

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
and its subsidiaries
State of Kuwait

Interim Condensed Consolidated Financial Information (Unaudited)
And review report for the three month period ended 31 March 2018

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
and its subsidiaries
State of Kuwait

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**Independent auditor's report on review of interim condensed consolidated financial information to the board of directors of Dar Al-Thuraya Real Estate Company K.S.C. (Public)
State of Kuwait**

Introduction

We have reviewed the accompanying interim condensed consolidated financial information of Dar Al-Thuraya Real Estate Co. K.S.C. (Public) ("The Parent Company") and its subsidiaries (together referred to as "the Group") which comprise the interim condensed consolidated statement of financial position as at 31 March 2018, and the related interim condensed consolidated statements of income, income and other comprehensive income, changes in equity and cash flows for the three month period then ended. The preparation and fair presentation of this interim condensed consolidated financial information is the responsibility of the Parent Company's management in accordance with IAS 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 the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion


The Group has not applied the amendments of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", which are effective from 1 January 2018. Accordingly, we were unable to determine whether it is necessary to make any adjustments on the accompanying interim condensed consolidated financial information and the opening balances as at 1 January 2018.

Qualified conclusion

Based on our review, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph above, 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.

Report on Other Legal and Regulatory Requirements

Furthermore, except for the possible effects of the matter described in the "Basis for Qualified Conclusion" paragraph above, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that nothing has come to our attention indicating occurrence of contraventions during the three month period ended 31 March 2018, of the Companies' Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's and memorandum of incorporation and articles of association, as amended, during the three month period ended 31 March 2018 that might have had a material effect on business of the Group or on its interim condensed consolidated financial position.



Qais M. Al Nisf
License No. 38 – "A"
BDO Al Nisf & Partners

Kuwait: 14 May 2018

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
and its subsidiaries
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Interim Condensed Consolidated Statement of Financial Position (Unaudited)
As at 31 March 2018

	Notes	31 March 2018 KD	31 December 2017 (Audited) KD	31 March 2017 KD
Assets				
Non-current assets				
Property, plant and equipment		6,679,408	6,724,479	6,977,377
Right of use		150	150	110,000
Intangible assets		382,321	401,790	507,460
Investment properties	4	13,965,726	14,464,800	15,216,024
Available for sale investments		3,020	3,366	3,173
Due from related parties	5	193,181	187,581	305,736
		<u>21,223,806</u>	<u>21,782,166</u>	<u>23,119,770</u>
Current assets				
Inventories		411,956	412,113	379,582
Trade and other receivables	6	897,475	829,652	1,343,446
Cash and bank balances	7	1,032,939	433,964	321,850
		<u>2,342,370</u>	<u>1,675,729</u>	<u>2,044,878</u>
Total assets		<u>23,566,176</u>	<u>23,457,895</u>	<u>25,164,648</u>
Equity and liabilities				
Equity				
Share capital		14,650,000	14,650,000	14,650,000
Statutory reserve		866,845	866,845	866,845
Voluntary reserve		866,845	866,845	866,845
Change in fair value reserve		83	(274)	(467)
Revaluation surplus reserve		-	-	109,832
Accumulated losses		(2,101,053)	(2,151,107)	(1,392,480)
Equity attributable to shareholders of the Parent Company		<u>14,282,720</u>	<u>14,232,309</u>	<u>15,100,575</u>
Non-controlling interests		19,448	21,132	27,157
Total equity		<u>14,302,168</u>	<u>14,253,441</u>	<u>15,127,732</u>
Liabilities				
Non-current liabilities				
Employees' end of service indemnity		502,306	495,063	394,321
Due to related parties	5	6,209,921	6,144,476	8,806,916
		<u>6,712,227</u>	<u>6,639,539</u>	<u>9,201,237</u>
Current liabilities				
Ijara payables	8	2,082,562	2,054,053	-
Other credit balances		469,219	510,862	835,679
		<u>2,551,781</u>	<u>2,564,915</u>	<u>835,679</u>
Total liabilities		<u>9,264,008</u>	<u>9,204,454</u>	<u>10,036,916</u>
Total equity and liabilities		<u>23,566,176</u>	<u>23,457,895</u>	<u>25,164,648</u>

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Adel Mohammed Hamoud Al Hudaib
Chairman

Ahmad Abdulaziz Albahr
Vice Chairman

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
and its subsidiaries
State of Kuwait

Interim Condensed Consolidated Statement of Income (Unaudited)
For the three month period ended 31 March 2018

	Notes	Three months ended 31 March	
		2018	2017
		KD	KD
Sales		302,233	217,310
Cost of sales		(165,034)	(21,957)
Gross profit		137,199	195,353
Other income		45,239	2,902
Net rental income	9	231,934	283,138
Impairment of available for sale investment		(703)	-
General and administrative expenses		(267,113)	(258,257)
Finance costs		(28,509)	-
Depreciation and amortization		(67,660)	(42,840)
Profit for the period before NLST and Zakat		50,387	180,296
National Labour Support Tax		(1,441)	(4,738)
Zakat		(576)	(1,796)
Net profit for the period		48,370	173,762
Attributable to:			
Shareholders of the Parent Company		50,054	173,086
Non-controlling interests		(1,684)	676
Net profit for the period		48,370	173,762
Basic and diluted earnings per share for the period attributable to the Parent Company's shareholders / (fils)	10	0.342	1.181

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

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Interim Condensed Consolidated Statement of Income and Comprehensive Income (Unaudited)
For the three month period ended 31 March 2018

	Three months ended 31 March	
	2018	2017
	KD	KD
Net profit for the period	48,370	173,762
Other comprehensive income items:		
<i>Items that may be reclassified subsequently to the interim condensed consolidated statement of income:</i>		
Changes at fair value of available for sale investments	357	-
Total other comprehensive income	357	-
Total comprehensive income for the period	48,727	173,762
Attributable to:		
Shareholders of the Parent Company	50,411	173,086
Non-controlling interests	(1,684)	676
	48,727	173,762

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
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Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)
For the three month period ended 31 March 2018

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Change in fair value reserve KD	Revaluation surplus reserve KD	Accumulated losses KD	Equity attributable to shareholders of the Parent Company KD	Non-controlling interests KD	Total equity KD
At 1 January 2018	14,650,000	866,845	866,845	(274)	-	(2,151,107)	14,232,309	21,132	14,253,441
Net profit for the period	-	-	-	-	-	50,054	50,054	(1,684)	48,370
Other comprehensive income for the period	-	-	-	357	-	-	357	-	357
Total comprehensive income / (loss) for the period	-	-	-	357	-	50,054	50,411	(1,684)	48,727
At 31 March 2018	14,650,000	866,845	866,845	83	-	(2,101,053)	14,282,720	19,448	14,302,168
At 1 January 2017	14,650,000	866,845	866,845	(467)	109,832	(1,565,566)	14,927,489	26,481	14,953,970
Net profit for the period	-	-	-	-	-	173,086	173,086	676	173,762
Total comprehensive income for the period	-	-	-	-	-	173,086	173,086	676	173,762
At 31 March 2017	14,650,000	866,845	866,845	(467)	109,832	(1,392,480)	15,100,575	27,157	15,127,732

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)
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Interim Condensed Consolidated Statement of Cash Flows (Unaudited)
For the three month period ended 31 March 2018

	Notes	Three months ended 31 March	
		2018	2017
		KD	KD
Operating activities			
Net profit for the period		48,370	173,762
<i>Adjustments for:</i>			
Depreciation and amortization		67,660	42,840
Finance costs		28,509	-
Impairment of available for sale investment		703	-
Employees' end of service indemnity		17,450	13,650
		162,692	230,252
<i>Changes in working capital:</i>			
Due from/to related parties - net		59,845	(67,662)
Inventories		157	(1,023)
Trade and other receivables		(67,823)	(70,795)
Other credit balances		(41,643)	3,918
Cash generated from operations		113,228	94,690
Payment of employees' end of service indemnity		(10,207)	(3,764)
Net cash flows from operating activities		103,021	90,926
Investing activities			
Paid for the acquisition of property, plant and equipment		(3,120)	(203)
Proceeds from sale of investment properties		500,000	-
Paid for purchase of investment properties	4	(926)	(4,224)
Net cash flows generated from / (used in) investing activities		495,954	(4,427)
Net increase in cash and bank balances		598,975	86,499
Cash and bank balances at the beginning of the period		433,964	235,351
Cash and bank balances at the end of the period	7	1,032,939	321,850

The notes on pages 7 to 20 form an integral part of this interim condensed consolidated financial information.

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Notes to the Interim Condensed Consolidated Financial Information (Unaudited)
For the three month period ended 31 March 2018

1. General Information

Dar Al-Thuraya Real Estate Co. K.S.C. (Public) (the "Parent Company") was incorporated on 30 May 2004 in accordance with provisions of Kuwait Companies Law, and was registered at the commercial register on 5 June 2004 under No. 101003.

The objectives for which the Company is established in accordance with the Islamic Sharia are as follows:

- Owning, selling, purchasing, developing real estate and land plots for the Company's account in the State of Kuwait or abroad in addition to third party management, without violation of the provisions stipulated in the applicable laws, and their restriction on trading in private housing plots as stated there in.
- Acquiring, selling and purchasing shares and bonds of the real estate companies only in favour of the company inside and outside Kuwait.
- Preparing studies and providing consultancy in real estate sector in all its types provided that meeting the required terms as for who carries out this profession.
- Carrying out maintenance works related to the buildings and properties owned by the Company and others, including maintenance works and carrying out civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Organizing real estate exhibitions for the Company's real estate projects in accordance with the regulations applied in the Ministry.
- Arranging real estate auctions as per the Ministry regulations.
- Acquisition and management of commercial and residential complexes.
- Using the financial surplus available with the Company via investing the same in portfolios managed by specialized companies and entities.
- Direct contribution in the infrastructure of residential, commercial and industrial areas and projects through (B.O.T) system and management of real estate facilities under the same system.

The Parent Company carries out the above activities directly in the State of Kuwait and abroad, for itself or through agency. The Company may have interest or participate in entities with similar activities or that may help the Company achieving its objectives inside Kuwait or abroad. The Company may also establish, participate in, or purchase these entities or affiliate them.

The Parent Company's shares were listed on the Kuwait Stock Exchange on 18 August 2009.

The address of the Company's registered office is P.O. Box, 1376, Safat 13014, State of Kuwait.

The interim condensed consolidated financial information includes the financial information of the Parent Company and its subsidiaries together (the "Group") (Note 3).

The Parent Company is a subsidiary of Al Madar Finance and Investment Company K.S.C. (Public) (the "Parent Company") which is listed on the Kuwait Stock Exchange, and is a subsidiary of Al Thekair General Trading and Contracting Company W.L.L. (the "Ultimate Parent Company").

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Notes to the Interim Condensed Consolidated Financial Information (Unaudited)
For the three month period ended 31 March 2018

1. General Information (Continued)

The interim condensed consolidated financial information of Dar Al-Thuraya Real Estate Co. K.S.C. (Public) and its subsidiaries ("the Group") for the three month period ended 31 March 2018 were authorized for issue by the Parent Company's board of directors on 14 May 2018.

2. Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting". Accordingly, it should be read in conjunction with the latest annual consolidated financial statements of the Group for the year ended 31 December 2017 ("the last annual consolidated financial statements"). The interim condensed Consolidated financial information does not include all of the information required for preparing complete financial statements in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") However, certain detailed notes have been added in order to interpret the significant events and transactions to understand the changes in Group's consolidated financial position and its performance since last annual consolidated financial statements. It is the first interim condensed consolidated financial statements of the Group, in which IFRS 15 and IFRS 9 are adopted. Changes in significant accounting policies are as follows:

Use of judgments and estimates

In preparation of the interim condensed consolidated financial information, the management made judgments and estimates that may affect the adoption of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates.

The significant judgments made by management in adoption of the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which were described below:

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited)
For the three month period ended 31 March 2018

2. Basis of preparation (Continued)

Use of judgments and estimates (Continued)

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further details about the assumptions made in measuring fair value are included in note 13.

Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial information are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements for the year ending 31 December 2018.

The Group did not adopt IFRS 15 "Revenue from Contracts with Customers" (see A below) and IFRS 9 "Financial Instruments" (see B below) from 1 January 2018.

A) IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

The Group didn't adopt this standard. Accordingly, no impact on IFRS 15 have been recognized on 1 January 2018 on the Group's consolidated financial statements as at 31 December 2017 and the interim condensed consolidated financial information for the three month period ended 31 March 2018.

Service and contracting revenues

Services and contracting revenues are recognised when the services are provided to the customers in accordance with recognition criteria required by IFRS 15. The Group believes that the recognition criteria in progress are still appropriate for its contracts.

B) IFRS 9: Financial Instruments

IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This Standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group didn't adopt IFRS 9. Accordingly, no amounts has been recognised for the opening balance of retained earnings.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

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Notes to the Interim Condensed Consolidated Financial Information (Unaudited)
For the three month period ended 31 March 2018

2. Basis of preparation (Continued)

Changes in significant accounting policies (Continued)

B) IFRS 9: Financial Instruments (Continued)

I. Classification and measurement of the financial assets and liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale financial assets.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through statement of other comprehensive income – debt investment; fair value through statement of other comprehensive income – equity investment; or fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as financial asset recognized at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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Notes to the Interim Condensed Consolidated Financial Information (Unaudited)
For the three month period ended 31 March 2018

2. Basis of preparation (Continued)

Changes in significant accounting policies (Continued)

B) IFRS 9: Financial Instruments (Continued)

I Classification and measurement of the financial assets and liabilities (Continued)

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not recognized at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets carried at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

II Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Company's financial assets carried at amortised cost include trade and other receivables and cash and bank balances.

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2. Basis of preparation (Continued)

Changes in significant accounting policies (Continued)

B) IFRS 9: Financial Instruments (Continued)

II Impairment of Financial Assets (Continued)

Under IFRS 9, loss allowances are measured on either of the following bases:

- 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 measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities, bank balances, and term deposits for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has not determined the method of measuring impairment provisions for receivables and other debit balances because IFRS 9 has not been applied to carrying amounts on 1 January 2018. Accordingly, the group's financial assets categories have not been re-measured in accordance with the Standard as at 1 January 2018.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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2. Basis of preparation (Continued)

Changes in significant accounting policies (Continued)

B) IFRS 9: Financial Instruments (Continued)

II Impairment of Financial Assets (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in interim condensed consolidated statement of income.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has not determined IFRS 9's impairment requirements as at 1 January 2018. Accordingly, no additional allowances are recognised.

Receivables

The following analysis provides further detail about the calculation of ECLs related to receivables on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

Receivables' ECLs have not been calculated as at 1 January 2018 since the standard has not been adopted.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry, delinquency status, age of relationship and type of product purchased where applicable.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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Notes to the Interim Condensed Consolidated Financial Information (Unaudited)
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2. Basis of preparation (Continued)

Changes in significant accounting policies (Continued)

B) IFRS 9: Financial Instruments (Continued)

III Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 are not recognised in the retained earnings and reserves as at 1 January 2018 since the standard has not been adopted by the Group.

The following assessments are conducted on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.
- The designation of certain investments in equity instruments not held for trading as at fair value through other comprehensive income.

3. Subsidiaries

The details of subsidiaries are as follows:

Name of the Company	Country of incorporation	Legal entity	Percentage of holding			Activity
			31 March 2018	31 December 2017 (audited)	31 March 2017	
Al-Thuraya Star Company	State of Kuwait	W.L.L.	99%	99%	99%	General Trading and Contracting
Kuwait Building Real Estate Company	State of Kuwait	K.S.C. (Closed)	96%	96%	96%	Real estate
Pack & Move Holding	State of Kuwait	K.S.C. (Holding)	99.88%	99.88%	99.88%	Holding
Golden Madar Real Estate Company	State of Kuwait	W.L.L.	98%	98%	98%	Real estate

The Group has consolidated the interim financial information for the three month period ended 31 March 2018 for its subsidiaries.

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4. Investment properties

	31 March 2018	31 December 2017 (audited)	31 March 2017
	KD	KD	KD
Investment properties			
Balance at the beginning of the period/year/period	12,407,999	13,224,999	13,224,999
Transferred to a related party	-	(780,000)	-
Change in fair value	-	(37,000)	-
Disposals	(500,000)	-	-
Balance at the end of the period/year/period	<u>11,907,999</u>	<u>12,407,999</u>	<u>13,224,999</u>
Projects in progress			
Balance at the beginning of the period/year/period	2,056,801	1,986,801	1,986,801
Additions	926	32,650	4,224
Change in fair value	-	37,350	-
Balance at the end of the period/year/period	<u>2,057,727</u>	<u>2,056,801</u>	<u>1,991,025</u>
	<u>13,965,726</u>	<u>14,464,800</u>	<u>15,216,024</u>

During the period ended 31 March 2018, the Group sold one of its investment properties of KD 500,000. No profit or loss was recognised from this transaction.

5. Related party transactions

Related parties comprise of the Group's shareholders who are members of the Board of Directors, key management personnel, and subsidiaries in which the Parent Company has representatives in their board. In the normal course of business, and subject to the approval of the Group's management, transactions were made with such parties during the period ended 31 March 2018. Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

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5. Related party transactions (Continued)

Balances due from/to related parties and related party transaction are as follows:

	31 March 2018	31 December 2017 (audited)	31 March 2017
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Consolidated statement of financial position:			
Due from related parties	193,181	187,581	305,736
Due to related parties	6,209,921	6,144,476	8,806,916
Related party transactions			
Investment property transferred to a related party	-	780,000	-
		Three months ended 31 March	
		2018	2017
		<u>KD</u>	<u>KD</u>
Key management benefits and salaries		35,803	78,638

6. Trade and other receivables

	31 March 2018	31 December 2017 (audited)	31 March 2017
	<u>KD</u>	<u>KD</u>	<u>KD</u>
Trade receivables	616,379	617,838	625,545
Provision for doubtful debts	(283,256)	(283,256)	(60,815)
	333,123	334,582	564,730
Accrued rentals	784,047	750,797	675,378
Less: provision for accrued rentals	(617,258)	(617,258)	(145,000)
	166,789	133,539	530,378
Advance payments for projects	75,159	33,697	31,909
Staff receivables	13,688	12,496	14,434
Prepaid expenses	216,551	207,350	110,018
Refundable deposits	65,934	73,734	68,746
Other debit balances	26,231	34,254	23,231
	<u>897,475</u>	<u>829,652</u>	<u>1,343,446</u>

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7. Cash and bank balances

	31 March 2018	31 December 2017 (audited)	31 March 2017
	KD	KD	KD
Bank balances	1,012,488	408,593	299,217
Cash on hand	20,451	25,371	22,633
	<u>1,032,939</u>	<u>433,964</u>	<u>321,850</u>

Bank balances represent unrestricted current and saving accounts.

The annual average effective yield rate on saving accounts was 0.75% as at 31 March 2018 (31 December 2017: 0.75% and 31 March 2017: 0.65%).

8. Ijara payables

	31 March 2018	31 December 2017 (audited)	31 March 2017
	KD	KD	KD
Ijara payables	2,115,300	2,115,300	-
Future finance costs	(32,738)	(61,247)	-
	<u>2,082,562</u>	<u>2,054,053</u>	<u>-</u>

Ijara payables represent the following:

- An amount of KD 793,275 (31 December 2017: KD 793,275 and 31 March 2017: nil) represents deferred rental value due at end of the contract duration on 3 June 2018. The effective yield rate was 5.79% per annum (31 December 2017: 5.79% and 31 March 2017: nil).
- An amount of KD 1,322,025 (31 December 2017: KD 1,322,025 and 31 March 2017: nil) represents deferred rental value due at end of the contract period on 5 August 2018. The effective yield rate was 5.78% per annum (31 December 2017: 5.78% and 31 March 2017: nil).

9. Net rental income

	Three months ended 31 March	
	2018	2017
	KD	KD
Rental income	306,716	318,405
Rental costs	(74,782)	(35,267)
	<u>231,934</u>	<u>283,138</u>

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10. Basic and diluted earnings per share for the period attributable to the Parent Company's shareholders / (fils)

Basic and diluted earnings per share is computed by dividing net profit for the period attributable to the Parent Company shareholders by the weighted average number of ordinary shares outstanding during the period.

	Three months ended 31 March	
	2018	2017
Net profit for the period attributable to the shareholders of the Parent Company (KD)	50,054	173,086
Weighted average number of outstanding shares during the period (shares)	146,500,000	146,500,000
Basic and diluted earnings per share for the period attributable to the Parent Company's shareholders / (fils)	0.342	1.181

11. General assembly of shareholders

The Parent Company's annual general assembly for the financial year ended 31 December 2017 has not been held up to the date of approval of this interim condensed consolidated financial information. Consequently, the consolidated financial statements for the financial year ended 31 December 2017 were not approved. 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 annual general assembly not approved the consolidated financial statements for the financial year ended 31 December 2017.

12. Segmental information

The management has grouped the Group's products and services into the following operating segments under IFRS 8 as follows:

Operating Segments

The Group has determined the following three major business segments for internal reporting purposes:

- Investment properties sector
- Financial investments sector.
- Trading and contracting sector.

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12. Segmental information (Continued)

Financial information about business segments for the period ended 31 March is as follows:

	Investment properties	Financial investments	Trading and contracting	Total
	KD	KD	KD	KD
2018				
Total revenue	306,715	370	347,472	654,557
Segment results	200,237	(28,841)	(123,026)	48,370
Segment assets	19,755,374	1,035,969	2,774,833	23,566,176
Segment liabilities	6,209,920	2,082,562	971,526	9,264,008
2017				
Total revenue	318,405	-	220,212	538,617
Segment results	(21,591)	-	195,353	173,762
Segment assets	22,303,401	325,023	2,536,224	25,164,648
Segment liabilities	8,806,917	-	1,229,999	10,036,916

13. Fair value disclosures

The 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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (inputs relating to prices).
- Level 3: inputs are unobservable inputs for the asset or liability.

31 March 2018	Level 1	Level 2	Total
	KD	KD	KD
Non-financial assets:			
Investment properties	-	13,965,726	13,965,726
Financial assets:			
Available for sale investments	3,020	-	3,020
	<u>3,020</u>	<u>13,965,726</u>	<u>13,968,746</u>

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13. Fair value disclosures (Continued)

31 December 2017 (audited)	Level 1	Level 2	Total
	KD	KD	KD
Non-financial assets:			
Investment properties	-	14,464,800	14,464,800
Financial assets:			
Available for sale investments	3,366	-	3,366
	<u>3,366</u>	<u>14,464,800</u>	<u>14,468,166</u>
31 March 2017	Level 1	Level 2	Total
	KD	KD	KD
Non-financial assets:			
Investment properties	-	15,216,024	15,216,024
Financial assets:			
Available for sale investments	2,467	-	2,467
	<u>2,467</u>	<u>15,216,024</u>	<u>15,218,491</u>