# Tijara & Real Estate Investment Company K.S.C.P. and its subsidiaries

## INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 JUNE 2018

Building a better working world

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# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P.

*Introduction*
We have reviewed the accompanying interim condensed consolidated statement of financial position of Tijara & Real Estate Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 30 June 2018 and the related interim condensed consolidated statement of income and interim condensed consolidated statement of comprehensive income for the three months and six months period then ended, and interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the 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 IAS 34.

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)**

**Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association during the six months period ended 30 June 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

BADER A. AL-ABDULJADER
LICENSE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

19 July 2018
Kuwait

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2018

| | | *Three months ended 30 June* | | *Six months ended 30 June* | |
|---|---|---|---|---|---|
| | | ***2018*** | *2017* | ***2018*** | *2017* |
| | *Notes* | ***KD*** | *KD* | ***KD*** | *KD* |
| Rental income | | **1,050,807** | 898,510 | **2,078,241** | 1,736,790 |
| Other services and operating income | | **2,303** | 27,145 | **7,079** | 51,194 |
| Property operating expenses | | **(49,015)** | (69,265) | **(92,264)** | (142,606) |
| **Net profit on investment properties** | | **1,004,095** | 856,390 | **1,993,056** | 1,645,378 |
| Realised loss on sale of inventory properties | | - | (19,969) | - | (19,969) |
| **Net loss on sale of inventory properties** | | - | (19,969) | - | (19,969) |
| Share of results of an associate | 4 | **(36,291)** | (66,335) | **(82,586)** | (132,962) |
| **Net investment loss** | | **(36,291)** | (66,335) | **(82,586)** | (132,962) |
| Administrative expenses | | **(230,249)** | (261,055) | **(446,098)** | (531,403) |
| Foreign exchange gain (loss) | | **65,433** | (36,052) | **4,696** | (71,316) |
| Other income | | - | 615 | **5,212** | 1,449 |
| **Operating profit** | | **802,988** | 473,594 | **1,474,280** | 891,177 |
| Finance costs | | **(441,218)** | (353,959) | **(868,326)** | (658,740) |
| **PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND BOARD OF DIRECTORS' REMUNERATON** | | **361,770** | 119,635 | **605,954** | 232,437 |
| KFAS | | **(3,256)** | (1,077) | **(5,454)** | (2,092) |
| NLST | | **(9,938)** | (1,966) | **(13,251)** | (5,579) |
| Zakat | | **(3,975)** | (787) | **(5,300)** | (2,232) |
| Board of directors' remuneration | 8 | - | - | **(30,000)** | - |
| **PROFIT FOR THE PERIOD** | | **344,601** | 115,805 | **551,949** | 222,534 |
| **BASIC AND DILUTED EARNINGS PER SHARE** | 3 | **0.93 fils** | 0.31 fils | **1.49 fils** | 0.60 fils |

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2018

| | Note | *Three months ended 30 June* 2018 KD | *Three months ended 30 June* 2017 KD | *Six months ended 30 June* 2018 KD | *Six months ended 30 June* 2017 KD |
|---|---|---|---|---|---|
| **PROFIT FOR THE PERIOD** | | **344,601** | 115,805 | **551,949** | 222,534 |
| **Other comprehensive income (loss):** | | | | | |
| *Items that are (or) may be subsequently reclassified to interim condensed consolidated statement of income in subsequent periods:* | | | | | |
| Exchange differences arising on translation of foreign operations | | **65,512** | (22,501) | **18,883** | (42,480) |
| Exchange differences arising on translation of foreign associate | 4 | **62,464** | (20,733) | **16,453** | (42,046) |
| **Other comprehensive income (loss) for the period** | | **127,976** | (43,234) | **35,336** | (84,526) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **472,577** | 72,571 | **587,285** | 138,008 |

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

| | Notes | *30 June 2018* KD | *(Audited) 31 December 2017* KD | *30 June 2017* KD |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Bank balances and cash | | **4,354,496** | 1,820,862 | 1,840,030 |
| Accounts receivable and prepayments | | **950,789** | 763,066 | 672,770 |
| Inventory properties | | **3,115,869** | 3,115,869 | 3,354,384 |
| Investment in an associate | 4 | **6,312,468** | 6,123,656 | 5,680,380 |
| Investment properties | 5 | **60,100,681** | 57,733,468 | 54,559,050 |
| Property and equipment | | **24,474** | 13,492 | 28,779 |
| **TOTAL ASSETS** | | **74,858,777** | 69,570,413 | 66,135,393 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Share capital | | **37,000,000** | 37,000,000 | 37,000,000 |
| Statutory reserve | | **157,551** | 157,551 | 83,407 |
| General reserve | | **157,551** | 157,551 | 83,407 |
| Share options reserve | | **142,253** | 142,253 | 142,253 |
| Foreign currency translation reserve | | **242,878** | 207,542 | 268,403 |
| Treasury shares reserve | | **18,132** | 18,132 | 18,132 |
| Retained earnings | | **624,924** | 1,182,975 | 847,547 |
| **Total equity** | | **38,343,289** | 38,866,004 | 38,443,149 |
| **Liabilities** | | | | |
| Accounts payable and accruals | | **932,575** | 715,678 | 833,308 |
| Islamic financing payables | 6 | **34,843,078** | 29,172,101 | 26,101,908 |
| Employees' end of service benefits | | **739,835** | 816,630 | 757,028 |
| **Total liabilities** | | **36,515,488** | 30,704,409 | 27,692,244 |
| **TOTAL EQUITY AND LIABILITIES** | | **74,858,777** | 69,570,413 | 66,135,393 |

Tareq Fareed Al Othman

Vice Chairman and Executive President

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2018

| | *Share capital KD* | *Statutory reserve KD* | *General reserve KD* | *Share options reserve KD* | *Foreign currency translation reserve KD* | *Treasury shares reserve KD* | *Retained earnings KD* | *Total KD* |
|---|---|---|---|---|---|---|---|---|
| As at 1 January 2018 | 37,000,000 | 157,551 | 157,551 | 142,253 | 207,542 | 18,132 | 1,182,975 | 38,866,004 |
| Profit for the period | - | - | - | - | - | - | 551,949 | 551,949 |
| Other comprehensive income for the period | - | - | - | - | 35,336 | - | - | 35,336 |
| Total comprehensive income for the period | - | - | - | - | 35,336 | - | 551,949 | 587,285 |
| Distribution of dividends ( Note 8) | - | - | - | - | - | - | (1,110,000) | (1,110,000) |
| **As at 30 June 2018** | **37,000,000** | **157,551** | **157,551** | **142,253** | **242,878** | **18,132** | **624,924** | **38,343,289** |
| As at 1 January 2017 | 37,000,000 | 83,407 | 83,407 | 142,253 | 352,929 | 18,132 | 625,013 | 38,305,141 |
| Profit for the period | - | - | - | - | - | - | 222,534 | 222,534 |
| Other comprehensive loss for the period | - | - | - | - | (84,526) | - | - | (84,526) |
| Total comprehensive (loss) income for the period | - | - | - | - | (84,526) | - | 222,534 | 138,008 |
| As at 30 June 2017 | 37,000,000 | 83,407 | 83,407 | 142,253 | 268,403 | 18,132 | 847,547 | 38,443,149 |

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2018

| | Notes | *Six months ended 30 June* *2018* ***KD*** | *2017* *KD* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the period before KFAS, NLST, Zakat and board of directors' remuneration | | **605,954** | 232,437 |
| Adjustments to reconcile profit for the period before KFAS, NLST, Zakat and board of directors' remuneration to net cash flows: | | | |
| Depreciation | | **7,950** | 35,779 |
| Provision for employees' end of service benefits | | **66,996** | 66,409 |
| Realised loss on sale of inventory properties | | **-** | 19,969 |
| Share of results of an associate | 4 | **82,586** | 132,962 |
| Finance costs | | **868,326** | 658,740 |
| Foreign exchange (gain) loss | | **(4,696)** | 71,316 |
| | | **1,627,116** | 1,217,612 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable and prepayments | | **(185,516)** | (17,725) |
| Inventory properties | | **-** | 56,898 |
| Accounts payable and accruals | | **132,658** | 90,364 |
| Cash flows from operations | | **1,574,112** | 1,347,149 |
| Employees' end of service benefits paid | | **(143,791)** | (75,687) |
| Board of directors' remuneration paid | | **(30,000)** | - |
| Net cash flows from operating activities | | **1,400,321** | 1,271,462 |
| **INVESTMENT ACTIVITIES** | | | |
| Additions to property and equipment | | **(18,932)** | - |
| Additions to investment in an associate | 4 | **(254,945)** | (193,556) |
| Additions to investment properties | 5 | **(2,323,000)** | (2,555,300) |
| Net cash flows used in investing activities | | **(2,596,877)** | (2,748,856) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from islamic financing payables | | **5,731,218** | 2,323,000 |
| Repayment of islamic financing payables | | **(189,375)** | (616,177) |
| Finance costs paid | | **(759,215)** | (629,725) |
| Dividends paid | | **(1,049,635)** | - |
| Net cash flows from financing activities | | **3,732,993** | 1,077,098 |
| **NET INCREASE (DECREASE) IN BANK BALANCES AND CASH** | | **2,536,437** | (400,296) |
| Net foreign exchange differences | | **(2,803)** | (981) |
| Bank balances and cash at 1 January | | **1,820,862** | 2,241,307 |
| **BANK BALANCES AND CASH AT THE END OF THE PERIOD** | | **4,354,496** | 1,840,030 |

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

## 1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Tijara & Real Estate Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group") for the six months period ended 30 June 2018 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 19 July 2018.

The Parent Company is a Kuwaiti public shareholding company registered and incorporated in Kuwait on 18 April 1983. The Group operates in accordance with the Islamic Sharia.

The registered office of the Parent Company is P.O. Box 5655, Safat, 13057 Kuwait. The Parent Company was listed on the Kuwait Stock Exchange on 26 September 2005.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICES

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

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

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

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

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

The Group has not restated comparative information for the financial year 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for the period ended 30 June 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for the period ended 30 June 2018. However, there are no differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 and are disclosed in Note 11.

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

***(a) Classification and measurement***
As at 30 June 2018, the Group does not have any equity instruments; accordingly, the application of the classification and measurement requirements of IFRS 9 is not required,

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

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

**2 BASIS OF PREPARATION AND ACCOUNTING POLICES (continued)**

**Changes in accounting policies (continued)**

***(a) Classification and measurement (continued)***
The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the interim condensed consolidated statement of income.

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

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

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The measurement of receivables under IFRS 9 doesn't have material impact on interim condensed consolidated statement of income of the Group.

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

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

***(d) Other adjustments***
In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as investment in associates (arising from the financial instruments held by these entities), tax expense, retained earnings and exchange differences on translation of foreign operations were adjusted as necessary and are not material to the overall interim condensed consolidated financial information of the Group.

**Adoption of IFRS 15 'Revenue from Contracts with customers'**
The Group has adopted IFRS 15 Revenue from contracts with customers effective from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

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

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

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

## 3 BASIC AND DILUTED EARNINGS PER SHARE

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

| | *Three months ended 30 June* | | *Six months ended 30 June* | |
|---|---|---|---|---|
| | ***2018 KD*** | *2017 KD* | ***2018 KD*** | *2017 KD* |
| Profit for the period | **344,601** | 115,805 | **551,949** | 222,534 |
| Weighted average number of shares outstanding during the period (excluding treasury shares) | **370,000,000** | 370,000,000 | **370,000,000** | 370,000,000 |
| Basic and diluted earnings per share | **0.93 fils** | 0.31 fils | **1.49 fils** | 0.60 fils |

## 4 INVESTMENT IN AN ASSOCIATE

The Group has the following investment in an associate:

| | | *Equity interest as at* | | | |
|---|---|---|---|---|---|
| ***Name of company*** | ***Country of incorporation*** | ***30 June 2018 %*** | *(Audited) 31 December 2017 %* | *30 June 2017 %* | ***Principal activities*** |
| Al Madar Al Thahabia Company W.L.L. ("Al Madar") | Kingdom of Saudi Arabia | **24%** | 24% | 24% | Sale, purchase, rent and lease of real estate properties and lands |

Movement in the carrying value of investment in an associate is as follows:

| | ***30 June 2018 KD*** | *(Audited) 31 December 2017 KD* | *30 June 2017 KD* |
|---|---|---|---|
| At the beginning of the period / year | **6,123,656** | 5,661,832 | 5,661,832 |
| Additions to investment in an associate | **254,945** | 414,786 | 193,556 |
| Share of results | **(82,586)** | 119,058 | (132,962) |
| Foreign currency translation adjustment | **16,453** | (72,020) | (42,046) |
| At the end of the period / year | **6,312,468** | 6,123,656 | 5,680,380 |

The share of results of an associate for the period ended 30 June 2018 have been recorded based on the management accounts.

## 5 INVESTMENT PROPERTIES

| | **30 June 2018 KD** | *(Audited) 31 December 2017 KD* | *30 June 2017 KD* |
|---|---|---|---|
| At the beginning of the period / year | **57,733,468** | 52,141,406 | 52,141,406 |
| Additions | **2,323,000** | 5,959,000 | 2,555,300 |
| Unrealised loss from re-measurement of investment properties to fair value | **-** | (152,463) | - |
| Net foreign exchange gain (loss) | **44,213** | (214,475) | (137,656) |
| At the end of the period / year | **60,100,681** | 57,733,468 | 54,559,050 |

As at 30 June 2018, investment properties of KD 24,700,853 (31 December 2017: KD 24,679,455 and 30 June 2017: KD 24,737,685) are held in the name of a third party under Ijara agreement (Note 6).

As at 30 June 2018, investment properties of KD 17,848,000 (31 December 2017: KD 17,848,000 and 30 June 2017: KD 17,770,000) are pledged as a security against Murabaha agreement of KD 7,524,700 (31 December 2017: KD 5,201,700 and 30 June 2017: KD 1,798,000) (Note 6).

The fair value of the investment properties have been determined on 31 December 2017 based on valuations obtained from two independent valuers, who are an industry specialised in valuing these types of properties. One of these valuers is a local bank who has valued the local investment properties using the income capitalization approach for some properties, and the combination of the market comparison approach for the land and cost minus depreciation approach of the building for the investment properties. The other is a local reputable accredited valuers who has valued the investment properties using the income capitalization approach. For the foreign properties, both valuers are reputable accredited valuers who have valued the investment properties using the income capitalization approach for some properties, and the market comparison approach for the lands. For the valuation purpose, the Group has selected the lower value of these two valuations as required by the Capital Market Authority.

## 6 ISLAMIC FINANCING PAYABLES

| **30 June 2018** | ***Ijara* KD** | ***Tawarruq* KD** | ***Murabaha* KD** | ***Total* KD** |
|---|---|---|---|---|
| Gross amount | **19,368,104** | **8,989,643** | **7,599,249** | **35,956,996** |
| Less: deferred profit | **(645,160)** | **(372,516)** | **(96,242)** | **(1,113,918)** |
| | **18,722,944** | **8,617,127** | **7,503,007** | **34,843,078** |

| 31 December 2017 *(Audited)* | *Ijara KD* | *Tawarruq KD* | *Murabaha KD* | *Total KD* |
|---|---|---|---|---|
| Gross amount | 19,797,921 | 5,510,368 | 5,272,921 | 30,581,210 |
| Less: deferred profit | (1,095,262) | (225,003) | (88,844) | (1,409,109) |
| | 18,702,659 | 5,285,365 | 5,184,077 | 29,172,101 |

| 30 June 2017 | *Ijara KD* | *Tawarruq KD* | *Murabaha KD* | *Total KD* |
|---|---|---|---|---|
| Gross amount | 20,506,210 | 5,611,753 | 1,829,921 | 27,947,884 |
| Less: deferred profit | (1,426,120) | (387,935) | (31,921) | (1,845,976) |
| | 19,080,090 | 5,223,818 | 1,798,000 | 26,101,908 |

### 6 ISLAMIC FINANCING PAYABLES (continued)

Islamic financing payables represent facilities obtained from Islamic financial institutions and carry an average profit rate of 1.875 to 3.25% (31 December 2017: 1.875% to 3% and 30 June 2017: 1.875% to 3%) per annum over Central Bank of Kuwait discount rate. Islamic financing payables are mainly due within range of 1 to 4 years from the reporting date.

As at 30 June 2018, Ijara payable of KD 17,442,499 (31 December 2017: KD 17,481,874 and 30 June 2017: 17,637,500) are secured by the investment properties of KD 24,700,853 (31 December 2017: KD 24,679,455 and 30 June 2017: KD 24,737,685) (Note 5).

As at 30 June 2018, Murabaha payable of KD 7,524,700 (31 December 2017: KD 5,201,700 and 30 June 2017: KD 1,798,000) are secured by the investment properties of KD 17,848,000 (31 December 2017: KD 17,848,000 and 30 June 2017: KD 17,770,000) (Note 5).

### 7 RELATED PARTY TRANSACTIONS

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

Transactions and balances with related parties included in the interim condensed consolidated statement of income and interim condensed consolidated statement of financial position are as follows:

| | *Three months ended 30 June* | | *Six months ended 30 June* | |
|---|---|---|---|---|
| | ***2018 KD*** | *2017 KD* | ***2018 KD*** | *2017 KD* |
| **Interim condensed consolidated statement of income** | | | | |
| **Key management compensation** | | | | |
| Salaries and other short term benefits | **58,800** | 72,600 | **117,600** | 144,100 |
| Employees' end of service benefits | **12,232** | 26,426 | **23,261** | 48,419 |
| | **71,032** | 99,026 | **140,861** | 192,519 |
| Board of directors' remuneration | **-** | - | **(30,000)** | - |
| Foreign currency exchange differences | **76,200** | (30,001) | **17,326** | (59,143) |
| | **76,200** | (30,001) | **(12,674)** | (59,143) |

| | ***30 June 2018 KD*** | *(Audited) 31 December 2017 KD* | *30 June 2017 KD* |
|---|---|---|---|
| **Interim condensed consolidated statement of financial position:** | | | |
| Amounts due to a related party * | **-** | 28,645 | - |

*Amounts due to related party do not carry any interest and are payable within one year from the reporting date.

## 8 ANNUAL GENERAL MEETING

The Annual General Assembly of the shareholders of the Parent Company held on 6 March 2018 approved the consolidated financial statements for the year ended 31 December 2017 and the distribution of cash dividends of 3 fils (2016: Nil) per share of KD 1,110,000 (2016: KD Nil) for shareholders registered on that date.

In addition, the Annual General Assembly of the shareholders of the Parent Company approved the payment of directors' fees of KD 30,000 for the year ended 31 December 2017 (2016: Nil).

## 9 CONTINGENT LIABILITIES

The Group has contingent liabilities representing a letter of guarantee amounting to KD 3,593,407 (31 December 2017: KD 4,063,020 and 30 June 2017: KD 4,062,120) and from which it is anticipated that no material liability will arise.

## 10 SEGMENT INFORMATION

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

- Real Estate management comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and the provision of other related real estate services.
- Investment management comprises participation in financial and real estate funds and managing the Group's liquidity requirements.
- Other comprises other activities rather than real estate and investment activities.

| | **Six months ended 30 June 2018** | | | | *Six months ended 30 June 2017* | | | |
|---|---|---|---|---|---|---|---|---|
| | ***Real estate activities KD*** | ***Investment activities KD*** | ***Others KD*** | ***Total KD*** | *Real estate activities KD* | *Investment activities KD* | *Others KD* | *Total KD* |
| Segment revenue | **2,085,320** | - | - | **2,085,320** | 1,787,984 | - | - | 1,787,984 |
| Segment results | **1,124,730** | | | **1,124,730** | 986,638 | - | - | 986,638 |
| Realised loss on sale of inventory properties | - | - | - | - | (19,969) | - | - | (19,969) |
| Share of result from an associate | - | **(82,586)** | - | **(82,586)** | - | (132,962) | - | (132,962) |
| Other income | - | - | **5,212** | **5,212** | - | - | 1,449 | 1,449 |
| Unallocated expenses – net | - | - | **(495,407)** | **(495,407)** | - | - | (612,622) | (612,622) |
| **Result – profit (loss)** | **1,124,730** | **(82,586)** | **(490,195)** | **551,949** | 966,669 | (132,962) | (611,173) | 222,534 |

| | **30 June 2018** | | | | *31 December 2017 (Audited)* | | | | *30 June 2017* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ***Real estate activities KD*** | ***Investment activities KD*** | ***Others KD*** | ***Total KD*** | *Real estate activities KD* | *Investment activities KD* | *Others KD* | *Total KD* | *Real estate activities KD* | *Investment activities KD* | *Others KD* | *Total KD* |
| Total assets | **68,521,835** | **6,312,468** | **24,474** | **74,858,777** | 63,433,265 | 6,123,656 | 13,492 | 69,570,413 | 60,426,234 | 5,680,380 | 28,779 | 66,135,393 |
| Total liabilities | **35,775,653** | - | **739,835** | **36,515,488** | 29,887,779 | - | 816,630 | 30,704,409 | 26,935,216 | - | 757,028 | 27,692,244 |

## 11 IFRS 9 TRANSITION DISCLOSURES

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

| *2018* | *Original classification under IAS 39* | *New classification under IFRS 9* | *Original carrying amount under IAS KD* | *Re-measurement ECL / reclassification KD* | *New carrying amount under IFRS 9 KD* |
|---|---|---|---|---|---|
| ***Financial assets*** | | | | | |
| Bank balances and cash | Amortised cost | Amortised cost | 4,354,496 | - | 4,354,496 |
| Accounts receivable | Amortised cost | Amortised cost | 950,789 | - | 950,789 |
| ***Financial liabilities*** | | | | | |
| Accounts payable and accruals | Amortised cost | Amortised cost | 1,672,410 | - | 1,672,410 |
| Islamic financing payables | Amortised cost | Amortised cost | 34,843,078 | - | 34,843,078 |