

Interim condensed consolidated financial information and review report

Kuwait Real Estate Company – KPSC and Subsidiaries

Kuwait

31 March 2018 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Kuwait Real Estate Company – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Real Estate Company KPSC (“the Parent Company”) and its subsidiaries (“the Group”) as of 31 March 2018 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the three-month period ended 31 March 2018 that might have had a material effect on the business or financial position of the Parent Company.

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

Kuwait
15 May 2018

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2018 (Unaudited) KD	Three months ended 31 March 2017 (Unaudited) KD
Revenue			
Real estate rental income		4,406,131	4,424,497
Real estate operating expenses		(1,933,943)	(1,761,985)
Net rental income		2,472,188	2,662,512
Loss on sale of investment properties		-	(4,910)
Gain on sale of available for sale investments		-	353
Change in fair value of investments at fair value through profit or loss		9,797	(13,311)
Share of results of associates		7,388	40,481
Dividend income		39,637	-
Foreign exchange loss		(6,127)	(937)
Reversal of provision no longer required	5	903,744	-
Other income		420,723	444,214
		3,847,350	3,128,402
Expenses and other charges			
General and administrative expenses		(263,740)	(259,442)
Finance costs		(1,254,041)	(1,136,502)
Provision for doubtful debts		(26,818)	-
		(1,544,599)	(1,395,944)
Profit for the period before, KFAS, NLST and Zakat		2,302,751	1,732,458
Kuwait Foundation for the Advancement of Sciences (KFAS)		(10,362)	(7,796)
National Labour Support Tax (NLST)		(57,569)	(43,311)
Zakat		(23,028)	(17,325)
Profit for the period		2,211,792	1,664,026
Basic and diluted earnings per share (fils)	6	2.44	1.84

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

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

	Three months ended 31 March 2018 (Unaudited) KD	Three months ended 31 March 2017 (Unaudited) KD
Profit for the period	2,211,792	1,664,026
Other comprehensive (loss)/income:		
<i>Items that will not be reclassified subsequently to statement of income</i>		
Net change in fair value of investments at fair value through other comprehensive income	(3,429,597)	-
<i>Items that will be reclassified subsequently to statement of profit or loss:</i>		
Available for sale investments:		
- Net change in fair value	-	(100,384)
- Transferred to statement of profit or loss on sale	-	(261)
Exchange differences arising on translation of foreign operations	(63,555)	-
Total other comprehensive loss	(63,555)	(100,645)
Total comprehensive (loss)/income for the period	(1,281,360)	1,563,381

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	31 March 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	31 March 2017 (Unaudited) KD
Assets				
Non-current assets				
Property and equipment		2,117,536	2,148,812	2,091,185
Investment properties		164,278,610	164,278,166	163,746,657
Capital work in progress		750,963	457,170	408,148
Investments at fair value through other comprehensive income	7	33,190,221	-	-
Available for sale investments		-	57,756,230	57,120,061
Investments in associates		3,572,385	3,623,001	8,285,640
Total non-current assets		203,909,715	228,263,379	231,651,691
Current assets				
Trading properties		12,401,500	12,401,500	13,139,105
Due from related parties	9	2,561,247	1,304,124	1,188,279
Accounts receivable and other assets		3,332,504	3,248,896	4,388,081
Investments at fair value through profit or loss	8	23,319,917	22,006	25,923
Cash and cash equivalents	10	3,339,602	4,600,827	4,074,755
Total current assets		44,954,770	21,577,353	22,816,143
Total Assets		248,864,485	249,840,732	254,467,834
Equity and liabilities				
Equity				
Share capital		90,671,294	90,671,294	90,671,294
Share premium		3,425,191	3,425,191	3,425,191
Treasury shares		(208,149)	(208,149)	(208,149)
Treasury shares reserve		2,298,155	2,298,155	2,298,155
Statutory reserve		15,078,144	15,078,144	14,846,707
Voluntary reserve		2,921,989	2,921,989	2,690,552
Foreign currency translation reserve		63,489	127,044	540,936
Fair value reserve		3,492,966	6,050,732	6,361,608
Retained earnings		14,186,562	12,953,860	12,857,814
Total equity		131,929,641	133,318,260	133,484,108
Liabilities				
Non-current liabilities				
Borrowings	11	93,372,733	90,624,709	88,877,476
Lease contracts commitment	12	-	-	1,531,625
Provision for employees' end of service benefits		733,746	709,297	1,151,666
Total non-current liabilities		94,106,479	91,334,006	91,560,767
Current liabilities				
Due to related parties	9	649,690	707,666	7,467,599
Borrowing	11	2,155,000	1,905,000	1,108,518
Lease contracts commitment	12	1,531,625	5,274,288	2,066,288
Accounts payable and other liabilities	13	14,772,657	15,653,862	16,621,317
Due to bank	14	3,719,393	1,647,650	2,159,237
Total current liabilities		22,828,365	25,188,466	29,422,959
Total Liabilities		116,934,844	116,522,472	120,983,726
Total Equity and Liabilities		248,864,485	249,840,732	254,467,834

Ibrahim Saleh Al-Tharban
Chairman

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Retained earnings KD	Total KD
Balance at 1 January 2018	90,671,294	3,425,191	(208,149)	2,298,155	15,078,144	2,921,989	127,044	6,050,732	12,953,860	133,318,260
Adjustment arising on adoption of IFRS 9 (note 3.1)	-	-	-	-	-	-	-	871,831	(979,090)	(107,259)
Balance as at 1 January 2018 (restated)	90,671,294	3,425,191	(208,149)	2,298,155	15,078,144	2,921,989	127,044	6,922,563	11,974,770	133,211,001
Profit for the period	-	-	-	-	-	-	-	-	2,211,792	2,211,792
Other comprehensive loss	-	-	-	-	-	-	(63,555)	(3,429,597)	-	(3,493,152)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(63,555)	(3,429,597)	2,211,792	(1281,360)
Balance at 31 March 2018 (unaudited)	90,671,294	3,425,191	(208,149)	2,298,155	15,078,144	2,921,989	63,489	3,492,966	14,186,562	131,929,641
Balance at 1 January 2017	90,671,294	3,425,191	(208,149)	2,298,155	14,846,707	2,690,552	540,936	6,462,253	11,193,788	131,920,727
Profit for the period	-	-	-	-	-	-	-	-	1,664,026	1,664,026
Other comprehensive loss	-	-	-	-	-	-	-	(100,645)	-	(100,645)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	(100,645)	1,664,026	1,563,381
Balance at 31 March 2017 (unaudited)	90,671,294	3,425,191	(208,149)	2,298,155	14,846,707	2,690,552	540,936	6,361,608	12,857,814	133,484,108

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Notes	Three months ended 31 March 2018 (Unaudited) KD	Three months ended 31 March 2017 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		2,211,792	1,664,026
Adjustments:			
Depreciation		78,089	7,420
Finance costs		1,254,041	1,136,502
Gain on sale of available for sale investments		-	(353)
Loss on sale of investment properties		-	4,910
Change in fair value of investments at fair value through profit or loss		(9,797)	13,311
Share of results of associates		(7,388)	(40,481)
Dividend income		(39,637)	-
Provision for employees' end of service benefits		25,449	28,543
Lease contracts commitment		1,069,334	1,069,334
Provision for doubtful debts		26,818	-
Reversal of provision no longer required		(903,744)	-
		3,704,957	3,883,212
Changes in operating assets and liabilities:			
Due from related parties		(1,287,123)	495,845
Accounts receivable and other assets		(187,688)	49,584
Due to related parties		(57,976)	(28,235)
Accounts payable and other liabilities		(1,099,604)	297,333
Lease contracts commitments paid		(4,812,000)	(4,812,000)
Employees' end of service benefits paid		(1,000)	(8,119)
Net cash used in operating activities		(3,740,434)	(122,380)
INVESTING ACTIVITIES			
Purchase of property and equipment		(46,813)	(272,930)
Additions to capital work in progress		(294,237)	(97,514)
Purchase of investments at fair value through other comprehensive income		(80,053)	-
Purchase of investments at fair value through profit or loss		(2,125,739)	-
Purchase of available for sale investments		-	(1,635,229)
Proceeds from sale of investment properties		-	977,170
Proceeds from sale of available for sale investments		-	476
Dividends received from associates		58,004	51,220
Dividends income received		39,637	-
Net cash used in investing activities		(2,449,301)	(976,807)
FINANCING ACTIVITIES			
Net change in borrowings		2,998,024	3,945,793
Finance costs paid		(131,898)	(1,213,823)
Net change in due to bank		2,071,743	(1,136,502)
Net cash from financing activities		4,937,869	1,595,468
Net (decrease)/increase in cash and cash equivalents		(1,251,866)	496,281
Net foreign exchange differences		(107,807)	-
Cash and cash equivalents at the beginning of the period	10	4,266,265	3,159,006
Cash and cash equivalents at the end of the period	10	2,906,592	3,655,287

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities of the Parent Company

Kuwait Real Estate Company – KPSC (Parent Company) was incorporated in 1972 as a Kuwaiti Public Shareholding Company in accordance with the provisions of the commercial Companies Law in the State of Kuwait.

The Group comprises the parent company and its subsidiaries (together referred as “the Group”).

The main activities of the Parent Company are as follows:

- Carry out various real estate works for achieving profit, including sale, purchase, renting out and leasing of lands and real estate properties, erect buildings, prepare and implement studies of the private and public real estate projects directly or through mediation whether in Kuwait or abroad.
- Carry out various building works and related works whether for its account or for the account of third parties and import, trade in all materials related to real estate and other works related or necessary thereto.
- Invest in companies' shares or projects similar to the company's objectives or manage and direct such institutions in such a way that achieves interest.
- Build housing whether for citizens or government employees or the employees of official or private authorities against receiving their value from them either in cash or on installments.
- Carry out contracting works in general whether directly or through participation with other contracting companies or representing same.
- Manage others' properties in Kuwait and abroad.
- Erect private and public buildings and projects, including malls, entertainment centers, touristic utilities and implement them directly or through third parties in Kuwait or abroad and rent out or sell same in cash or on installments after approval by the competent authorities.
- Create, manage or share third parties in real estate investment funds only whether in Kuwait or abroad to employ and invest funds on behalf of others after approval by the competent authorities.
- Do various real estate work for achieving profit, including acquisition, sale and purchase of lands and real estate properties and develop them for the account of the company inside and outside Kuwait, rent out and lease same and erect buildings.
- Prepare studies and provide consultations in all kinds of real estate fields, provided the required terms and conditions are met by those who offer this service.
- Acquire, sell and purchase shares and bonds of the companies or projects similar to the company's objectives or manage such institutions and direct same in such a way that achieves interest.
- Acquire movables and real estate properties necessary to conduct its activity within the limits permitted by the law and in compliance with its objectives.
- Perform maintenance works related to the buildings and properties owned by the company and others, including civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Organize real estate exhibitions for the company's real estate projects.
- Hold real estate auctions.
- Utilize the surplus funds available with the company by investing same in financial portfolios managed by specialized companies and entities inside and outside Kuwait.
- Contribute directly to set out the basic structure of the residential, commercial areas and projects by "Building, Operation & Transfer" (BOT) system and manage the real estate utilities by BOT system.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities of the Parent Company (continued)

The Parent Company has the right to perform the above mentioned activities inside and outside the State of Kuwait directly or through an agent. The Parent Company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also establish or share or purchase these entities or affiliate them therewith.

The Parent Company's shares are listed on Boursa Kuwait.

The address of the Parent Company's registered office is P.O.Box 1257, Safat 13013, State of Kuwait.

This interim condensed consolidated financial information for the three-month period ended 31 March 2018 was authorised for issue by the Parent Company's board of directors on 15 May 2018.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2018 has been prepared in accordance with International Accounting Standard 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 in note 3.

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

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017.

Operating results for the three-month period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2017.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the Group. Information on these new standards is presented below:

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IAS 40 Investment Property – Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 9 Financial Instruments

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of impact are as follows:

- the classification and measurement of the financial assets are based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment is recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value are presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements are presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL). The standard eliminates IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) are now recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI are now recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets continues to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 1 January 2018 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the interim condensed consolidated financial information as follows:

Classification and measurement:

Certain financial assets are likely to be measured at Fair Value Through Profit or Loss (FVTPL) as the cash flows are not solely payments of principal and interest.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Classification and measurement: (continued)

Debt instruments to be measured at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Group's debt financial instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell.

Equity investments are to be measured at FVTPL as well as FVTOCI as certain existing investments in equity instruments qualify for designation as FVTOCI category. The gains and losses on FVTOCI investments will no longer be recycled to statement of profit or loss on subsequent measurement or on derecognition. Further, these investments are no longer subject to impairment test.

Accounts receivable are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	IAS 39		IFRS 9	
	Classification	Carrying amount KD	Classification	Carrying amount KD
Financial assets				
Cash and cash equivalents	Loans and receivables	4,600,827	Amortised cost	4,600,827
Accounts receivable and other assets	Loans and receivables	3,248,896	Amortised cost	3,171,637
Due from related parties	Loans and receivables	1,304,124	Amortised cost	1,274,124
Equity securities	FVTPL	22,006	FVTPL	22,006
Equity securities	Available for sale	21,131,912	FVTPL	21,131,912
Equity securities	Available for sale	31,270,173	FVTOCI	31,270,173
Debts instruments	Available for sale	5,295,245	FVTOCI	5,295,245
Managed funds	Available for sale	58,900	FVTPL	58,900
Total financial assets		66,932,083		66,824,824

As a result of the above re-classification of available for sale investments to financial assets at fair value through profit or loss, the Group reclassified an amount of KD 871,831 from the cumulative changes in fair value account to the retained earnings.

There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Impairment:

IFRS 9 requires the Group to record expected credit losses (ECL) on all of its financial assets measured at amortised cost. ECL 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. Under IFRS 9, the Group measures ECL as follows:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Group has applied simplified approach to impairment for accounts receivable and other assets as required or permitted under the standard. 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.

Management determined that the additional impairment required by this standard and accordingly the Group recognised an additional impairment losses amounting to KD107,259 on its accounts receivable and other assets.

Summary of impact on application of IFRS 9:

As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement, and including impairment requirements. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in the retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for the comparative periods does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

Adjustments to the opening statement of financial position are detailed below:

	31 Dec. 2017 KD	Adjustments/ reclassification KD	1 Jan. 2018 KD
Assets			
Due from related parties	1,304,124	(30,000)	1,274,124
Investments at fair value through profit or loss	22,006	21,190,812	21,212,818
Accounts receivable and other assets	3,248,896	(77,259)	3,171,637
Investments at fair value through other comprehensive income	-	36,565,418	36,565,418
Available for sale investments	57,756,230	(57,756,230)	-
Equity			
Cumulative changes in fair value	6,050,732	871,831	6,922,563
Retained earnings	12,953,860	(979,090)	11,974,770

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenues – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as:

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
 - non-cash consideration and asset exchanges
 - contract costs
 - rights of return and other customer options
 - supplier repurchase options
 - warranties
 - principal versus agent
 - licensing
 - breakage
 - non-refundable upfront fees, and
 - consignment and bill-and-hold arrangements.

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.

IFRS 40 Investment Property - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Adoption of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Adoption of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

3.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation

Effective for annual periods beginning

IFRS 16 Leases

1 January 2019

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

4 Judgement and estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the financial year ended 31 December 2017.

5 Reversal of provision no longer required

During the year 2010, the Parent Company had filed a legal case against the Ministry of Finance disputing the basis of calculation of National Labour Support Tax imposed for the financial years ended 31 December 2005 and 31 December 2007 aggregating to KD 1,934,707.

Subsequently and after hearing of the case at the Court of First Instance and the Court of Appeal, it has been ruled that the National Labour Support Tax due for the above financial years amounts to only KD1,030,963. Accordingly, the Parent Company has reversed the excess provision of KD903,744.

6 Basic and diluted earnings per share

Basic and diluted earnings per share is calculated by dividing the profit for the period by weighted average number of shares outstanding during the period excluding treasury shares.

	Three months ended 31 March 2018 (Unaudited)	Three months ended 31 March 2017 (Unaudited)
Profit for the period (KD)	2,211,792	1,664,026
Weighted average number of shares outstanding during the period (excluding treasury shares) (share)	905,339,849	905,339,849
Basic and diluted earnings per share (Fils)	2.44	1.84

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

Notes to the interim condensed consolidated financial information (continued)

7 Investments at fair value through other comprehensive income

	31 March 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	31 March 2017 (Unaudited) KD
Local quoted securities	9,764,487	-	-
Local unquoted securities	10,430,207	-	-
Foreign unquoted securities	7,700,282	-	-
Debt instruments	5,295,245	-	-
	33,190,221	-	-

Debt instruments represent promissory notes to foreign companies and carry annual interest rate 10%.

The hierarchy for determining and disclosing the fair value of financial instruments is presented in note 17.

8 Investments at fair value through profit or loss

	31 March 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	31 March 2017 (Unaudited) KD
Local quoted securities	15,833	18,079	23,352
Local unquoted securities	418,849	-	-
Foreign quoted securities	4,025	3,927	2,571
Foreign unquoted securities	22,822,310	-	-
Managed funds	58,900	-	-
	23,319,917	22,006	25,923

The hierarchy for determining and disclosing the fair values of financial instruments is presented in Note 20.

9 Related party transactions

Related parties represent associates, directors and key management personnel of the group, major shareholders, and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

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

	31 March 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	31 March 2017 (Unaudited) KD
Interim condensed consolidated statement of financial position:			
Due from related parties	2,561,247	1,304,124	1,188,279
Due to related parties	649,690	707,666	7,467,599
Purchase of investment in associate	-	10,000	-

Notes to the interim condensed consolidated financial information (continued)

9 Related party transactions (continued)

Investments at fair value through other comprehensive income amounting to KD2,616,651 (AFS investments KD2,511,325 in 31 December 2017 and KD 2,634,343 In 31 Mar 2017) are managed by a related party.

	Three months ended 31 March 2018 (Unaudited) KD	Three months ended 31 March 2017 (Unaudited) KD
Interim condensed consolidated statement of profit or loss:		
Real estate operating expenses	125,232	79,111
General and administrative expenses	57,500	57,500
Key management compensation:		
Salaries and short-term benefits	-	37,769
Employees' end of service benefit	-	6,500

10 Cash and cash equivalents

	31 March 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	31 March 2017 (Unaudited) KD
Cash and bank balances	2,737,693	4,056,851	3,712,165
Cash in investment portfolios managed by others	503,461	445,528	264,142
Term deposits	98,448	98,448	98,448
Total cash and cash equivalents	3,339,602	4,600,827	4,074,755
Less: Restricted bank balances	(236,114)	(236,114)	(321,020)
Term deposits with original maturity exceeding three months	(98,448)	(98,448)	(98,448)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	2,906,592	4,266,265	3,655,287

Restricted bank balances is maintained with foreign banks to cover any unpaid principal and interest relating to the granted to the Group (note 11).

11 Borrowings

	31 March 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	31 March 2017 (Unaudited) KD
Murabaha payable (i)	90,099,513	87,101,489	83,328,473
Tawaroq payable (ii)	3,015,225	3,015,225	-
Term loans (iii)	2,412,995	2,412,995	2,711,728
Total	95,527,733	92,529,709	86,040,201
Borrowings in KD	93,114,738	90,116,714	83,328,473
Borrowings in USD and LBP	2,412,995	2,412,995	2,711,728
Total	95,527,733	92,529,709	86,040,201

Notes to the interim condensed consolidated financial information (continued)

11 Borrowings (continued)

The borrowings due for repayment as follows:

	31 March 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	31 March 2017 (Unaudited) KD
Within one year	2,155,000	1,905,000	1,108,518
Over one year	93,372,733	90,624,709	84,931,683
	95,527,733	92,529,709	86,040,201

- i) Murabaha payable represents Islamic financing obtained in Kuwaiti Dinar from local and foreign Islamic banks, carry an annual profit rate of 2% - 2.75% over CBK discount rate and repayable in different unequal instalments ending on 31 December 2025. Murabaha payable are secured by certain investment properties.
- ii) Tawarruq payable represents Islamic financing obtained in Kuwaiti Dinar from a local Islamic financial institution, carry an annual profit rate of 2.5% over CBK discount rate and repayable in four quarterly equal instalments starting on 1 May 2018 and ending on 1 February 2021.
- iii) Term loans are obtained in USD and Lebanese Pound from foreign banks. The USD loans carry an annual interest rate of 0.5% over USD Beirut Reference Rate ("BRR") with a minimum of 6.5% and the loans in Lebanese Pound carry an annual interest rate of 0.5% over LBP Beirut Reference Rate ("BRR"). Term loans are secured by certain properties held for trading and the Group's shares in certain fellow subsidiaries.

12 Lease contracts commitment

Lease contracts commitment represents the accrued rental payable by the Group for both Souk Al-Kuwait and Souk Al-Kabeer buildings in accordance with the BOT contracts signed with the Ministry of Finance - State properties.

During the year ended 31 December 2013, the Parent Company signed contracts for management, development, operation and maintenance of Souk Al-Kabeer and Souk Al-Kuwait properties for a period of ten years. Under the final agreements for those properties signed on 1 October 2013, the Parent Company shall pay aggregate annual rental amount of KD4,812,000 starting on 1 January 2015.

13 Accounts payable and other liabilities

	31 March 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	31 March 2017 (Unaudited) KD
Accounts payable	4,504,791	4,643,664	4,749,086
Deposits received from clients on sale of properties	2,185,490	2,185,490	2,912,078
Accrued interests	1,122,143	1,382,336	971,852
Accrued expenses and leave	456,266	377,549	201,444
Rent collected in advance	1,841,380	1,685,227	2,084,252
Kuwait Foundation for the Advancement of Science	43,350	32,988	30,369
National Labour Support Tax	2,056,386	2,902,562	2,888,014
Zakat	330,546	307,519	301,699
Dividends payable	1,747,616	1,756,573	1,765,014
Other liabilities	484,689	379,954	717,509
	14,772,657	15,653,862	16,621,317

Notes to the interim condensed consolidated financial information (continued)

14 Due to bank

This represents outstanding balance of the credit facilities granted to the Group by a local Islamic bank in the form of overdraft facilities. Those facilities carry an annual profit rate of 1.75% above the Central Bank of Kuwait discount rate.

The due to bank balance is secured against mortgage of certain investment properties.

15 Segmental analysis

The Group operates in real estate and investment segments. The segmental analysis of the total income and net profit for the business segments are as follows:

	Real estate KD	Investment KD	Not allocated KD	Total KD
Three months ended 31 March 2018:				
Total income	2,472,188	56,821	1,318,341	3,847,350
Profit for the period	1,218,147	56,821	936,824	2,211,792
As of 31 March 2018:				
Total assets	177,431,073	60,082,524	11,350,888	248,864,485
Total liabilities	100,778,750	14,681,239	1,474,855	116,934,844
Net assets	76,652,323	45,401,285	9,876,033	131,929,641
Three months ended 31 March 2017:				
Total income	4,868,711	40,834	-	4,909,545
Profit for the period	1,731,816	1,579	(69,369)	1,664,026
As of 31 March 2017:				
Total assets	187,847,931	65,431,624	1,188,279	254,467,834
Total liabilities	101,077,208	9,218,837	10,687,681	120,983,726
Net assets	86,770,723	56,212,787	(9,499,402)	133,484,108

16 Annual general assembly

As of the date of issuance of this interim condensed consolidated financial information, the annual general assembly of the shareholders of the Parent Company has not been held to approve the consolidated financial statements for the year ended 31 December 2017. The interim condensed consolidated financial information for the three-month period ended 31 March 2018 does not include any adjustments, which might have been required, had the general assembly not approved the consolidated financial statements for the year ended 31 December 2017.

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement

17.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

The carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position are as follows:

	31 March 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	31 March 2017 (Unaudited) KD
Financial assets:			
<i>Financial assets at amortised cost:</i>			
Due from related parties	2,561,247	1,304,124	1,188,279
Accounts receivable and other assets	3,332,504	3,224,978	4,388,081
Cash and cash equivalents	3,241,154	4,600,827	4,074,755
<i>Financial assets at fair value:</i>			
Investments at fair value through profit or loss	23,319,917	22,006	25,923
Investments at fair value through other comprehensive income	33,190,221	-	-
<i>Available for sale investments:</i>			
Available for sale investments – at fair value	-	46,527,607	57,120,061
Available for sale investments – at cost	-	11,228,623	-
	65,645,043	66,908,165	66,797,099
Financial liabilities:			
<i>Financial liabilities at amortised cost</i>			
Borrowings	95,527,733	92,529,709	89,985,994
Lease contracts commitment	1,531,625	5,274,288	3,597,913
Provision for employees' end of service benefits	733,746	709,297	1,151,666
Due to related parties	649,690	707,666	7,467,599
Accounts payable and other liabilities	14,772,657	15,653,862	16,621,317
Due to bank	3,719,393	1,647,650	2,159,237
	116,934,844	116,522,472	120,983,726

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortised cost, approximate their fair values.

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.1 Fair value hierarchy (continued)

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 March 2018 (Unaudited)				
Financial assets				
<i>Investments at fair value through profit or loss:</i>				
Local quoted securities	15,833	-	-	15,833
Local unquoted securities	-	-	418,849	418,849
Foreign quoted securities	4,025	-	-	4,025
Foreign unquoted securities	-	-	22,822,310	22,822,310
Managed funds	-	58,900	-	58,900
<i>Investments at fair value through other comprehensive income:</i>				
Local quoted securities	9,764,487	-	-	9,764,487
Local unquoted securities	-	-	10,430,207	10,430,207
Foreign unquoted securities	-	-	7,700,282	7,700,282
Debt instruments	-	-	5,295,245	5,295,245
	9,784,346	58,900	46,666,892	56,510,138
31 December 2017 (Audited)				
Financial assets				
<i>Investments at fair value through profit or loss:</i>				
Quoted securities	22,006	-	-	22,006
<i>Available for sale investments:</i>				
Local quoted securities	14,269,766	-	-	14,269,766
Local unquoted securities	-	-	11,780,492	11,780,492
Foreign unquoted securities	-	-	10,465,513	10,465,513
Debt instruments	-	-	9,952,936	9,952,936
Managed funds	-	58,900	-	58,900
	14,291,772	58,900	32,198,941	46,549,613
31 March 2017 (Unaudited)				
Financial assets				
<i>Investments at fair value through profit or loss:</i>				
Quoted securities	25,923	-	-	25,923
<i>Available for sale investments:</i>				
Local quoted securities	15,316,263	-	-	15,316,263
Local unquoted securities	-	-	11,948,071	11,948,071
Foreign unquoted securities	-	-	20,035,997	20,035,997
Debt instruments	-	-	9,760,830	9,760,830
Managed funds	-	58,900	-	58,900
	15,342,186	58,900	41,744,898	57,145,984

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

Notes to the interim condensed consolidated financial information (continued)

17 Fair value measurement (continued)

17.1 Fair value hierarchy (continued)

Level 3 fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Mar. 2018 KD	31 Dec. 2017 KD	31 Mar. 2017 KD
Opening balance	32,198,941	29,592,230	39,239,647
Additions	11,764,088	-	-
Sales	-	(389,157)	-
Purchases	2,140,376	4,398,059	2,505,251
Transfer from level 1	-	1,463,296	-
Change in fair value	563,475	(2,803,626)	-
Foreign currency	-	(61,861)	-
Closing balance	46,666,880	32,198,941	41,744,898

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

18 Contingent liabilities

Contingent liabilities and capital commitments at the interim condensed consolidated financial position date are as follows:

	31 March 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	31 March 2017 (Unaudited) KD
Issued letters of guarantee	4,084,374	4,084,374	4,086,874
Capital commitments	852,210	1,541,150	1,836,750
	4,936,584	5,625,524	5,923,624

Capital commitments on lease contracts arising on the agreements signed with the Ministry of Finance – State Property Management Department (Note 12).

Further, these agreements result in capital commitments on the Parent Company to maintain, develop and operate the properties within three years from the date of signing the final agreements.

19 Subsequent event

During the period, the board of directors of the Parent Company announced its intention to make non-cash optional acquisition of shares of International Resorts Company – KPSC (“IRC”), a related party. The board of directors of IRC has expressed its initial approval to study this proposal. Subsequent to the date of the interim condensed consolidated financial information, the Parent Company has obtained CMA’s approval to present the non-cash acquisition offer to buy all shares of the International Resorts Company by issuing a maximum of 64,403,643 shares subject to the approval of the extraordinary general assembly of the shareholders of the Parent Company.