

**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 nine month period ended 30 September 2018

**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 nine month period ended 30 September 2018

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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 Company 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 30 September 2018, and the related interim condensed consolidated statements of income, income and other comprehensive income, changes in equity and cash flows for the nine 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 Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Basis for qualified conclusion*

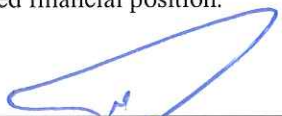
The Group has not applied the amendments of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", which are effective as of 1 January 2018. Accordingly, we were unable to determine whether it is necessary to make any amendments on the accompanying interim condensed consolidated 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 nine month period ended 30 September 2018, of the Companies' Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the nine month period ended 30 September 2018 that might have had a material effect on business of the Group or on its interim condensed consolidated financial position.



**Faisal Saqer Al Saqer**  
**License No. 172 "A"**  
**BDO Al Nisf & Partners**

**Kuwait: 11 November 2018**

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

**Interim Condensed Consolidated Statement of Financial Position (Unaudited)**  
**As at 30 September 2018**

	Notes	30 September 2018 KD	31 December 2017 (audited) KD	30 September 2017 KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		6,583,094	6,724,479	6,830,620
Right of utilization		150	150	110,000
Intangible assets		382,471	401,790	411,108
Investment properties	4	13,823,639	14,464,800	14,444,441
Available for sale investments		3,873	3,366	3,173
Due from related parties	5	206,041	187,581	196,088
		<u>20,999,268</u>	<u>21,782,166</u>	<u>21,995,430</u>
<b>Current assets</b>				
Inventories		409,976	412,113	363,645
Trade and other receivables	6	884,791	829,652	1,409,480
Cash and bank balances	7	256,897	433,964	1,419,677
		<u>1,551,664</u>	<u>1,675,729</u>	<u>3,192,802</u>
<b>Total assets</b>		<u>22,550,932</u>	<u>23,457,895</u>	<u>25,188,232</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
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		936	(274)	(467)
Revaluation surplus reserve		-	-	109,832
Accumulated losses		(1,718,223)	(2,151,107)	(1,717,553)
<b>Equity attributable to shareholders of the Parent Company</b>		<u>14,666,403</u>	<u>14,232,309</u>	<u>14,775,502</u>
Non-controlling interests		20,824	21,132	27,755
<b>Total equity</b>		<u>14,687,227</u>	<u>14,253,441</u>	<u>14,803,257</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service indemnity		515,654	495,063	540,680
Due to related parties	5	5,234,166	6,144,476	7,076,898
		<u>5,749,820</u>	<u>6,639,539</u>	<u>7,617,578</u>
<b>Current liabilities</b>				
Ijara payables	8	1,824,372	2,054,053	2,024,912
Other credit balances		289,513	510,862	742,485
		<u>2,113,885</u>	<u>2,564,915</u>	<u>2,767,397</u>
<b>Total liabilities</b>		<u>7,863,705</u>	<u>9,204,454</u>	<u>10,384,975</u>
<b>Total equity and liabilities</b>		<u>22,550,932</u>	<u>23,457,895</u>	<u>25,188,232</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 Abdurazzaq 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 nine month period ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018	2017	2018	2017
		KD	KD	KD	KD
Sales		263,781	287,817	818,664	897,324
Cost of sales		(93,257)	(166,505)	(339,663)	(554,905)
<b>Gross profit</b>		<u>170,524</u>	<u>121,312</u>	<u>479,001</u>	<u>342,419</u>
Other (loss)/ income		(31,385)	(665)	56,129	62,087
Net rental income	9	264,843	263,012	731,217	799,403
Impairment of available for sale investment		-	-	(703)	-
General and administrative expenses		(195,474)	(295,122)	(605,205)	(1,055,505)
Finance costs		(28,471)	(21,821)	(85,618)	(24,912)
Depreciation and amortization		(31,631)	(119,518)	(130,797)	(279,394)
<b>Profit/ (loss) for the period before NLST and Zakat</b>		<u>148,406</u>	<u>(52,802)</u>	<u>444,024</u>	<u>(155,902)</u>
National Labor Support Tax		(3,731)	-	(11,449)	-
Zakat		(1,493)	-	(4,580)	-
<b>Net profit/(loss) for the period</b>		<u>143,182</u>	<u>(52,802)</u>	<u>427,995</u>	<u>(155,902)</u>
<b>Attributable to:</b>					
Shareholders of the Parent Company		147,191	(51,863)	432,884	(151,987)
Non-controlling interests		(4,009)	(939)	(4,889)	(3,915)
<b>Net profit/ (loss) for the period</b>		<u>143,182</u>	<u>(52,802)</u>	<u>427,995</u>	<u>(155,902)</u>
<b>Basic and diluted earnings/(loss) per share for the period attributable to the Parent Company's shareholders/ (fils)</b>	10	<u>1.00</u>	<u>(0.35)</u>	<u>2.95</u>	<u>(1.04)</u>

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**Dar Al-Thuraya Real Estate Co. K.S.C. (Public)**  
**and its subsidiaries**  
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**Interim Condensed Consolidated Statement of Income and Comprehensive Income (Unaudited)**  
For the nine month period ended 30 September 2018

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Net profit/ (loss) for the period</b>	<u>143,182</u>	<u>(52,802)</u>	<u>427,995</u>	<u>(155,902)</u>
<b>Other comprehensive income items:</b>				
<i>Items that may be reclassified</i>				
<i>subsequently to the interim condensed</i>				
<i>consolidated statement of income:</i>				
Changes at fair value of available for sale				
investments	747	-	1,210	-
<b>Total other comprehensive income</b>	<u>747</u>	<u>-</u>	<u>1,210</u>	<u>-</u>
<b>Total comprehensive income/(loss) for</b>				
<b>the period</b>	<u>143,929</u>	<u>(52,802)</u>	<u>429,205</u>	<u>(155,902)</u>
<b>Attributable to:</b>				
Shareholders of the Parent Company	147,938	(51,863)	434,094	(151,987)
Non-controlling interests	(4,009)	(939)	(4,889)	(3,915)
	<u>143,929</u>	<u>(52,802)</u>	<u>429,205</u>	<u>(155,902)</u>

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)**  
and its subsidiaries  
State of Kuwait

**Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)**  
For the nine month period ended 30 September 2018

	Share capital	Statutory reserve	Voluntary reserve	Change in fair value reserve	Revaluation surplus reserve	Accumulated losses	Equity attributable to the Parent Company's shareholders	Non-Controlling Interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	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/ (loss) for the period	-	-	-	-	-	432,884	432,884	(4,889)	427,995
Total other comprehensive income	-	-	-	1,210	-	-	1,210	-	1,210
Total comprehensive income/ (loss) for the period	-	-	-	1,210	-	432,884	434,094	(4,889)	429,205
Effect of change in non-controlling interests	-	-	-	-	-	-	-	4,581	4,581
<b>At 30 September 2018</b>	<b>14,650,000</b>	<b>866,845</b>	<b>866,845</b>	<b>936</b>	<b>-</b>	<b>(1,718,223)</b>	<b>14,666,403</b>	<b>20,824</b>	<b>14,687,227</b>
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
Total comprehensive loss for the period	-	-	-	-	-	(151,987)	(151,987)	(3,915)	(155,902)
Effect of change in non-controlling interests	-	-	-	-	-	-	-	5,189	5,189
<b>At 30 September 2017</b>	<b>14,650,000</b>	<b>866,845</b>	<b>866,845</b>	<b>(467)</b>	<b>109,832</b>	<b>(1,717,553)</b>	<b>14,775,502</b>	<b>27,755</b>	<b>14,803,257</b>

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 nine month period ended 30 September 2018

	<b>Nine months ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>KD</b>	<b>KD</b>
<b>Operating activities</b>		
Net profit / (loss) for the period	427,995	(155,902)
<i>Adjustment for:</i>		
Depreciation and amortization	130,798	279,394
Finance costs	85,618	24,912
Impairment of available for sale investment	703	-
(Losses)/ gains on sale of property, plant and equipment	29,423	(1,941)
Employees' end of service indemnity	46,170	185,590
	<u>720,707</u>	<u>332,053</u>
<i>Changes in working capital:</i>		
Due from/ to related parties - net	(778,770)	(908,032)
Inventories	2,137	14,914
Trade and other receivables	(55,139)	(136,829)
Other credit balances	(221,349)	(89,276)
<b>Cash used in operations</b>	<u>(332,414)</u>	<u>(787,170)</u>
Payment of employees' end of service indemnity	(25,579)	(29,345)
<b>Net cash flows used in operating activities</b>	<u>(357,993)</u>	<u>(816,515)</u>
<b>Investing activities</b>		
Paid for the acquisition of property, plant and equipment	(22,002)	(48,787)
Proceeds from sale of property, plant and equipment	22,485	57,080
Proceeds from sale of investment properties	500,000	-
Paid for purchase of investment properties	(8,839)	(12,641)
<b>Net cash flows generated from/ (used in) investing activities</b>	<u>491,644</u>	<u>(4,348)</u>
<b>Financing activities</b>		
Net movement in Ijara payables	(229,681)	2,000,000
Finance costs paid	(85,618)	-
Net movement in non-controlling interests	4,581	5,189
<b>Net cash flows (used in)/ generated from financing activities</b>	<u>(310,718)</u>	<u>2,005,189</u>
Net (decrease)/ increase in cash and bank balances	(177,067)	1,184,326
Cash and bank balances at the beginning of the period	433,964	235,351
<b>Cash and bank balances at the end of the period</b>	<u>256,897</u>	<u>1,419,677</u>

The Group has the following non-cash transactions during the period, which are not presented in the statement of interim condensed consolidated statement of cash flows:

<b>Non-cash transactions</b>	<b>Note</b>	<b>Nine months ended 30 September</b>	
		<b>2018</b>	<b>2017</b>
		<b>KD</b>	<b>KD</b>
Investment property transferred to a related party	5	<u>150,000</u>	<u>780,000</u>

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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**State of Kuwait**

**Notes to the Interim Condensed Consolidated Financial Information (Unaudited)**  
For the nine month period ended 30 September 2018

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**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 Boursa Kuwait 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 subsidiary (together referred to as "the Group") (Note 3).

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

The interim condensed consolidated financial information of Dar Al-Thuraya Real Estate Co. K.S.C. (Public) and its subsidiaries ("the Group") for the nine month period ended 30 September 2018 were authorized for issue by the Parent Company's board of directors on 11 November 2018.

**Notes to the Interim Condensed Consolidated Financial Information (Unaudited)**  
For the nine month period ended 30 September 2018

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**2. Basis of preparation**

The interim condensed consolidated financial information have 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 Group's third consolidated financial statements, 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 categorized 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.

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.

**2. Basis of preparation (Continued)**

**Changes in significant accounting policies (Continued)**

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 the standard. Accordingly, no nay impacts on IFRS 15 have been recognized on 1 January 2018 on the group's the consolidated financial statements as at 31 December 2017 and the interim condensed consolidated financial information for the nine month period ended 30 September 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 any amounts are 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.

**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 had no 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.

**2. Basis of preparation (Continued)**

**b) IFRS 9 - Financial Instruments (Continued)**

**1. Classification and measurement of the financial assets and liabilities (Continued)**

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.

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.



**Notes to the Interim Condensed Consolidated Financial Information (Unaudited)**  
For the nine month period ended 30 September 2018

**2. Basis of preparation (Continued)**

**b) IFRS 9 - Financial Instruments (Continued)**

**1. Classification and measurement of the financial assets and liabilities (Continued)**

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 other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income 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 other comprehensive income 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 amortized cost include trade and other receivables and cash and bank balances.

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.



**Notes to the Interim Condensed Consolidated Financial Information (Unaudited)**  
For the nine month period ended 30 September 2018

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**2. Basis of preparation (Continued)**

**b) IFRS 9 - Financial Instruments (Continued)**

**II. Impairment of Financial Assets (Continued)**

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.

***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.

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**2. Basis of preparation (Continued)**

**b) IFRS 9 - Financial Instruments (Continued)**

**II. Impairment of Financial Assets (Continued)**

*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 any 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.

**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.

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**3. Subsidiaries**

The details of subsidiaries are as follows:

Name of the Company	Country of incorporation	Legal entity	Percentage of holding			Activity
			30 September 2018	31 December 2017 (audited)	30 September 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

During the period, the Group has consolidated the interim financial information for the nine months ended 30 September 2018 for its subsidiaries based on management accounts prepared by the subsidiaries' management as at 30 September 2018 except for Al-Thuraya Star Company- W.L.L. Golden Madar Real Estate Company -W.L.L. and Wafer Company for Food Supplies (Muhammad Yousef Al-Roumi and Partners) and its subsidiaries - W.L.L. It is a subsidiary of Pack & Move Holding, which was consolidated by the subsidiaries' management on 30 June 2018 based on management accounts, as the financial statements are not available as at 30 September 2018.

**4. Investment properties**

	30 September 2018 KD	31 December 2017 (audited) KD	30 September 2017 KD
<b>Investment properties</b>			
Balance at the beginning of the period/year/period	12,407,999	13,224,999	13,224,999
Transferred to a related party	(150,000)	(780,000)	(780,000)
Change in fair value	-	(37,000)	-
Disposals	(500,000)	-	-
Balance at the end of the period/year/period	11,757,999	12,407,999	12,444,999
<b>Projects in progress</b>			
Balance at the beginning of the period/year/period	2,056,801	1,986,801	1,986,801
Additions	8,839	32,650	12,641
Change in fair value	-	37,350	-
Balance at the end of the period/year/period	2,065,640	2,056,801	1,999,442
	13,823,639	14,464,800	14,444,441



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**4. Investment properties (Continued)**

During the period ended 30 September 2018, the Group sold one of its investment properties of KD 500,000. No gain or loss was resulted from this transaction. It is also sold and transferred one of its investment properties of KD 150,000 to the Ultimate Parent Company against reducing its debts. No gain or loss was resulted from this transaction (Note 5).

**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 30 September 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.

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

	<b>30 September 2018</b>	<b>31 December 2017 (audited)</b>	<b>30 September 2017</b>
	KD	KD	KD
<b>Consolidated statement of financial position:</b>			
Due from related parties	206,041	187,581	196,088
Due to related parties	5,234,166	6,144,476	7,076,898
<b>Related party transactions:</b>			
Investment property transferred to a related party	150,000	780,000	780,000
	<b>Three months ended 30 September</b>	<b>Nine months ended 30 September</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>
	KD	KD	KD
<b>Interim condensed consolidated statement of income:</b>			
Senior management benefits and salaries	33,070	80,966	79,502
	266,725		

During the period ended 30 September 2018, the Group sold and transferred one of its investment properties of KD 150,000 to the Ultimate Parent Company against reducing its debts. No gain or loss was resulted from this transaction (Note 4).

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**6. Trade and other receivables**

	<b>30 September 2018</b>	<b>31 December 2017 (audited)</b>	<b>30 September 2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Trade receivables	537,935	617,838	638,541
Provision for doubtful debts	(246,394)	(283,256)	(60,815)
	<u>291,541</u>	<u>334,582</u>	<u>577,726</u>
Accrued rentals	781,106	750,797	721,888
Less: provision for accrued rentals	(617,258)	(617,258)	(145,000)
	<u>163,848</u>	<u>133,539</u>	<u>576,888</u>
Advance payments for projects	40,685	33,697	41,994
Staff receivables	14,927	12,496	12,040
Prepaid expenses	229,700	207,350	87,801
Refundable deposits	77,109	73,734	70,746
Other debit balances	66,981	34,254	42,285
	<u>884,791</u>	<u>829,652</u>	<u>1,409,480</u>

The movement of the provision for doubtful debts is as follows:

	<b>30 September 2018</b>	<b>31 December 2017 (audited)</b>	<b>30 September 2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Balance at the beginning of the period/year/period	283,256	60,815	60,815
Charged to the period / year / period	-	222,441	-
Utilized during the period / year / period	(36,862)	-	-
Balance at the end of the period/year/period	<u>246,394</u>	<u>283,256</u>	<u>60,815</u>

**7. Cash and bank balances**

	<b>30 September 2018</b>	<b>31 December 2017 (audited)</b>	<b>30 September 2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Bank balances	233,326	408,593	1,392,373
Cash on hand	23,571	25,371	27,304
	<u>256,897</u>	<u>433,964</u>	<u>1,419,677</u>

Bank balances represent unrestricted current and saving accounts.

The annual average effective yield rate on saving accounts was 0.75% as at 30 September 2018 (31 December 2017: 0.75% and 30 September 2017: 0.65%).



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**8. Ijara payables**

	<b>30 September 2018</b>	<b>31 December 2017 (audited)</b>	<b>30 September 2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Ijara payables	1,912,800	2,115,300	2,115,300
Future finance costs	(88,428)	(61,247)	(90,388)
	<u>1,824,372</u>	<u>2,054,053</u>	<u>2,024,912</u>

Ijara payables represent the following:

- An amount of KD 717,337 (31 December 2017: KD 793,275 and 30 September 2017: KD 793,275) represents deferred rental value, which is due at end of the contract duration on 3 June 2019. The effective cost rate was 6.29% per annum (31 December 2017: 5.79%, and 30 September 2017: 5.77% per annum). During the period ended 30 September 2018, Ijara contract has been renewed of KD 675,000 and the mature date has been extended through 12 monthly installments starting from 3 June 2018 to 3 June 2019.
- An amount of KD 1,195,463 (31 December 2017: KD 1,322,025 and 30 September 2017: 1,322,025) represents deferred rental value, which is due at end of the contract duration on 5 August 2019. The effective cost rate was 6.28% per annum (31 December 2017: 5.78% and 30 September 2017: 5.78% per annum). During the period ended 30 September 2018, Ijara contract has been renewed of KD 1,125,000 and the mature date has been extended through 12 monthly installments starting from 6 August 2018 to 5 August 2019.

**9. Net rental income**

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
Rental income	291,630	306,585	877,395	914,630
Rental costs	(26,787)	(43,573)	(146,178)	(115,227)
	<u>264,843</u>	<u>263,012</u>	<u>731,217</u>	<u>799,403</u>

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

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

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net profit/ (loss) for the period attributable to the Parent Company's shareholders (KD)	<u>147,191</u>	<u>(51,863)</u>	<u>432,884</u>	<u>(151,987)</u>
Weighted average number of outstanding shares during the period (share)	<u>146,500,000</u>	<u>146,500,000</u>	<u>146,500,000</u>	<u>146,500,000</u>
Net Basic and diluted earnings/ (loss) per share for the period attributable to the Parent Company's shareholders/ (fils)	<u>1.00</u>	<u>(0.35)</u>	<u>2.95</u>	<u>(1.04)</u>

**11. General assembly of shareholders**

The annual audited consolidated financial statements of the Group for the year ended 31 December 2017 have been approved in the annual general assembly meeting of shareholders held on 28 May 2018, and no distribution of dividends or directors' remuneration 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 property sector
- Financial investment sector
- Trading and contracting sector

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**12. Segment Information (Continued)**

Financial information about business segments for the period ended 30 September is as follows:

	<b>Investment properties</b>	<b>Financial investments</b>	<b>Trading and contracting</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>2018</b>				
Total revenue	877,395	370	874,424	1,752,189
Segment results	662,765	(85,951)	(148,819)	427,995
Segment assets	19,574,365	260,770	2,715,797	22,550,932
Segment liabilities	5,234,166	1,824,372	805,167	7,863,705
<b>2017</b>				
Total revenue	914,630	-	959,411	1,874,041
Segment results	692,988	-	(848,890)	(155,902)
Segment assets	20,393,247	1,422,850	3,372,135	25,188,232
Segment liabilities	7,076,898	2,024,912	1,283,165	10,384,975

**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 Group 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.

<b>30 September 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Non-financial assets:</b>			
Investment properties	-	13,823,639	13,823,639
<b>Financial assets:</b>			
Available for sale investments	3,873	-	3,873
	<u>3,873</u>	<u>13,823,639</u>	<u>13,827,512</u>

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**13. Fair Value Disclosures (Continued)**

<b>31 December 2017 (audited)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Non-financial assets:</b>			
Investment properties	-	14,464,800	14,464,800
<b>Financial assets:</b>			
Available for sale investments	3,366	-	3,366
	<u>3,366</u>	<u>14,464,800</u>	<u>14,468,166</u>
<b>30 September 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>Non-financial assets:</b>			
Investment properties	-	14,444,441	14,444,441
<b>Financial assets:</b>			
Available for sale investments	2,467	-	2,467
	<u>2,467</u>	<u>14,444,441</u>	<u>14,446,908</u>