AJIAL REAL ESTATE ENTERTAINMENT COMPANY K.S.C.P. AND ITS SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 JUNE 2018

Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AJIAL REAL ESTATE ENTERTAINMENT COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively, the "Group") as at 30 June 2018 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months 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 International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). 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 condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing; and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Report on review of 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 have occurred during the six months period ended 30 June 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

17 July 2018
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2018

	Notes	*Three months ended 30 June* 2018 KD	2017 KD	*Six months ended 30 June* 2018 KD	2017 KD
Rental and services income		**546,677**	609,119	**1,146,810**	1,244,013
Property operating expenses		**(267,490)**	(248,660)	**(536,404)**	(504,753)
Net rental income		**279,187**	360,459	**610,406**	739,260
Share of result of associates	5	**634,292**	540,071	**1,692,140**	1,561,134
Unrealised gain (loss) on financial assets at fair value through profit or loss		**57,144**	441	**(44,821)**	(15,295)
Realised loss on sale of financial assets at fair value through profit or loss		**(105,457)**	-	**(100,179)**	-
Dividend income		**25,000**	-	**87,337**	-
Net investment income		**610,979**	540,512	**1,634,477**	1,545,839
Total operating income		**890,166**	900,971	**2,244,883**	2,285,099
Administrative expenses		**(172,241)**	(172,950)	**(364,525)**	(344,713)
Net operating income		**717,925**	728,021	**1,880,358**	1,940,386
Other income		**13,759**	16,505	**31,747**	32,958
Finance costs		**(126,028)**	(119,726)	**(243,151)**	(230,685)
Reversal of excess provision for legal claims	14	**886,723**	-	**886,723**	-
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		**1,492,379**	624,800	**2,555,677**	1,742,659
Contribution to KFAS		**(5,415)**	178	**(5,415)**	(215)
NLST		**(37,529)**	(15,881)	**(64,416)**	(44,067)
Zakat		**(7,971)**	94	**(7,971)**	(439)
PROFIT FOR THE PERIOD		**1,441,464**	609,191	**2,477,875**	1,697,938
BASIC AND DILUTED EARNINGS PER SHARE	3	**7.82 fils**	3.31 fils	**13.45 fils**	9.22 fils

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2018

	Three months ended 30 June		*Six months ended 30 June*	
	2018	*2017*	***2018***	*2017*
	KD	*KD*	***KD***	*KD*
Profit for the period	**1,441,464**	609,191	**2,477,875**	1,697,938
Other comprehensive income (loss):				
Item that are (or) may be reclassified subsequently to interim condensed consolidated statement of income in subsequent periods:				
Foreign currency translation adjustments of an associate	**66,107**	(31,286)	**16,996**	(47,054)
Other comprehensive income (loss) for the period	**66,107**	(31,286)	**16,996**	(47,054)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,507,571**	577,905	**2,494,871**	1,650,884

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

Ajial Real Estate Entertainment Company K.S.C.P. and its Subsidiary

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

	Notes	**30 June 2018 KD**	*(Audited) 31 December 2017 KD*	*30 June 2017 KD*
ASSETS				
Non-current assets				
Furniture and equipment		**32,788**	44,697	51,213
Investment properties	4	**64,561,337**	64,376,000	64,702,762
Investment in associates	5	**66,040,734**	64,784,892	63,626,720
Financial assets available for sale		-	2,190,439	2,855,426
		130,634,859	131,396,028	131,236,121
Current assets				
Accounts receivable and prepayments		**141,329**	122,231	100,613
Financial assets at fair value through profit or loss		**2,682,677**	1,450,234	226,541
Term deposits	6	-	1,000,000	1,400,000
Bank balances and cash		**1,141,224**	962,775	170,377
		3,965,230	3,535,240	1,897,531
TOTAL ASSETS		**134,600,089**	134,931,268	133,133,652
EQUITY AND LIABILITIES				
Equity				
Share capital	7	**18,522,000**	18,522,000	17,640,000
Share premium		**5,199,430**	5,199,430	5,199,430
Statutory reserve		**826,310**	826,310	513,503
General reserve		**642,679**	642,679	329,872
Share options reserve		**37,213**	37,213	37,213
Capital surplus		**759,234**	1,680,298	2,562,298
Treasury shares	8	**(319,250)**	(319,250)	(319,250)
Cumulative changes in fair value reserve		-	28,412	254,113
Effect of change in accounting policy of investment properties		**46,118,487**	46,118,487	46,118,487
Foreign currency translation reserve		**(58,424)**	(75,420)	(47,054)
Retained earnings		**50,626,554**	48,120,267	47,441,562
Total equity		**122,354,233**	120,780,426	119,730,174
Non-current liabilities				
Employees' end of service benefits		**158,699**	137,762	124,674
Murabaha payable	9	**10,000,000**	10,000,000	10,000,000
Accounts payable and accruals		**254,781**	245,864	256,309
		10,413,480	10,383,626	10,380,983
Current liability				
Accounts payable and accruals		**1,832,376**	3,767,216	3,022,495
		1,832,376	3,767,216	3,022,495
Total liabilities		**12,245,856**	14,150,842	13,403,478
TOTAL EQUITY AND LIABILITIES		**134,600,089**	134,931,268	133,133,652

Sheikh\ Ali Al Abdullah Al Khalifah Al Sabah
Chairman

Sheikh\ Hamad Mubarak Jaber Al Ahmad Al Sabah
Vice Chairman

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2018

	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*General reserve KD*	*Share options reserve KD*	*Capital surplus KD*	*Treasury shares KD*	*Cumulative changes in fair value reserve KD*	*Effect of change in accounting policy of investment property KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total equity KD*
As at 1 January 2018	18,522,000	5,199,430	826,310	642,679	37,213	1,680,298	(319,250)	28,412	46,118,487	(75,420)	48,120,267	120,780,426
Impact on adoption of IFRS 9 at 1 January 2018 (Note 13)	-	-	-	-	-	-	-	(28,412)	-	-	28,412	-
Restated balance at 1 January 2018	18,522,000	5,199,430	826,310	642,679	37,213	1,680,298	(319,250)	-	46,118,487	(75,420)	48,148,679	120,780,426
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,477,875	2,477,875
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	16,996	-	16,996
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	16,996	2,477,875	2,494,871
Dividends paid (Note 7)	-	-	-	-	-	(921,064)	-	-	-	-	-	(921,064)
As at 30 June 2018	**18,522,000**	**5,199,430**	**826,310**	**642,679**	**37,213**	**759,234**	**(319,250)**	**-**	**46,118,487**	**(58,424)**	**50,626,554**	**122,354,233**
As at 1 January 2017	17,640,000	5,199,430	513,503	329,872	37,213	2,562,298	(319,250)	254,113	46,118,487	-	45,743,624	118,079,290
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,697,938	1,697,938
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	(47,054)	-	(47,054)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	-	(47,054)	1,697,938	1,650,884
As at 30 June 2017	17,640,000	5,199,430	513,503	329,872	37,213	2,562,298	(319,250)	254,113	46,118,487	(47,054)	47,441,562	119,730,174

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2018

	Notes	*Six months ended 30 June 2018* 2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit for the period		**2,477,875**	1,697,938
Adjustments to reconcile profit for the period to net cash flows:			
Share of result of associates	5	**(1,692,140)**	(1,561,134)
Unrealised loss on financial assets at fair value through profit or loss		**44,821**	15,295
Realised loss on sale of financial assets at fair value through profit or loss		**100,179**	-
Dividend income		**(87,337)**	-
Interest income		**(9,144)**	(10,905)
Gain on disposal of furniture and equipment		-	(1,100)
Depreciation		**19,097**	18,140
Provision for employees' end of service benefits		**22,937**	28,014
Finance costs		**243,151**	230,685
Reversal of excess provision for legal claims	14	**(886,723)**	-
		232,716	416,933
Working capital adjustments:			
Accounts receivable and prepayments		**(19,098)**	(24,573)
Accounts payable and accruals		**(1,057,007)**	17,775
Cash flows (used in) from operating activities		**(843,389)**	410,135
Employees' end of service benefits paid		**(2,000)**	(8,000)
Net cash flows (used in) from operating activities		**(845,389)**	402,135
INVESTING ACTIVITIES			
Additions to furniture and equipment		**(7,188)**	(2,305)
Proceeds from disposal of furniture and equipment		-	1,100
Additions to investment properties	4	**(185,337)**	(188,262)
Additions to investment in associates	5	**(257,388)**	(193,895)
Dividend received from associates	5	**710,682**	-
Proceeds from sale of financial assets at fair value through profit or loss		**887,996**	18,576
Purchase of financial assets at fair value through profit or loss		**(75,000)**	-
Dividend income		**87,337**	-
Net movement in term deposits		**1,000,000**	(400,000)
Interest income received		**9,144**	10,905
Net cash flows from (used in) investing activities		**2,170,246**	(753,881)
FINANCING ACTIVITIES			
Dividend paid		**(903,257)**	(1,939)
Finance costs paid		**(243,151)**	(230,685)
Net cash flows used in financing activities		**(1,146,408)**	(232,624)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		**178,449**	(584,370)
Bank balances and cash at the beginning of the period		**962,775**	754,747
BANK BALANCES AND CASH AT THE END OF THE PERIOD		**1,141,224**	170,377

The attached notes 1 to 14 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

The interim condensed consolidated financial infromation of Ajial Real Estate Entertainment Company K.S.C.P. (the "Parent Company") and its Subsidiary (collectively, the "Group") for the six months period ended 30 June 2018 was authorised for issue in accordance with a resolution of the Board of Directors on 17 July 2018.

The Parent Company is a Kuwaiti public shareholding company registered and incorporated in Kuwait on 26 October 1996. The Group is engaged in real estate, contracting and entertainment activities and all related real estate trading activities, which includes renting, purchasing and selling lands and buildings. The Parent Company's shares are listed on the Kuwait Stock Exchange.

The consolidated financial statements of the Group for the year ended 31 December 2017 were approved by the shareholders of the Parent Company at the Annual General Assembly Meeting held on 12 March 2018.

The registered head office of the Parent Company is located at Al Hamra Tower, 26th Floor, Office No. 2, P.O. Box 22448, Safat 13085, Kuwait.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

The interim condensed consolidated financial information of the Group has been prepared in accordance with IAS 34 Interim Financial Reporting ("IAS 34"), 'Interim Financial Reporting'. The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017 except for the changes described below arising from the adoption of IFRS 9 'Financial Instruments' ("IFRS 9") effective from 1 January 2018. The Group also adopted IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15") effective 1 January 2018. However, there is no significant impact of IFRS 15 on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued and not yet effective. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017. In addition, results for the six months period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Changes in accounting policies

The Group has adopted IFRS 9 effective from 1 January 2018. IFRS 9 brings together the requirements for recognising and measuring financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group has not restated comparative information for the financial year 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for the period ended 30 June 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for the period ended 30 June 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018 and are disclosed in Note 13.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

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

(a) Classification and measurement
Except for certain trade receivables, under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVTPL), Amortised Cost (AC), or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

With respect to receivables, the Group analysed the contractual cash flow characteristics of those instruments and concluded that based on their business model which is to hold the financial asset to collect the contractual cash flows which meets the SPPI criterion, these instruments shall be classified as at amortised cost under IFRS 9. Therefore, reclassification for these instruments is not required on initial adoption of IFRS 9.

Financial assets at FVTPL comprise equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to these equity securities, which had been previously recognised under accumulated OCI, was reclassified to retained earnings as at 1 January 2018.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of income.

(b) Impairment
The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For Trade and other receivables, 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 doesn't have material impact on interim condensed consolidated statement of income for the Group.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(c) Hedge accounting

The Group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Group is not dealing in any derivative instruments.

(d) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such investment in associates (arising from the financial instruments held by these entities), tax expense, retained earnings and exchange differences on translation of foreign operations were adjusted as necessary.

Adoption of IFRS 15 'Revenue from Contracts with customers'

The Group has adopted IFRS 15 Revenue from contracts with customers effective from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and 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. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

The Group has adopted IFRS 15 using cumulative effect method (modified retrospective approach) with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018).

As the Group's revenue is mainly arising from the rental income and related services generated from the operating leases, the adoption of this standard did not result in any change in accounting policies of the Group and does not have any material effect on the Group's interim condensed consolidated financial information.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 30 June, the Parent Company has no outstanding dilutive potential ordinary shares.

The basic and diluted earnings per share for the six months period ended 30 June is as follows:

	Three months ended 30 June		*Six months ended 30 June*	
	2018	*2017*	***2018***	*2017*
Profit for the period	**1,441,464**	609,191	**2,477,875**	1,697,938
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	**184,212,867**	184,212,867	**184,212,867**	184,212,867
Basic and diluted earnings per share	**7.82 fils**	3.31 fils	**13.45 fils**	9.22 fils

Basic and diluted earnings per share of the comparative periods have been restated for the bonus shares approved by the extraordinary general assembly of the shareholders of the Parent Company for the year ended 31 December 2016.

4 INVESTMENT PROPERTIES

	30 June 2018 KD	*(Audited) 31 December 2017 KD*	*30 June 2017 KD*
As at the beginning of the period/year	**64,376,000**	64,514,500	64,514,500
Additions	**185,337**	325,076	188,262
Change in fair value of investment properties	-	(463,576)	-
As at the end of the period/year	**64,561,337**	64,376,000	64,702,762

Investment properties are categorised as follows:

	30 June 2018 KD	*(Audited) 31 December 2017 KD*	*30 June 2017 KD*
Properties under development	**37,562,187**	37,433,000	37,565,162
Developed properties	**26,999,150**	26,943,000	27,137,600
As at the end of the period/year	**64,561,337**	64,376,000	64,702,762

As at 30 June 2018, properties under development with a carrying value of KD 37,562,187 (31 December 2017: KD 37,433,000 and 30 June 2017: KD 37,565,162) is pledged as a security against Murabaha payable of KD 10,000,000 (Note 9) (31 December 2017: pledged as a security against Murabaha payable of KD 10,000,000 and 30 June 2017: pledged as a security against Murabaha payable of KD 10,000,000).

The fair value of investment properties has been determined on 31 December 2017 based on valuations performed by two independent professional real estate valuers, who are industry specialised in valuing such type of investment properties. One of these valuers is a local bank and the other is a local reputable accredited valuer. Both valuers have used the following methods:

- Properties under development has been valued using the sales comparison approach.
- Developed properties, which generates rental income, has been valued using the income capitalisation approach.

Management believe that there is no significant change in the fair value of investment properties since latest valuation performed as at 31 December 2017.

Fair value hierarchy disclosures for investment properties are provided in Note 11.

5 INVESTMENT IN ASSOCIATES

Movement in the carrying amount of investment in associates during the period/year is as follows:

	30 June 2018 KD	*(Audited) 31 December 2017 KD*	*30 June 2017 KD*
At the beginning of the period/year	**64,784,892**	61,918,745	61,918,745
Share of results	**1,692,140**	2,525,292	1,561,134
Additions	**257,388**	416,275	193,895
Dividends	**(710,682)**	-	-
Foreign currency translation adjustments	**16,996**	(75,420)	(47,054)
At the end of the period/year	**66,040,734**	64,784,892	63,626,720

6 TERM DEPOSITS

Term deposits are denominated in Kuwaiti Dinars and placed with local financial institution and carries a fixed interest rate of Nil (31 December 2017: 2.25% and 30 June 2017: ranging from 1.875% to 2.25%) per annum.

7 SHARE CAPITAL

	30 June 2018 KD	*(Audited) 31 December 2017 KD*	*30 June 2017 KD*
Authorized, issued and paid up share capital			
(185,220,000 shares of 100 fils each, fully paid in cash)	18,522,000	18,522,000	17,640,000

On 12 March 2018, the Ordinary Annual General Assembly of the Parent Company's shareholders approved the proposed cash dividend of 5 fils per share (2016: Nil) and bonus shares of Nil (2016: 5%) for the year ended 31 December 2017.

8 TREASURY SHARES

	30 June 2018 KD	*(Audited) 31 December 2017 KD*	*30 June 2017 KD*
Number of treasury shares	**1,007,133**	1,007,133	959,175
Percentage of ownership	**0.54%**	0.54%	0.54%
Market value (KD)	**145,027**	167,184	126,611
Cost (KD)	**319,250**	319,250	319,250

The weighted average market price of the Parent Company's shares for the period ended 30 June 2018 was 144 fils per share (31 December 2017: 166 fils per share and 30 June 2017: 132 fils per share).

Reserves equivalent to the cost of treasury shares are not available for distribution throughout the period these shares are held by the Group.

9 MURABAHA PAYABLE

Murabaha payable is obtained from a local financial institution, denominated in Kuwaiti Dinar and carries average profit rate of 4.88% per annum (31 December 2017: profit rate of 4.75% per annum and 30 June 2017: 4.75%), payable in instalments starting from 31 March 2020 and ending on 30 June 2025 and secured by a pledge over investment properties with a carrying value of KD 37,562,187 as at 30 June 2018 (31 December 2017: KD 37,433,000 and 30 June 2017: KD 37,565,162) (Note 4).

10 RELATED PARTY TRANSACTIONS

These represent transactions with major shareholders, directors, executive officers and key management personnel of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

10 RELATED PARTY TRANSACTIONS (continued)

Transactions and balances with related parties included in the interim condensed consolidated financial information are as follows:

	Three months ended 30 June		*Six months ended 30 June*	
	2018	*2017*	***2018***	*2017*
	KD	*KD*	***KD***	*KD*
Interim condensed consolidated statement of income				
Rent expense (included in property operating expenses and administrative expenses) (an associate)	**195,951**	196,470	**391,902**	392,940

	30 June 2018	*(Audited) 31 December 2017*	*30 June 2017*
	KD	*KD*	*KD*
Interim condensed consolidated statement of financial Position			
Amounts due to related parties	**1,252**	1,021	43,344

	Six months ended 30 June	
	2018	*2017*
	KD	*KD*
Compensation of key management personnel:		
Salaries and short-term benefits	**74,039**	71,556
Employees' end of service benefits	**8,823**	8,693
	82,862	80,249

Amounts due to related parties are interest free and are payable within one year from the reporting date.

11 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

Investment securities classified as 'Financial assets at fair value through profit or loss' have been stated at fair values. For other financial assets and financial liabilities carried at amortized cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short term maturity or repriced immediately based on market movement in interest rates.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial assets by valuation technique:

- 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.

11 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of the Group's assets recorded at fair value by level of the fair value hierarchy:

	Level 1 *KD*	*Level 2* *KD*	*Level 3* *KD*	*Total* *KD*
As at 30 June 2018				
Investment properties	-	**37,562,187**	**26,999,150**	**64,561,337**
Financial assets at fair value through profit or loss	**225,019**	-	**2,457,653**	**2,682,672**
As at 31 December 2017 (Audited)				
Investment properties	-	37,433,000	26,943,000	64,376,000
Financial assets at fair value through profit or loss	1,237,209	-	213,025	1,450,234
As at 30 June 2017				
Investment properties	-	37,565,162	27,137,600	64,702,762
Financial assets at fair value through profit or loss	-	-	226,541	226,541

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets:

	At the beginning of the period/year *KD*	*Net losses* *KD*	*Net purchases, transfers, sales and settlements* *KD*	*At the end of the period/year* *KD*
As at 30 June 2018				
Financial assets at fair value though profit or loss	213,025	**(17,487)**	**2,262,115**	**2,457,653**
As at 31 December 2017 (Audited)				
Financial assets at fair value though profit or loss	260,412	(47,387)	-	213,025
As at 30 June 2017				
Financial assets at fair value though profit or loss	260,412	(15,295)	(18,576)	226,541

Description of significant unobservable inputs to valuation of financial assets:
Managed funds
Managed portfolio and funds have been valued based on Net Asset Value (NAV) provided by the custodian of the fund.

Movement in the Level 3 of non-financial instruments is as follows:

	At the beginning of the period / year *KD*	*Transfer to level 3* *KD*	*Net losses* *KD*	*Net purchases, transfers, sales and settlements* *KD*	*At the end of the period / year* *KD*
As at 30 June 2018					
Investment properties	**26,943,000**	-	-	**56,150**	**26,999,150**
As at 31 December 2017					
Investment properties	27,081,000	-	(226,600)	88,600	26,943,000
As at 30 June 2017					
Investment properties	27,081,000	-	-	56,600	27,137,600

12 SEGMENTAL INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real estate investing activities comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and other related real estate services.
- Equities and other investing activities comprise participation in financial and real estate funds and managing the Group's liquidity requirements.

Segment reporting information is as follows:

	Real estate activities KD	*Equities and other investing activities KD*	*Unallocated KD*	*Total KD*
Period ended 30 June 2018				
Segment revenue	**1,146,810**	**1,779,477**	**918,470**	**3,844,757**
Unrealised loss on financial assets at fair value through profit or loss	-	**(44,821)**	-	**(44,821)**
Realised loss on sale of financial assets at fair value through profit or loss	-	**(100,179)**	-	**(100,179)**
Finance costs	-	**(243,151)**		**(243,151)**
Other expenses	**(536,404)**	-	**(442,327)**	**(978,731)**
Segment results	**610,406**	**1,391,326**	**476,143**	**2,477,875**
As at 30 June 2018				
Segment assets	**64,561,337**	**68,723,411**	**1,315,341**	**134,600,089**
Segment liabilities	**413,480**	**10,000,000**	**1,832,376**	**12,245,856**

	Real estate activities KD	*Equities and other investing activities KD*	*Unallocated KD*	*Total KD*
As at 31 December 2017 (Audited)				
Segment assets	64,376,000	68,425,565	2,129,703	134,931,268
Segment liabilities	383,626	10,000,000	3,767,216	14,150,842

12 SEGMENTAL INFORMATION (continued)

	Real estate activities KD	*Equities and other investing activities KD*	*Unallocated KD*	*Total KD*
Period ended 30 June 2017				
Segment revenue	1,244,013	1,561,134	32,958	2,838,105
Unrealised (loss) on financial assets at fair value through profit or loss	-	(15,295)	-	(15,295)
Finance costs	-	(230,685)	-	(230,685)
Other expenses	(504,753)	-	(389,434)	(894,187)
Segment results	739,260	1,315,154	(356,476)	1,697,938
As at 30 June 2017				
Segment assets	64,702,762	66,708,687	1,722,203	133,133,652
Segment liabilities	380,983	10,000,000	3,022,495	13,403,478

Certain prior year/period amounts have been reclassified to conform to the current period presentation. There is no effect of these reclassifications on the previously reported equity as at 31 December 2017 and profit for the year then ended. Such reclassification have been made to improve the quality of information presented.

13 IFRS 9 TRANSITION DISCLOSURES

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

2018	***Original classification under IAS 39***	***New classification under IFRS 9***	***Original carrying amount under IAS KD***	***Remeasurement ECL KD***	***New carrying amount under IFRS 9 KD***
Financial assets					
Unquoted equity investments	AFS	FVTPL	2,190,439	-	2,190,439
Managed funds and portfolios	FVTPL	FVTPL	1,450,234	-	1,450,234
Accounts receivable	Amortised cost	Amortised cost	122,231	-	122,231
Bank balances and cash	Amortised cost	Amortised cost	962,775	-	962,775
Term deposits	Amortised cost	Amortised cost	1,000,000	-	1,000,000
Financial liabilities					
Murabaha payable	Amortised cost	Amortised cost	10,000,000	-	10,000,000
Accounts payable and accruals	Amortised cost	Amortised cost	4,013,080	-	4,013,080

13 IFRS 9 TRANSITION DISCLOSURES (continued)

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

	Cumulative change in fair values *KD*	*Retained earnings* *KD*
Closing balance under IAS 39 as at 31 December 2017 (as originally stated)	**28,412**	**48,120,267**
Impact on reclassification and remeasurement:		
Equity securities from AFS to FVTPL	**(28,412)**	**28,412**
Opening balance under IFRS 9 (1 January 2018) – restated	-	**48,148,679**

14 REVERSAL OF EXCESS PROVISION FOR LEGAL CLAIM

During previous years, the Parent Company recorded a provision for legal claims relating to National Labour Service Tax (NLST) and Zakat claimed by Ministry of Finance for the years 2011 and 2012. During the period ended 30 June 2018, the Parent Company signed a final settlement agreement with the Ministry of Finance relating to NLST of 2011, for which a provision of KD 1,696,902 was recorded in the books of the Parent Company. Based on this agreement, the Parent Company paid an amount of KD 810,179 as final settlement of the claimed amount and reversed excess provision of 886,723 to the interim condensed consolidated statement of income for the period ended 30 June 2018.