78,519)	-
Net gain on sale of financial assets available for sale	-	(491,114)
Impairment loss on available-for-sale financial assets	-	56,654
Depreciation	7,919	6,463
Finance costs	3,079	3,283
Tax expense	-	(25,996)
End of service benefits	70,047	72,905
	(55,438)	(68,530)
<i>Working capital adjustments:</i>		
Financial assets at fair value through profit or loss	(1,569,862)	(227,458)
Other assets	1,080,189	247,401
Other liabilities	(204,872)	(158,750)
Cash used in operations	(671,464)	(207,337)
End of service benefits paid	-	(12,566)
Net cash flows used in operating activities	(671,464)	(219,903)
INVESTING ACTIVITIES		
Purchase of property and equipment	(10,655)	(16,537)
Proceeds from disposal/ redemption of available-for-sale financial assets	-	1,757,169
Purchase of financial assets available for sale	-	(844,515)
Proceeds on capital redemption from an associate	875,010	1,182,446
Dividend income received	116,538	-
Interest income received	78,519	-
Finance costs paid	(3,079)	(3,283)
Net cash flows from investing activities	1,056,333	2,075,280
FINANCING ACTIVITIES		
Proceeds from sale of treasury shares	-	228,493
Net cash flows from financing activities	-	228,493
Net foreign exchange differences	(666)	153,402
NET INCREASE IN CASH AND CASH EQUIVALENTS	384,202	2,237,272
Cash and cash equivalents at 1 January	4,404,557	1,544,896
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4,788,759	3,782,168

The attached notes 1 to 9 form part of the interim condensed consolidated financial information.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

1 INCORPORATION AND ACTIVITIES

The interim condensed consolidated financial information of the Coast Investment & Development Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the nine months ended 30 September 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 1 November 2018.

The Parent Company is a public shareholding company incorporated in Kuwait on 29 July 1975 and whose shares are publicly traded on Boursa Kuwait. The Parent Company is registered with the Central Bank of Kuwait ("CBK") as an investment company and is subject to the supervision of the Capital Markets Authority of Kuwait ("CMA"). The Parent Company is engaged in various types of investment management activities such as private equity, asset management and real estate investments in local and international markets.

The Parent Company's registered office is located at Al Shuhada Street, Sharq and its registered postal address is P.O. Box 26755, Safat 13128, State of Kuwait.

The annual general assembly meeting (AGM) of the shareholders of the Parent Company for the year ended 31 December 2017 held on 7 May 2018 approved the consolidated financial statements for the year ended 31 December 2017. No dividends were declared by the shareholders of the Parent Company.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the nine months ended 30 September 2018 are prepared in accordance the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards ("IFRSs") except for International Financial Reporting Standards 9 ("IFRS 9"): Financial Instruments requirement for the expected credit losses on credit facilities, which have been replaced by CBK's regulations.

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

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

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
(continued)**

**2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)**

IFRS 9 'Financial Instruments'

The Group's adoption of IFRS 15 did not result in a change in the revenue recognition policy of the Group in relation to its contracts with customers. Further, the adoption of IFRS 15 had no impact on this interim condensed consolidated financial information of the Group.

IFRS 9 *Financial Instruments* replaces IAS 39 "*Financial Instruments: Recognition and Measurement*" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

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

a) Classification of financial assets and financial liabilities

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

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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

The SPPI test

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
(continued)**

**2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
(continued)**

IFRS 9 Financial Instruments (continued)

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

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

b) Measurement categories of financial assets and liabilities

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

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

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Debt instruments at amortised cost

Classification

A financial asset which is a debt instrument, is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

Bank balances, short-term deposits, and other assets are classified as debt instruments at amortised cost.

Subsequent measurement

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

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity. Equity investments at FVOCI are included in investment securities in the statement of financial position.

Coast Investment & Development Company K.S.C.P. and Subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 Financial Instruments (continued)

Financial assets at FVTPL

The Group classifies financial assets fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, financing income and dividends are recorded in profit or loss according to the terms of the contract, or when the right to payment has been established.

c) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. With exception to loans and advances for which the Group continues to apply impairment requirements under CBK regulations, the Group has applied the Standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Accordingly, the measurement of receivables under IFRS 9 does not have material impact on interim condensed consolidated financial information for the Group.

d) Hedge accounting

The Group applied hedge accounting prospectively. At the date of the initial application, the Group's has no existing hedging relationships.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied with effect from 1 January 2018, as described below:

- a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.
- b) The following assessments have been made based on the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

At 31 December 2017 and 30 September 2017, certain unquoted equity instruments amounting to KD 4,635,256 and KD 4,740,932 respectively, that do not have a quoted price in an active market and whose fair value cannot be measured reliably where accounted at cost less impairment (in accordance with IAS 39). The Group is still in the process of evaluating the impact of the new measurement requirement of this standard on these instruments, and accordingly the impact of adopting IFRS 9 on initial application relating to the measurement of equity instruments is not disclosed.

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**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
 (continued)**

**2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
 (continued)**

IFRS 9 Financial Instruments (continued)

Impact of Adopting IFRS 9

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

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

	<i>Original classification under IAS 39</i>	<i>New classification under IFRS 9</i>	<i>Original carrying amount under IAS 39</i>	<i>Transition adjustment *</i>	<i>New carrying amount under IFRS 9</i>
			<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Financial assets:</i>					
Money at call and short notice	Loans and receivables	Amortised cost	2,922,206	-	2,922,206
Cash and cash equivalents	Loans and receivables	Amortised cost	1,482,351	-	1,482,351
Financial assets at fair value through profit or loss	FVTPL	FVTPL	17,388	-	17,388
Available-for-sale financial assets (AFS) (a)	AFS	FVTPL	8,924,840	-	8,924,840
Available-for-sale financial assets (AFS)	AFS	FVOCI	2,985,255	-	2,985,255
Other assets (b)	Loans and receivables	Amortised cost	3,687,291	-	3,687,291
			<u>20,019,331</u>	<u>-</u>	<u>20,019,331</u>

* Certain unquoted equity securities amounting to KD 1,650,000 and KD 2,985,255 have been reclassified to FVTPL and FVOCI respectively, on the date of initial application date of IFRS 9 and have not been remeasured as per the measurement requirements of this Standard.

- (a) Certain managed funds classified as AFS which do not meet the IFRS 9 criteria for classification at amortised, because their cash flows do not represent solely payments of principal and interest have been reclassified to FVTPL.
- (b) The financial assets at amortised cost are after reclassifications and adjustments arising from the adoption of IFRS 9 and include receivables and other financial assets at amortised cost, but exclude cash and cash equivalents and term deposits.

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

The following table analysis the impact of transition to IFRS 9 on accumulated losses and equity reserves.

	<i>Accumulated losses KD</i>	<i>Fair value reserve KD</i>
Closing balance under IAS 39 (31 December 2017)	(16,677,931)	247,064
<i>Impact on reclassification and re-measurements:</i>		
Reclassification of debt instruments from AFS to FVTPL	<u>247,064</u>	<u>(247,064)</u>
Opening balance under IFRS 9 on date of initial application of 1 January 2018	<u>(16,430,867)</u>	<u>-</u>

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**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
 (continued)**

**2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP
 (continued)**

Judgments, estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following judgments, which has the most significant effect in the amounts recognised in the interim condensed consolidated financial information:

Classification of financial assets- policy applicable from 1 January 2018

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets at amortised cost- policy applicable from 1 January 2018

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period

3 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 KD</i>	<i>2017 KD</i>	<i>2018 KD</i>	<i>2017 KD</i>
Profit for the period attributable to equity holders of the Parent Company	<u>693,611</u>	<u>355,156</u>	<u>315,661</u>	<u>664,606</u>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares	<u>625,293,152</u>	<u>625,293,152</u>	<u>625,293,152</u>	<u>625,293,152</u>
Less: weighted average number of treasury shares	<u>(40,820,086)</u>	<u>(40,820,086)</u>	<u>(40,820,086)</u>	<u>(41,204,701)</u>
Weighted average number of shares	<u>584,473,066</u>	<u>584,473,066</u>	<u>584,473,066</u>	<u>584,088,451</u>
Basic and diluted EPS (fils)	<u>1 fils</u>	<u>1 fils</u>	<u>1 fils</u>	<u>1 fils</u>

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

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4 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	Domicile	Equity interest %			Principal activities	Carrying value		
		30 September 2018	31 December 2017 (Audited)	30 September 2017		30 September 2018 KD	31 December 2017 (Audited) KD	30 September 2017 KD
Rico GmbH Kuwaiti German Holding Company K.S.C. (Closed) ("KGH")	Germany	23.73	23.73	23.73	Manufacturing	2,629,141	2,581,104	2,597,992
Weinig International A.G. ("Weinig")	Kuwait	23.41	23.41	23.41	Investing activities	16,633,170	17,952,851	17,078,629
	Germany	12.37	12.37	12.37	Manufacturing	17,452,783	17,719,695	16,676,558
						36,715,094	38,253,650	36,353,179

KGH has a direct ownership of 52% in Weinig.

	30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD
Opening balance	38,253,650	34,066,863	34,066,863
Capital redemption	(875,010)	(1,505,236)	(1,338,205)
Share of (loss) profit	(244,857)	1,838,465	390,868
Share of other comprehensive (loss) income	(7,719)	1,725,711	1,405,121
Foreign currency translation adjustments	(410,970)	2,127,847	1,828,532
Group's share in equity	36,715,094	38,253,650	36,353,179
Goodwill	(12,395,508)	(12,620,304)	(12,473,786)
Group's carrying amount of investment in associates	24,319,586	25,633,346	23,879,393

5 TREASURY SHARES

	30 September 2018	(Audited) 31 December 2017	30 September 2017
Number of treasury shares	40,820,086	40,820,086	40,820,086
Percentage of capital	6.53%	6.53%	6.53%
Market value (KD)	1,183,782	1,326,653	1,828,740
Cost (KD)	4,775,819	4,775,819	4,775,819
Weighted average market value per share (fils)	31	43	46

An amount equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from statutory reserve throughout the holding period of treasury shares as per CMA requirements.

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6 RELATED PARTY DISCLOSURES

These represent transactions with related parties, i.e. major shareholders, subsidiaries, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by the Parent Company's management.

The related party balances and transactions included in the interim condensed consolidated financial information are, as follows:

	<i>Associates</i>	<i>Others</i>	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>KD</i>	<i>KD</i>	<i>2018</i>	<i>31 December</i>	<i>2017</i>
			<i>KD</i>	<i>2017</i>	<i>KD</i>
<i>Included in the interim condensed consolidated statement of financial position:</i>					
Promissory note (included within other assets)	1,798,962	-	1,798,962	2,707,048	2,661,639

Promissory note are to be settled in cash and bears an average interest rate of 1.174 % (31 December 2017: 1.17 %, 30 September 2017: 1.1736 %) per annum and is receivable after one year from the reporting date. The balance is not secured.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Included in the interim condensed consolidated statement of profit or loss:</i>				
Management fees	76,307	100,398	243,073	440,047
Interest income (included within net investment income)	5,378	7,674	20,561	24,087

Key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions related to key management personnel were as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Key management personnel compensation</i>				
Salaries and other short term benefits	65,230	32,518	182,051	133,553
Terminal benefits	6,109	4,240	15,739	12,721
	<u>71,339</u>	<u>36,758</u>	<u>197,790</u>	<u>146,274</u>

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7 SEGMENT INFORMATION

The Group is primarily engaged in investment activities, the following tables present information regarding the Group's geographical segments:

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>
Total operating income		
Kuwait and GCC	418,492	371,332
Europe	713,522	991,366
United States of America (USA)	160,476	53,143
	<u>1,292,490</u>	<u>1,415,841</u>

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2018</i>	<i>31 December</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Non-current assets			
Kuwait and GCC	28,068,719	27,914,495	26,405,155
Europe	25,535,094	26,244,814	25,403,696
United States of America (USA)	531,555	344,065	1,871,254
	<u>54,135,368</u>	<u>54,503,374</u>	<u>53,680,105</u>

8 CAPITAL COMMITMENTS

At the reporting date, the Group had capital commitments of KD 414,419 thousand (31 December 2017: KD 461,162 thousand and 30 September 2017: KD 565,690 thousand) related to the Group's financial assets at fair value through profit or loss.

9 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The management assessed that the fair values of cash and cash equivalents, term deposits, accounts receivable and other assets and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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9 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

The Group held the following classes of financial instruments measured at fair value:

Financial assets measured at fair value	Total KD	Level 1 KD	Level 2 KD	Level 3 KD
30 September 2018				
<i>Financial assets at fair value through profit or loss</i>				
Equity shares	1,680,063	28,486	1,577	1,650,000
Managed funds	9,346,697	-	-	9,346,697
	<u>11,026,760</u>	<u>28,486</u>	<u>1,577</u>	<u>10,996,697</u>
<i>Financial assets at fair value through other comprehensive income</i>				
Equity shares	<u>2,985,256</u>	<u>-</u>	<u>-</u>	<u>2,985,256</u>
31 December 2017 (Audited)				
Available-for-sale financial assets	<u>7,274,839</u>	<u>16,250</u>	<u>-</u>	<u>7,258,589</u>
Financial assets at fair value through profit or loss	<u>17,388</u>	<u>15,811</u>	<u>1,577</u>	<u>-</u>
30 September 2017				
Available-for-sale financial assets	<u>8,446,411</u>	<u>577,811</u>	<u>-</u>	<u>7,868,600</u>
Financial assets carried at fair value through Profit and loss	<u>220,181</u>	<u>218,604</u>	<u>1,577</u>	<u>-</u>

The above table does not include KD 4,635,256 at 31 December 2017 (30 September 2017 KD 4,740,932) of available-for-sale equity securities that are measured at cost less impairment, and for which disclosure of fair value is not provided because their fair value cannot be reliably measured.

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9 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of recurring fair value measurements categorised within level 3 of the fair value hierarchy:

	As at 1 January 2018 KD	Reclassification due to adoption of IFRS 9 KD	Net unrealised gain recognised in profit or loss KD	Net purchases, transfer, sales and settlements KD	Remeasurement recognised in OCI KD	As at 30 September 2018 KD
30 September 2018						
<i>Financial assets at FVTPL</i>						
Unquoted equity securities	-	1,650,000	-	-	-	1,650,000
Managed funds	7,258,589	-	516,965	1,571,143	-	9,346,697
	<u>7,258,589</u>	<u>1,650,000</u>	<u>516,965</u>	<u>1,571,143</u>	<u>-</u>	<u>10,996,697</u>
	<u>2,985,256</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,985,256</u>
<i>Financial assets at FVOCI</i>						
Unquoted equity securities	-	-	-	-	-	-
	<u>8,582,634</u>	<u>-</u>	<u>(156,810)</u>	<u>(132,819)</u>	<u>(1,034,416)</u>	<u>7,258,589</u>
31 December 2017 (Audited)						
Available-for-sale financial assets	8,582,634	-	(156,810)	(132,819)	(1,034,416)	7,258,589

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9 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

	<i>As at 1 January 2017 KD</i>	<i>Reclassification due to adoption of IFRS 9 KD</i>	<i>Net unrealised (loss) recognised in profit or loss KD</i>	<i>Net purchases, transfer, sales and settlements KD</i>	<i>Impairment loss KD</i>	<i>Remeasurement recognised in OCI KD</i>	<i>As at 30 September 2017 KD</i>
30 September 2017							
Available-for-sale financial assets	8,582,634	-	(212,650)	(444,730)	(56,654)	-	7,868,600

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of comprehensive income would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.