Interim condensed consolidated financial information and review report

Kuwait Real Estate Company – KPSC and Subsidiaries

Kuwait

30 September 2018 (Unaudited)

Contents

Grant Thornton
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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 30 September 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 nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 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
8 November 2018

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 30 Sept. 2018 (Unaudited) KD	Three months ended 30 Sept. 2017 (Unaudited) KD	Nine months ended 30 Sept. 2018 (Unaudited) KD	Nine months ended 30 Sept. 2017 (Unaudited) KD
Revenue					
Real estate rental income		4,306,310	4,358,145	13,169,309	13,116,113
Real estate operating expenses		(1,963,188)	(1,933,975)	(5,660,171)	(5,598,216)
Net rental income		2,343,122	2,424,170	7,509,138	7,517,897
Loss on sale of investment properties		-	-	-	(4,910)
Gain on sale of available for sale investments		-	-	-	353
Gain on sale of investments at fair value through profit or loss		-	-	-	9,139
Change in fair value of investments at fair value through profit or loss		487,461	275	725,910	(12,306)
Share of results of associates		8,619	59,057	34,567	109,870
Dividend income		71,839	127,042	305,001	353,704
Foreign exchange gain/(loss)		1,151	6,498	165	(2,635)
Reversal of provision no longer required	5	-	-	903,744	-
Other income		197,843	450,333	836,537	1,373,525
		3,110,035	3,067,375	10,315,062	9,344,637
Expenses and other charges					
General and administrative expenses		404,146	364,915	1,010,487	972,375
Finance costs		1,449,105	1,278,527	3,903,026	3,664,030
Provision for doubtful debts		67,178	-	172,203	-
		1,920,429	1,643,442	5,085,716	4,636,405
Profit for the period before provisions for KFAS, NLST and Zakat		1,189,606	1,423,933	5,229,346	4,708,232
Kuwait Foundation for the Advancement of Sciences (KFAS)		(5,353)	(6,408)	(23,532)	(21,187)
National Labour Support Tax (NLST)		(29,740)	(35,598)	(130,734)	(117,706)
Zakat		(11,896)	(14,239)	(52,293)	(47,082)
Profit for the period		1,142,617	1,367,688	5,022,787	4,522,257
Basic and diluted earnings per share (fils)	6	1.28	1.51	5.60	4.99

The notes set out on pages 7 to 23 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		Nine months ended	
	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2017 (Unaudited) KD
Profit for the period	**1,142,617**	1,367,688	**5,022,787**	4,522,257
Other comprehensive income/(loss):				
Items that will not be reclassified subsequently to profit or loss				
Investments at fair value through other comprehensive income:				
- Net change in fair value arising during the period	**(63,915)**	-	**(4,539,927)**	-
Items that will be reclassified subsequently to statement of profit or loss:				
Available for sale investments:				
- Net change in fair value	-	3,511,837	-	5,071,572
- Transferred to interim condensed consolidated statement of profit or loss due to sale	-	-	-	(261)
Exchange differences arising on translation of foreign operations	**405,136**	(113,165)	**69,325**	(285,375)
Total other comprehensive (loss)/income	**341,221**	3,398,672	**(4,470,602)**	4,785,936
Total comprehensive income for the period	**1,483,838**	4,766,360	**552,185**	9,308,193

The notes set out on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Assets				
Non-current assets				
Property and equipment		2,070,205	2,148,812	2,131,744
Investment properties	7	172,570,390	164,278,166	163,746,657
Capital work in progress		1,280,875	457,170	593,184
Investments at fair value through other comprehensive income	8	31,831,457	-	-
Available for sale investments		-	57,756,230	67,426,037
Investments in associates		3,226,904	3,623,001	8,302,856
Total non-current assets		210,979,831	228,263,379	242,200,478
Current assets				
Trading properties		12,442,565	12,401,500	13,173,812
Due from related parties	10	9,749,924	1,304,124	1,227,842
Accounts receivable and other assets		3,328,666	3,248,896	4,372,436
Investments at fair value through profit or loss	9	28,238,458	22,006	26,928
Cash and cash equivalents	11	5,077,251	4,600,827	4,277,827
Total current assets		58,836,864	21,577,353	23,078,845
Total Assets		269,816,695	249,840,732	265,279,323
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	12	(943,694)	(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		196,369	127,044	255,561
Fair value reserve		2,530,788	6,050,732	11,533,564
Retained earnings		16,849,405	12,953,860	15,716,045
Total equity		133,027,641	133,318,260	141,228,920
Liabilities				
Non-current liabilities				
Borrowings	13	110,110,580	90,624,709	91,440,368
Lease contracts commitment	14	-	-	1,531,625
Provision for employees' end of service benefits		797,241	709,297	1,236,801
Total non-current liabilities		110,907,821	91,334,006	94,208,794
Current liabilities				
Due to related parties	10	730,249	707,666	6,708,647
Borrowings	13	2,696,113	1,905,000	1,077,500
Lease contracts commitment	14	3,670,288	5,274,288	4,204,955
Accounts payable and other liabilities	15	14,176,788	15,653,862	15,748,627
Due to bank	16	4,607,795	1,647,650	2,101,880
Total current liabilities		25,881,233	25,188,466	29,841,609
Total Liabilities		136,789,054	116,522,472	124,050,403
Total Equity and Liabilities		269,816,695	249,840,732	265,279,323

Talal Jassim Al-Bahar
Vice chairman and CEO

The notes set out on pages 7 to 23 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
Purchase of Treasury shares	-	-	(735,545)	-	-	-	-	-	-	(735,545)
Profit for the period	-	-	-	-	-	-	-	-	5,022,787	5,022,787
Other comprehensive income/(loss)	-	-	-	-	-	-	69,325	(4,539,927)	-	(4,470,602)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	69,325	(4,539,927)	5,022,787	552,185
Realised loss on equity investment at fair value through other comprehensive income	-	-	-	-	-	-	-	148,152	(148,152)	-
Balance at 30 September 2018 (unaudited)	90,671,294	3,425,191	(943,694)	2,298,155	15,078,144	2,921,989	196,369	2,530,788	16,849,405	133,027,641
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	-	-	-	-	-	-	-	-	4,522,257	4,522,257
Other comprehensive loss	-	-	-	-	-	-	(285,375)	5,071,311	-	4,785,936
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(285,375)	5,071,311	4,522,257	9,308,193
Balance at 30 September 2017 (unaudited)	90,671,294	3,425,191	(208,149)	2,298,155	14,846,707	2,690,552	255,561	11,533,564	15,716,045	141,228,920

The notes set out on pages 7 to 23 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2018 (Unaudited) KD	Nine months ended 30 Sept. 2017 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		5,022,787	4,522,257
Adjustments:			
Depreciation		242,269	18,864
Provision for lease contracts commitment		3,208,001	3,208,001
Loss on sale of investment properties		-	4,910
Gain on sale of available for sale investments		-	(353)
Gain on sale of investments at fair value through profit or loss		-	(9,139)
Change in fair value of investments at fair value through profit or loss		(725,910)	12,306
Share of results of associates		(34,567)	(109,870)
Dividend income		(305,001)	(353,704)
Provision for employees' end of service benefits		162,218	141,407
Provision for doubtful debts		172,203	-
Reversal of provision no longer required		(903,744)	-
Finance costs		3,903,026	3,664,030
		10,741,282	11,098,709
Changes in operating assets and liabilities:			
Due from related parties		(8,475,800)	456,282
Accounts receivable and other assets		(329,235)	65,229
Due to related parties		22,583	(787,187)
Accounts payable and other liabilities		(1,688,030)	(1,665,424)
Lease contracts commitment paid		(4,812,000)	(4,812,000)
Employees' end of service benefits paid		(74,274)	(35,848)
Net cash (used in)/from operating activities		(4,615,474)	4,319,761
INVESTING ACTIVITIES			
Purchase of property and equipment		(163,662)	(324,933)
Additions to capital work in progress		(823,704)	(282,550)
Purchase of available for sale investments		-	(7,138,591)
Purchase of investments at fair value through other comprehensive income		(156,858)	-
Purchase of investments at fair value through profit or loss		(6,285,520)	-
Purchase of trading properties		(41,065)	(372,924)
Purchase of investment properties		(8,291,780)	-
Proceeds from sale of investment properties		-	977,170
Proceeds from sale of available for sale investments		-	190,339
Proceeds from sale of investments at fair value through other comprehensive income		363,723	-
Proceeds from sale of investments at fair value through profit or loss		-	9,139
Dividend received from associates		430,664	103,393
Increase in term deposits		(153,750)	-
Dividends income received		305,001	353,704
Net cash used in investing activities		(14,816,951)	(6,485,253)
FINANCING ACTIVITIES			
Net change in borrowings		20,276,984	6,547,470
Finance costs paid		(2,788,336)	(2,573,963)
Net change in due to bank		2,960,145	(1,271,180)
Purchase of treasury shares		(735,545)	-
Net cash from financing activities		19,713,248	2,702,327
Net increase in cash and cash equivalents		280,823	536,835
Net differences in foreign currency translation		41,851	262,837
Cash and cash equivalents at the beginning of the period	11	4,266,265	3,159,006
Cash and cash equivalents at the end of the period	11	4,588,939	3,958,678

The notes set out on pages 7 to 23 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 nine-month period ended 30 September 2018 was authorised for issue by the Parent Company's board of directors on 8 November 2018.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2018 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting polices 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 nine-month period ended 30 September 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)

Standard or Interpretation	*Effective for annual periods beginning*
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
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 KD871,831 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 is material 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 (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2018	30 Sept. 2017	**30 Sept. 2018**	30 Sept. 2017
Profit for the period (KD)	**1,142,617**	1,367,688	**5,022,787**	4,522,257
Weighted average number of shares outstanding during the period (excluding treasury shares) (share)	**890,246,540**	905,339,849	**896,385,207**	905,339,849
Basic and diluted earnings per share (Fils)	**1.28**	1.51	**5.60**	4.99

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 Investment properties

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Balance at the beginning of the period/year	**164,278,166**	164,728,737	164,728,737
Additions during the period/year	**8,292,224**	-	-
Transferred from capital works in progress under development – Note 8	-	247,189	-
Disposals during the period/year	-	(1,172,320)	(982,080)
Change in fair value	-	474,560	-
Foreign currency translation differences	-	-	-
Balance at the end of the period/year	**172,570,390**	164,278,166	163,746,657

The additions represent purchase value of residential units located in UAE and local land during this period.

The Group's investment properties are located as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Kuwait	**148,897,102**	144,646,200	145,007,173
Other GCC and other countries	**23,673,288**	19,631,966	18,739,484
	172,570,390	164,278,166	163,746,657

Investment properties with carrying value of KD107,450,000 (KD102,950, 000 as of 31 December 2017 and KD98,300,000 as of 30 September 2017) are pledged against borrowings and balances due to bank (Notes 13 and 16).

8 Investments at fair value through other comprehensive income

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Local quoted securities	**8,860,736**	-	-
Local unquoted securities	**12,033,236**	-	-
Foreign unquoted securities	**4,077,985**	-	-
Debt instruments	**6,859,500**	-	-
	31,831,457	-	-

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 19.

Notes to the interim condensed consolidated financial information (continued)

9 Investments at fair value through profit or loss

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Local quoted securities	13,552	18,079	26,928
Local unquoted securities	431,252	-	-
Foreign quoted securities	3,697	3,927	-
Foreign unquoted securities	27,731,057	-	-
Managed funds	58,900	-	-
	28,238,458	22,006	26,928

The hierarchy for determining and disclosing the fair values of financial instruments is presented in Note 19.

10 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:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Interim condensed consolidated statement of financial position:			
Due from related parties	9,749,924	1,304,124	1,227,842
Due to related parties	730,249	707,666	6,708,647
Purchase of investment in associate	-	10,000	-

Investments at fair value through other comprehensive income amounting to KD385,314 (available for sale investments KD2,511,325 in 31 December 2017 and KD3,036,735 in 30 September 2017) are managed by a related party.

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2018 KD	30 Sept. 2017 KD	30 Sept. 2018 KD	30 Sept. 2017 KD
Interim condensed consolidated statement of profit or loss:				
Real estate operating expenses	161,736	108,857	366,338	323,256
General and administrative expenses	98,750	57,500	226,250	172,500
Key management compensation:				
Salaries and short-term benefits	37,760	35,770	75,520	107,308
Employees' end of service benefit	1,375	6,500	2,750	19,500

Notes to the interim condensed consolidated financial information (continued)

11 Cash and cash equivalents

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Cash and bank balances	**4,545,267**	4,056,851	3,731,877
Cash in investment portfolios managed by others	**279,786**	445,528	447,502
Term deposits	**252,198**	98,448	98,448
Total cash and cash equivalents	**5,077,251**	4,600,827	4,277,827
Less:			
Restricted bank balances	**(236,114)**	(236,114)	(220,701)
Term deposits with maturity exceeding three months	**(252,198)**	(98,448)	(98,448)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**4,588,939**	4,266,265	3,958,678

Restricted bank balances is maintained with foreign banks to cover any unpaid principal and interest relating to the certain term loans granted to the Group (note 13).

12 Treasury shares

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Number of treasury shares	**16,944,661**	1,373,091	1,373,091
Percentage of ownership	**1.87%**	0.151%	0.151%
Market value (KD)	**784,538**	76,344	86,505
Cost (KD)	**943,694**	208,149	208,149

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

13 Borrowings

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Murabaha payable (i)	**104,347,020**	87,101,489	87,159,023
Tawaroq payable (ii)	**2,512,688**	3,015,225	3,015,225
Term loans (iii)	**5,946,985**	2,412,995	2,343,620
Total	**112,806,693**	92,529,709	92,517,868
Borrowings in KD	**106,859,708**	90,116,714	90,174,248
Borrowings in AED, USD and LBP	**5,946,985**	2,412,995	2,343,620
Total	**112,806,693**	92,529,709	92,517,868

Notes to the interim condensed consolidated financial information (continued)

13 Borrowings (continued)

The borrowings due for repayment as follows:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Within one year	**2,696,113**	1,905,000	1,077,500
Over one year	**110,110,580**	90,624,709	91,440,368
	112,806,693	92,529,709	92,517,868

i) Murabaha payable represents Islamic financing obtained in Kuwaiti Dinar from local and foreign Islamic banks, carry an annual profit rate of 1.5% - 2.00% 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, AED 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%, the loans in Lebanese Pound carry an annual interest rate of 0.5% over LBP Beirut Reference Rate ("BRR") and the loans in AED carry an annual interest rate of 3.5% over EIBOR.

Term loans are secured by pledged investment properties, certain properties held for trading and the Group's shares in certain fellow subsidiaries.

14 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.

15 Accounts payable and other liabilities

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Accounts payable	**4,497,811**	4,643,664	4,901,000
Deposits received from clients on sale of properties	**2,185,490**	2,185,490	2,184,381
Accrued interests	**1,114,690**	1,382,336	1,137,308
Accrued expenses and leave	**376,966**	377,549	515,455
Rent collected in advance	**1,314,895**	1,685,227	1,520,215
Kuwait Foundation for the Advancement of Science	**56,520**	32,988	43,760
National Labour Support Tax	**2,129,551**	2,902,562	2,962,409
Zakat	**359,812**	307,519	331,456
Dividends payable	**1,730,410**	1,756,573	1,719,503
Other liabilities	**410,643**	379,954	433,140
	14,176,788	15,653,862	15,748,627

Notes to the interim condensed consolidated financial information (continued)

16 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.

17 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	Unallocated KD	Total KD
Nine months ended 30 September 2018:				
Total income	7,509,138	1,065,478	1,740,446	10,315,062
Profit for the period	3,606,112	1,065,478	351,197	5,022,787
As of 30 September 2018:				
Total assets	186,293,830	63,296,819	20,226,046	269,816,695
Total liabilities	121,084,776	14,176,788	1,527,490	136,789,054
Net assets	65,209,054	49,120,031	18,698,556	133,027,641
Nine months ended 30 September 2017:				
Total income	7,512,987	460,760	1,370,890	9,344,637
Profit for the period	3,848,957	460,760	212,540	4,522,257
As of 30 September 2017:				
Total assets	177,513,653	75,755,821	12,009,849	265,279,323
Total liabilities	100,356,328	15,748,627	7,945,448	124,050,403
Net assets	77,157,325	60,007,194	4,064,401	141,228,920

18 Annual general assembly

The Annual General Assembly of the shareholders of the Parent Company held on 28th May 2018 approved the consolidated financial statements for the year ended 31 December 2017 without distributing any dividends.

19 Fair value measurement

19.1 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:

Notes to the interim condensed consolidated financial information (continued)

19 Fair value measurement (continued)

19.1 Fair value hierarchy (continued)

- 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:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Financial assets:			
Financial assets at amortised cost:			
Due from related parties	9,749,924	1,304,124	1,227,842
Accounts receivable and other assets	3,328,666	3,224,978	4,372,436
Cash and cash equivalents	4,825,053	4,502,379	4,179,379
Financial assets at fair value:			
Investments at fair value through profit or loss	28,238,458	22,006	26,928
Investments at fair value through other comprehensive income	31,831,457	-	-
Available for sale investments:			
Available for sale investments – at fair value	-	46,527,607	38,790,132
Available for sale investments – at cost	-	11,228,623	28,635,905
	77,973,558	66,809,717	77,232,622
Financial liabilities:			
Financial liabilities at amortised cost			
Borrowings	112,806,693	92,529,709	92,517,868
Lease contracts commitment	3,670,288	5,274,288	5,736,580
Provision for employees' end of service benefits	797,241	709,297	1,236,801
Due to related parties	730,249	707,666	6,708,647
Accounts payable and other liabilities	14,176,788	15,653,862	15,748,627
Due to bank	4,607,795	1,647,650	2,101,880
	136,789,054	116,522,472	124,050,403

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

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.

Notes to the interim condensed consolidated financial information (continued)

19 Fair value measurement (continued)

19.1 Fair value hierarchy (continued)

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	Level 2	Level 3	Total
	KD	KD	KD	KD
30 September 2018 (Unaudited)				
Financial assets				
Investments at fair value through profit or loss:				
Local quoted securities	13,552	-	-	13,552
Local unquoted securities	-	-	431,252	431,252
Foreign quoted securities	3,697	-	-	3,697
Foreign unquoted securities	-	-	27,731,058	27,731,058
Managed funds	-	58,900	-	58,900
Investments at fair value through other comprehensive income:				
Local quoted securities	8,860,736	-	-	8,860,736
Local unquoted securities	-	-	12,033,236	12,033,236
Foreign unquoted securities	-	-	4,077,985	4,077,985
Debt instruments	-	-	6,859,500	6,859,500
	8,877,985	58,900	51,133,031	60,069,916
31 December 2017 (Audited)				
Financial assets				
Investments at fair value through profit or loss:				
Quoted securities	22,006	-	-	22,006
Available for sale investments:				
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
30 September 2017 (Unaudited)				
Financial assets				
Investments at fair value through profit or loss:				
Quoted securities	26,928	-	-	26,928
Available for sale investments:				
Local quoted securities	20,488,219	-	-	20,488,219
Local unquoted securities	-	-	11,986,291	11,986,291
Foreign unquoted securities	-	-	25,051,157	25,051,157
Debt instruments	-	-	9,841,470	9,841,470
Managed funds	-	58,900	-	58,900
	20,515,147	58,900	46,878,918	67,452,965

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

Notes to the interim condensed consolidated financial information (continued)

19 Fair value measurement (continued)

19.1 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:

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Opening balance	32,198,941	29,592,230	40,109,668
Additions	11,764,088	-	7,138,590
Sales	(650,611)	(389,157)	(189,600)
Purchases	6,456,589	4,398,059	-
Transfer from level 1	-	1,463,296	-
Change in fair value	1,364,024	(2,803,626)	-
Foreign currency	-	(61,861)	(179,740)
Closing balance	51,133,031	32,198,941	46,878,918

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.

20 Contingent liabilities

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

	30 Sept. 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 Sept. 2017 (Unaudited) KD
Issued letters of guarantee	4,084,374	4,084,374	4,084,374
Capital commitments	737,218	1,541,150	1,652,960
	4,821,592	5,625,524	5,737,334

Capital commitments on lease contracts arising on the agreements signed with the Ministry of Finance – State Property Management Department (Note 14).

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.

Notes to the interim condensed consolidated financial information (continued)

21 Business combination

During the period, the board of directors of the Parent Company announced its intention to make non-cash acquisition of shares of International Resorts Company – KPSC ("IRC"), a related party. The Parent Company has obtained CMA's approval on the non-cash acquisition offer to acquire all outstanding shares of the IRC by issuing a maximum of 64,403,643 shares of the Parent Company which was also approved by the extraordinary general assembly of the shareholders of the Parent Company held on 5th July 2018.

The process of acquiring the IRC's shares commenced from 6 September 2018 until 31 October 2018. However, subsequent to the date of this interim condensed consolidated financial information, the CMA approved the Parent Company's request for extending the period until 31 December 2018.