NATIONAL REAL ESTATE COMPANY - K.P.S.C.
AND ITS SUBSIDIARIES
STATE OF KUWAIT
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE PERIOD ENDED JUNE 30, 2018
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

NATIONAL REAL ESTATE COMPANY - K.P.S.C.
AND ITS SUBSIDIARIES
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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors
National Real Estate Company K.P.S.C and its Subsidiaries
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Real Estate Company K.P.S.C. (the "Parent Company") and its Subsidiaries (collectively, the "Group") as at June 30, 2018, and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended. 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' ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim financial information performed by the Independent Auditor of the Entity". A review of interim condensed cosolidated 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

As stated in Note 6 (b) to the interim condensed consolidated financial information, the associate filed an arbitration related to one of its investment. The auditors of the associate were unable to obtain sufficient appropriate audit evidence about the investment and the recoverability of the loan granted by the associate to the related investee as at June 30, 2018, due to the nature and significant uncertainty around the investment and outcome of the arbitration. Consequently, we were unable to determine whether any adjustment to the carrying value of the investment in an associate was necessary.

Qualified Conclusion

Based on our review, except for the possible effect of the matter described in the Basis for Qualified Conclusion paragraph, 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.

Emphasis of Matter

We draw attention to Note 6 (a) to the interim condensed consolidated financial information, which describes that the associate is involved in few lawsuits. The ultimate outcome of these lawsuits cannot presently be determined, and accordingly, no provision for any effects that may result has been made in the interim condensed consolidated financial information of the associate. Our conclusion is not qualified in respect of this matter.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, except for the effect of matter described in the "Basis for Qualified Conclusion" above, 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 and its Executive Regulations, as amended or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended during the six months period ended June 30, 2018, that might have had a material effect on the Group's financial position or results of its operation.

Nayef M. Al-Bazie
Licence No. 91-A
RSM Albazie & Co.

State of Kuwait
August 13, 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF JUNE 30, 2018
(All amounts are in Kuwaiti Dinars)

	Notes	June 30, 2018	(Audited) December31, 2017	June 30, 2017
ASSETS:				
Cash and cash equivalents		**6,571,644**	4,010,240	6,239,906
Accounts receivable and other debit balances		**11,879,680**	39,529,531	14,912,195
Financial assets at fair value through profit or loss	10	**15,612,166**	-	-
Inventory properties		**7,209,876**	9,142,731	13,812,508
Properties held for sale		**-**	10,200,000	-
Financial assets at fair value through other comprehensive income ("FVOCI")	4	**1,528,688**	-	-
Financial assets available for sale	5	**-**	1,409,826	1,562,696
Investment in an associate	6	**206,394,927**	205,912,558	199,263,308
Investment in joint ventures		**97,278,023**	97,563,125	22,717,029
Properties under development		**78,320,197**	76,727,236	75,787,639
Property and equipment		**915,282**	959,557	1,058,463
Investment properties		**52,799,801**	62,890,917	201,509,832
Total assets		**478,510,284**	508,345,721	536,863,576
LIABILITIES AND EQUITY				
Liabilities:				
Loans and borrowings		**160,435,431**	179,792,099	165,206,174
Accounts payable and other credit balances		**75,892,356**	79,053,464	120,988,643
Employees' end of service benefits		**761,912**	1,029,750	1,300,862
Total liabilities		**237,089,699**	259,875,313	287,495,679
Equity:				
Share capital	7	**108,862,510**	98,965,918	98,965,918
Treasury shares	8	**(7,864,846)**	(7,864,846)	(7,864,846)
Reserves		**25,390,408**	32,320,822	26,020,136
Retained earnings		**94,699,365**	102,748,132	100,695,652
Equity attributable to shareholders of the Parent Company		**221,087,437**	226,170,026	217,816,860
Non-controlling interests		**20,333,148**	22,300,382	31,551,037
Total equity		**241,420,585**	248,470,408	249,367,897
Total liabilities and equity		**478,510,284**	508,345,721	536,863,576

The accompanying notes (1) to (16) form an integral part of the interim condensed consolidated financial information.

Faisal Jamil Sultan Al-Essa
Vice Chairman and Chief Executive Officer

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2018
(All amounts are in Kuwaiti Dinars)

	Notes	Three months ended June 30		Six months ended June 30	
		2018	2017	**2018**	2017
Sale of inventory properties		**5,368,073**	1,553,894	**8,346,837**	3,785,029
Rental income		**2,720,023**	2,894,291	**5,677,334**	5,817,492
		8,088,096	4,448,185	**14,024,171**	9,602,521
Cost of inventory properties sold		**(4,637,820)**	(1,823,232)	**(7,855,633)**	(4,189,639)
Gross profit		**3,450,276**	2,624,953	**6,168,538**	5,412,882
Share of results from an associate	6	**4,731,980**	3,965,835	**9,206,303**	7,392,559
Share of results from joint ventures		**40,235**	1,877	**140,541**	(137,200)
Staff costs		**(964,133)**	(1,122,079)	**(1,848,575)**	(2,089,283)
General and administrative expenses		**(1,042,692)**	(1,287,370)	**(1,812,171)**	(1,908,696)
Change in fair value of financial assets at fair value through profit or loss		**(331,207)**	-	**(331,207)**	-
Gain on disposal of properties held for sale		**-**	-	**157,500**	-
Other income		**140,837**	97,397	**259,699**	163,747
Earnings before interest, taxes, depreciation and amortization		**6,025,296**	4,280,613	**11,940,628**	8,834,009
Depreciation on property and equipment		**(30,032)**	(30,597)	**(60,481)**	(60,797)
Finance costs		**(3,454,352)**	(727,511)	**(5,777,301)**	(1,474,924)
Finance income		**384,373**	125,291	**808,243**	241,603
Profit for the period before taxation and Board of directors' remuneration		**2,925,285**	3,647,796	**6,911,089**	7,539,891
Taxation		**(39,913)**	(4,963)	**(38,328)**	(42,304)
Board of directors' remuneration		**(21,250)**	(21,250)	**(42,500)**	(42,500)
Profit for the period		**2,864,122**	3,621,583	**6,830,261**	7,455,087
Attributable to:					
Shareholders of the Parent Company		**2,726,678**	3,671,655	**6,765,340**	7,458,387
Non-controlling interests		**137,444**	(50,072)	**64,921**	(3,300)
		2,864,122	3,621,583	**6,830,261**	7,455,087
Basic earnings per share attributable to shareholders of the Parent Company (Fils)	9	**2.64**	3.56	**6.57**	7.24
Diluted earnings per share attributable to shareholders of the Parent Company (Fils)	9	**2.53**	3.28	**6.08**	6.67

The accompanying notes (1) to (15) form an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2018
(All amounts are in Kuwaiti Dinars)

	Three months ended June 30,		Six months ended June 30	
	2018	2017	**2018**	2017
Profit for the period	**2,864,122**	3,621,583	**6,830,261**	7,455,087
Other comprehensive (loss) income:				
Items that may be reclassified subsequently to profit or loss:				
Share of other comprehensive loss from an associate	**(2,980,813)**	-	**(4,238,774)**	-
Change in fair value of financial asset available for sale	**-**	-	**-**	250,978
Exchange difference on translation of foreign operations	**20,680**	1,037,349	**337,062**	582,025
Item that will not be reclassified subsequently to profit or loss:				
Change in fair value of equity instrument at fair value through other comprehensive income	**835,290**	-	**118,862**	-
Share of other comprehensive income (loss) from an associate	**1,867,888**	(232,208)	**1,848,235**	(452,277)
Other comprehensive (loss) income for the period	**(256,955)**	805,141	**(1,934,615)**	380,726
Total comprehensive income for the period	**2,607,167**	4,426,724	**4,895,646**	7,835,813
Attributable to:				
shareholders of the Parent Company	**2,400,995**	4,578,184	**4,815,535**	7,999,708
Non-controlling interests	**206,172**	(151,460)	**80,111**	(163,895)
Total comprehensive income for the period	**2,607,167**	4,426,724	**4,895,646**	7,835,813

The accompanying notes from (1) to (15) form an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2018
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company												
			Reserves										
	Share capital	Treasury shares	Statutory reserve	Treasury share reserve	Effect of changes in other comprehensive income of an associate	Share of other reserves of an associate	Equity portion of convertible loan option reserve	Cumulative changes in fair value	Foreign currency translation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
Balance at December 31, 2017 as previously reported	98,965,918	(7,864,846)	47,011,134	12,857,601	78,230	(5,683,472)	1,546,764	250,978	(23,740,413)	102,748,132	226,170,026	22,300,382	248,470,408
Effect of adoption of IFRS 9 at January 1, 2018 (Note 3 - A)	-	-	-	-	78,815	(1,945,299)	-	-	-	(582,414)	(2,448,898)	(185,038)	(2,633,936)
Effect of adoption of IFRS 15 at January 1, 2018 (Note 3 - B)	-	-	-	-	-	-	-	-	(3,114,125)	(4,335,101)	(7,449,226)	(1,862,307)	(9,311,533)
Restated balance as at January 1, 2018	98,965,918	(7,864,846)	47,011,134	12,857,601	157,045	(7,628,771)	1,546,764	250,978	(26,854,538)	97,830,617	216,271,902	20,253,037	236,524,939
Profit for the period	-	-	-	-	-	-	-	-	-	6,765,340	6,765,340	64,921	6,830,261
Other comprehensive (loss) income for the period	-	-	-	-	(4,238,774)	1,848,235	-	118,862	321,872	-	(1,949,805)	15,190	(1,934,615)
Total comprehensive (loss) income for the period	-	-	-	-	(4,238,774)	1,848,235	-	118,862	321,872	6,765,340	4,815,535	80,111	4,895,646
Issue of bonus shares (Note 15)	9,896,592	-	-	-	-	-	-	-	-	(9,896,592)	-	-	-
Balance as at June 30, 2018	**108,862,510**	**(7,864,846)**	**47,011,134**	**12,857,601**	**(4,081,729)**	**(5,780,536)**	**1,546,764**	**369,840**	**(26,532,666)**	**94,699,365**	**221,087,437**	**20,333,148**	**241,420,585**
Balance as at December 31, 2016	98,965,918	(7,781,690)	45,944,927	12,857,601	1,290,884	(8,331,325)	-	-	(26,283,272)	93,237,265	209,900,308	31,714,932	241,615,240
Profit for the period	-	-	-	-	-	-	-	-		7,458,387	7,458,387	(3,300)	7,455,087
Other comprehensive (loss) income for the period	-	-	-	-	(443,049)	(9,228)	-	250,978	742,620	-	541,321	(160,595)	380,726
Total comprehensive (loss) income for the period	-	-	-	-	(443,049)	(9,228)	-	250,978	742,620	7,458,387	7,999,708	(163,895)	7,835,813
Purchase of treasury shares (Note 15)	-	(83,156)	-	-	-	-	-	-	-	-	(83,156)	-	(83,156)
Balance as at June 30, 2017	98,965,918	(7,864,846)	45,944,927	12,857,601	847,835	(8,340,553)	-	250,978	(25,540,652)	100,695,652	217,816,860	31,551,037	249,367,897

The accompanying notes (1) to (15) form an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED JUNE 30, 2018
(All amounts are in Kuwaiti Dinars)

	Note	Six months ended June 30, 2018	Six months ended June 30, 2017
Operating activities:			
Profit for the period before taxation and Board of directors' remuneration		**6,911,089**	7,539,891
Adjustments:			
Share of results from an associate	6	**(9,206,303)**	(7,392,559)
Share of results from joint ventures		**(140,541)**	137,200
Depreciation on property and equipment		**60,481**	60,797
Provision for employees' end of service benefits		**54,273**	77,678
Change in fair value of financial assets at fair value through profit or loss		**331,207**	-
Gain on disposal of properties held for sale		**(157,500)**	-
Finance costs		**5,777,301**	1,474,924
Finance income		**(808,243)**	(241,603)
		2,821,764	1,656,328
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		**3,290,853**	(664,350)
Inventory properties		**7,847,516**	4,042,737
Additions to properties under development		**(4,580,108)**	(2,644,729)
Accounts payable and other credit balances		**(9,624,823)**	(2,997,303)
Cash flows used in operations		**(244,798)**	(607,317)
Employees' end of service benefits paid		**(322,111)**	-
Taxation paid		**-**	(42,304)
Net cash flows used in operating activities		**(566,909)**	(649,621)
Investing activities:			
Purchase of property and equipment		**(13,250)**	(31,814)
Proceed from sale of properties held for sale		**20,765,000**	-
Purchase of investment properties		**(82,062)**	(3,283,009)
Dividends received		**4,466,911**	-
Finance income received		**808,243**	241,603
Net cash flows generated from (used in) investing activities		**25,944,842**	(3,073,220)
Financing activities:			
Net movement of loans and borrowings		**(19,356,668)**	3,424,380
Purchase of treasury shares		**-**	(83,156)
Finance costs paid		**(3,617,059)**	(2,966,953)
Net cash flows (used in) generated from financing activities		**(22,973,727)**	374,271
Net increase (decrease) in cash and cash equivalents		**2,404,206**	(3,348,570)
Foreign currency translation adjustments		**157,198**	(75,746)
Cash and cash equivalents at beginning of the period		**4,010,240**	9,664,222
Cash and cash equivalents at end of the period		**6,571,644**	6,239,906

The accompanying notes (1) to (15) form an integral part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT FOR THE PERIOD ENDED JUNE 30, 2018
(All amounts are in Kuwaiti Dinars)

1. Incorporation and principal activities

National Real Estate Company (the Parent Company) is a Kuwaiti Public Shareholding Company incorporated pursuant to Memorandum of Incorporation authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department under reference No. 19628 dated November 15, 1973 and its subsequent amendments, the latest of which was notarized in the commercial registry under reference no. 19628. The Parent Company was listed in Boursa Kuwait on September 29,1984.

The principal activities of the Parent Company include:

- Own, sale and purchase of shares and bonds of real estate companies inside and outside Kuwait.
- Preparation of studies and providing consultancy services related real estate transactions.
- Maintenance of buildings and real estate owned by the Parent Company or others, including the maintenance and implementation of civil works, mechanical and electrical work, elevators and air conditioning to ensure maintenance of buildings and safety.
- Managing and organizing exhibitions for the Parent Company's real estate projects according to the regulations of the Ministry.
- Establishing real estate auctions according with the regulations of the Ministry.
- Own and manage commercial markets and residential complexes.
- Develop the infrastructure for residential, commercial, industrial and build-operate-transfer (BOT) projects including facilities management related to these projects.

The Parent Company's registered postal address is P.O. Box 22644, Safat 13087, State of Kuwait.

The interim condensed consolidated financial information was authorized for issue by the Board of Directors on August 13, 2018.

2. Basis of presentation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the financial year ended December 31, 2017 except for the change in accounting policies due to adoption of new standards as mentioned in the Note 3.

The Group has not early adopted any other standard, interpretation or amendments that has been issued but is not yet effective. Other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial information of the Group.

The interim condensed consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in the accompanying interim condensed consolidated financial information. Operating results for the period ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. For further information, refer to the consolidated financial statements and notes thereto for the year ended December 31, 2017.

3. Changes in accounting policies due to adoption of new standards

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarized below:

A) IFRS 9 - Financial Instruments

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting methods for the financial assets and to certain aspects of the accounting for financial liabilities.

i. Classification of financial assets and financial liabilities:

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's only objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity, loans and receivables) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to the consolidated statemernt of profit or loss on derecognition
- Equity instruments at (FVOCI), with no recycling of gains or losses to consolidated statement of profit or loss on derecognition
- Financial assets at (FVTPL)

The accounting methods for financial liabilities remains largely the same under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the interim condensed consolidated statement of profit or loss.

Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any.

Financial assets such as accounts receivable, cash and cash equivalents that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are subsequently measured at amortized cost.

Debt instruments at FVOCI

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial instrument.
- The contractual terms of the financial asset meet the SPPI analysis.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to consolidated statement of profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some or all of its equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the interim condensed consolidated statement of changes in equity.

Financial assets such as equity investments are subsequently measured at fair value through other comprehensive income FVOCI as the Group has made irrevocable election/designation at initial application date.

Financial assets at FVPL

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of interim condensed consolidated financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values, interest income and dividends are recorded in interim condensed consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

There were no financial assets or financial liabilities which the Group has elected to designate at FVTPL as at the date of initial application of IFRS 9 except for a loan to a related party included in financial assets at fair value through profit or loss (Loan to a related party) in the interim condensed consolidated statement of financial position that did not meet the Solely Payments of Principal and Interest (SPPI) test and is carried at fair value through profit or loss.

ii. Impairment of financial assets:

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 debt instruments not held at FVTPL.

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 contract assets and 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.

iii. Transition:

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserve as at January 1, 2018. Accordingly, the information presented for the year ended December 31, 2017 and the period ended June 30, 2017 in the accompanying interim condensed consolidated financial information does not reflect in general the requirements of IFRS 9 but reflect the requirements of IAS 39 and therefore the interim condensed consolidated financial information for the period ended June 30, 2018 is not comparable to the information included in the financial year ended December 31, 2017 and the period ended June 30, 2017 in term of the requirements of these standards.
- The following assessments have been made 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 of certain financial assets as measured at FVTPL.
  - The designation of certain equity instruments not held for trading as at FVOCI.

The impact of this change in accounting policy as at January 1, 2018 is as follows:

	Retained earnings	Effect of changes in other comprehensive income of an associate	Share of other reserves of an associate	Non-controlling interests	Total
Closing balance under IAS 39 (December 31, 2017)	102,748,132	78,230	(5,683,472)	22,300,382	119,443,272
Impact on reclassification and re-measurements:					
Fair valuation of financial assets at fair value through profit or loss	157,737	-	-	-	157,737
Transition adjustment on adoption of IFRS 9 by an associate	-	78,815	(1,945,299)	-	(1,866,484)
Impact on recognition of Expected Credit Losses on trade receivables					
Expected credit losses under IFRS 9 for trade receivables	(740,151)	-	-	(185,038)	(925,189)
Opening balance under IFRS 9 on date of initial application of January 1, 2018	102,165,718	157,045	(7,628,771)	22,115,344	116,809,336

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT FOR THE PERIOD ENDED JUNE 30, 2018
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Classification of financial assets and financial liabilities on the date of initial application of IFRS 9
The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at January 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	4,010,240	4,010,240
Financial assets at fair value through profit or loss	Loans and receivables	FVTPL	17,420,623	17,578,360
Accounts receivable and other debit balances	Loans and receivables	Amortized cost	39,529,531	38,604,342
Financial assets availabe for sale	Financial assets availabe for sale	Financial assets at FVOCI *	1,409,826	1,409,826
Total financial assets			62,370,220	61,602,768

* Based on facts and circumstances that existed at the date of initial application, management determined that investment in equity instruments were not held for purposes of trading and were held for medium to long term strategic purposes. Accordingly, management have elected to designate these investments in equity instruments as FVOCI as they believe that recognising short term fluctuations in the fair value of investments in profit or loss would not be consistent with the Group's strategy of holding these investments for medium to long purposes and realising their performance potential in the long run.

No significant changes were noted in financial liabilities as the Group classified all its financial liabilities at amortised under IAS 39 and the same classification has been carried forward under IFRS 9 based on their business model.

B) IFRS 15 - Revenue from Contracts with Customers
IFRS 15, effective for annual periods beginning on or after January 1, 2018, establishes a single and comprehensive framework for determining whether, how much and when revenue is recognized. The standard replaces IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenue – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:
- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Upon adoption of IFRS 15, the Group will apply the cumulative effect approach by retrospectively adjusting opening retained earnings as of January 1, 2018 and will not restate prior periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT FOR THE PERIOD ENDED JUNE 30, 2018
(All amounts are in Kuwaiti Dinars)

The following tables summarises the impact of adopting IFRS 15 on the Group's interim condensed consolidated statement of financial position and interim condensed consolidated statement of income as at 1 January 2018 for each of the line items affected:

Interim condensed consolidated statement of income:

	Amounts without adoption of IFRS 15	Adjustments	Amounts with adoption of IFRS 15
Revenue	26,908,419	247,124	27,155,543
	26,908,419	247,124	27,155,543

Interim condensed consolidated statement of financial position:

	Amounts without adoption of IFRS 15	Adjustments	Amounts with adoption of IFRS 15
Assets			
Properties under development	97,563,125	3,249,047	100,812,172
Accounts receivable and prepayments	39,529,531	(8,090,811)	31,438,720
Total Assets	137,092,656	(4,841,764)	132,250,892
Equity & Liability			
Retained earnings	102,748,132	(4,335,101)	98,413,031
Foreign currency translation reserve	(23,740,413)	(3,114,125)	(26,854,538)
Non-controlling interest	22,300,382	(1,862,307)	20,438,075
Total equity	101,308,101	(9,311,533)	91,996,568
Liability			
Accounts payable and accruals	79,053,464	4,222,645	83,276,109
Total equity and liability	180,361,565	(5,088,888)	175,272,677
	(43,268,909)	247,124	(43,021,785)

4. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income ("FVOCI") comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments and the Group considered this to be more relevant. At January 1, 2018, as a result of adoption of IFRS 9, the Group elected to reclassify investments amounting to KD 1,409,826 from financial assets available for sale (Note 5).

	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Equity securities	**1,528,688**	-	-
	1,528,688	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT FOR THE PERIOD ENDED JUNE 30, 2018
(All amounts are in Kuwaiti Dinars)

5. Financial assets available for sale

	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Equity securities	**-**	1,409,826	1,562,696
	-	1,409,826	1,562,696

At 1 January 2018, as a result of adoption of IFRS 9, the Group elected to reclassify its financial assets available for sale with a carrying value of KD 1,409,826 to financial assets at fair value through other comprehensive income ("FVOCI") (Note 4).

6. Investment in an associate

The Parent Company has effective equity interest of 23.668% (December 31, 2017: 23.668% and June 30, 2017: 23.668%) in Agility Public Warehousing Company K.S.C.P. (the "Associate"), a public shareholding company registered in Kuwait and listed on the Boursa Kuwait and Dubai Financial Market. The associate is involved in storing goods, management and renting of warehouses, transportation activities, distribution, handling and customs clearance for goods.

The movement in the carrying value of investment in an associate during the period/year is as follows:

	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Balance at the beginning of the period / year	**205,912,558**	192,323,026	192,323,026
Impact on adoption of IFRS 9 at January 1, 2018	**(1,866,484)**	-	-
Balance at the beginning of the period (restated)	**204,046,074**	192,323,026	192,323,026
Share of results	**9,206,303**	16,215,161	7,392,559
Cash dividends received	**(4,466,911)**	(4,060,828)	-
Effect of changes in an associate's equity	**(4,238,774)**	(1,212,654)	(1,436,960)
Effect of change in other reserves of associate	**1,848,235**	2,647,853	984,683
Balance at the end of the period / year	**206,394,927**	205,912,558	199,263,308

The fair market value of the Parent Company's interest in the associate based on the quoted market price of the investment as at June 30, 2018 amounted to KD 269,518,491 (December 31, 2017: KD 238,830,820 and June 30, 2017: KD 221,991,920).

a) The contingent liabilities and legal cases relating to the associate are summarized as follows:

i) U.S. Defense Contract Audit Agency (DCAA)

In 2009, in relation to a cost reimbursable contract, the U.S. Defense Contract Audit Agency (DCAA) determined that reimbursement requests for certain costs incurred by the associate were not proper, and demanded repayment of approximately KD 23 million from the associate. In 2011, the US Government collected KD 4.7 million from this amount by offsetting payments due on the associate's other US Government contracts.

In November 2010, the associate filed a Notice of Appeal in respect of the matter to the U.S. Armed Services Board of Contract Appeals (ASBCA). On December 10, 2014, the ASBCA ruled that it did not have subject-matter jurisdiction to review the appeal by the associate. On April 8, 2015, the associate appealed the ASBCA ruling to the U.S. Court of Appeals for the Federal Circuit. As part of the same contract, the associate asserted a KD 13 million claim for non-reimbursed costs. This claim was denied by the ASBCA and consolidated with the above referenced Government claim for KD 23 million. Both claims were appealed to the U.S. Court of Appeals for the Federal Circuit. On April 16, 2018, the Federal Circuit affirmed the ASBCA ruling for lack of jurisdiction.

The associate also filed a separate complaint at the U.S. Court of Federal Claims on April 7, 2015 on a different jurisdictional basis seeking the KD 13 million affirmative claim, the KD 4.7 million which was offset by the U.S. Government as aforementioned, and a determination that the KD 23 million demanded by the US Government is invalid. On March 10, 2016 the U.S. Court of Appeals for the Federal Circuit granted a "limited remand" back to the ASBCA for the purpose of determining the real party in interest.

Notwithstanding this remand, the U.S. Court of Appeals for the Federal Circuit retained jurisdiction over the appeal. On February 14, 2017, the ASBCA issued a decision concluding that the identity of the real party in interest did not affect the ASBCA's earlier decision dismissing the associate's claims for lack of jurisdiction. After the ASBCA issued its decision on remand, the Federal Circuit appeal recommenced. On April 16, 2018, the Federal Circuit affirmed the ASBCA's decision dismissing the associate's appeals for lack of jurisdiction. The case remains subject to appeal and further adjudication.

On September 14, 2016, the associate filed a protective claim for approximately USD 47 million in case of any technical defect found in the associate's April 2011 claim. On November 14, 2017, the associate filed a protective complaint in the U.S. Court of Federal Claims challenging the US Government's deemed denial of the September 2016 claim. This lawsuit was stayed pending the resolution of the Federal Circuit appeal. On May 16, 2018, the associate and the US Government filed a status report with the Court of Federal Claim notifying the Court of Federal Circuit decision and requesting a stay of the case until July 16, 2018.

Despite inherent uncertainty surrounding these cases, no provision is recorded by the management of the associate in the interim condensed consolidated financial information. The associate (after consulting the external legal counsel) is not able to comment on the likely outcome of the cases.

ii) Guarantee encashment

A resolution was issued by the General Administration of Customs for Kuwait ("GAC") to cash a portion, amounting to KD 10,092 thousand of the bank guarantee submitted by Global Clearing House Systems K.S.C. (Closed) (the "GCHS"), a subsidiary of the associate, in favour of GAC in relation to performance of a contract. Pursuant to this resolution, GAC called the above guarantee during the year ended December 31, 2007.

GCHS appealed the above resolution at the Court of First Instance and the latter issued its judgment in favour of GCHS and ordered GAC to pay an amount of KD 58,927 thousand as compensation against the non-performance of its obligations under the contract, and KD 9,138 thousand towards refunding of the guarantee encashed earlier, together with an interest of 7% per annum on these amounts to be calculated from the date the judgment becomes final.

GCHS appealed the judgment before the Court of Appeal requesting an increase in compensation. GAC also filed an appeal No. 1955 / 2014 administrative 4 before the Court of Appeal. On September 13, 2015, the Court of Appeal pronounced its judgement affirming the decision of the Court of First Instance. Both GCHS and GAC appealed against this ruling before the Kuwait Court of Cassation in appeals No. 148, 1487 for the year 2015. On March 15, 2017, the Court of Cassation resolved to defer the appeal to the experts. After considering the appeal before the experts in numerous hearings and closing the deliberations on May 7, 2018, the case was reserved for issuing the expert report. The report is yet to be issued.

GCHS also filed a claim against GAC and requested, under one of its demands, the Court of Appeal to prohibit GAC from encashing the remaining bank guarantees offered by the GCHS. The Court of Appeal issued its judgment in favour of GCHS in blocking the encashment of the bank guarantees in the possession of GAC. GAC filed an appeal against the decision of the Court of Appeal blocking the encashment of the bank guarantees which was repealed by the Court of Cassation.

In addition to the above, there are legal disputes between the GCHS and GAC. Both the parties have filed various claims and counter claims currently pending in the courts. The associate’s in-house counsel believes that these matters will not have a material adverse effect on the associate's interim condensed consolidated financial information.

iii) KGL Litigation

During the year ended December 31, 2012, the associate and certain of its subsidiaries were named as defendants in civil lawsuits filed by Kuwait and Gulf Link Transport Company ("KGL") and its affiliates in six separate jurisdictions in the United States for certain alleged defamation and interference with KGL's contracts with the US Government by an alleged former employee of the associate. The associate filed motions to dismiss the complaints and KGL also filed amended complaints. As a result, the Court in two of the jurisdictions granted the associate's motion to dismiss the complaint.

On August 21, 2015, the associate filed a motion for summary judgment. On December 8, 2015, the court denied the associate's motion as well as KGL's motion to compel discovery that they argued was central to their claims.

On November 28, 2017, the court entered an order setting discovery deadlines and a trial date.

On June 4, 2018, following the completion of all discovery, the associate filed a second motion for summary judgment. On July 6, 2018, the court granted the associate’s motion and dismissed the complaint.

iv) Contract N. 157 on Phases 1 and 2 and 3 for the South Amghara Plot

Investment properties in the associate books include a property with a carrying value of KD 28,500 thousand representing land located in South Amghara which is held on a lease with The Public Authority of Industry (PAI).

Subsequent to the reporting date, on July 3, 2018, PAI notified the associate of its intention to terminate the above mentioned lease contract, which expired on 30 June 2018 and requested the associate to deliver the plot.

Based on a legal opinion from the associate’s external legal counsel, the notice of termination is in breach of the law and the associate has initiated the necessary legal actions and filed the claim No. 2587 of 2018 Commercial-General-Public/24 and the case remains pending before the court of first instance and no judgment has been rendered to date. Accordingly the associate (after consulting the legal counsel) is unable to comment on the likely outcome of the case.

In addition to the above, the associate is involved in various incidental claims and legal proceedings. The legal counsel of the associate believes that these matters will not have a material adverse effect on the associate’s interim condensed consolidated financial information.

b) Korek Litigation

In February 2017, the associate filed a request for arbitration against the Republic of Iraq pursuant to Article 36 of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (“ICSID”), and Article 10 of the Agreement between the Government of the State of Kuwait and the Government of the Republic of Iraq for Reciprocal Promotion and Protection of Investments (the “2015 BIT”). The claim arises from a series of actions and inactions of the Iraqi government, including its regulatory agency Communications & Media Commission (“CMC”) relating to an alleged decision by the CMC to annul the previous written consent granted in connection with the associate’s investment in Korek Telecom. Without limitation, the associate’s claims relate to Iraq’s failure to treat the associate’s investment of over $380 million fairly and equitably, its failure to accord the associate with due process, as well as the indirect expropriation of that investment, each in breach of the 2015 BIT. On February 24, 2017, the associate’s request for arbitration was formally registered with ICSID.

The arbitration tribunal was formally constituted on December 20, 2017. The financial impact of this case may not be assessed. The arbitration tribunal was formally constituted on December 20, 2017 and an initial procedural hearing was held on January 31, 2018. The associate's memorial was submitted on April 30, 2018. As the dispute remains pending without legal resolution and in the absence of clarity, the financial impact of this case may not be assessed.

In conjunction with the foregoing claims related to Korek Telecom, Iraq Telecom Limited ("IT Ltd.") (in which the associate holds an indirect 54% stake) commenced the following proceedings:

- Arbitration proceedings against Korek International (Management) Ltd. ("CS Ltd.") and Mr. Sirwan Saber Mustafa. The dispute is in relation to the monies owed by CS Ltd. and guaranteed by Mr. Sirwan Saber Mustafa under a subscription agreement relating to the associate's investment in Korek Telecom. The amount in dispute is approximately USD 75 million (excluding interest). The Tribunal was constituted on February 2, 2018, with terms of reference and a procedural timetable to be issued by the Tribunal in due course. The IT Ltd.'s statement of claim is due for submission on May 17, 2018.The Respondents' statement of defense will be submitted on due course.

- Arbitration proceedings against CS Ltd. and Mr. Sirwan Saber Mustafa. The dispute, which was commenced on June 4, 2018, is in relation to various contractual breaches by the respondents under a shareholders' agreement relating to the associate's investment in Korek Telecom. The amount in dispute is to be determined during the course of the proceedings.

- Arbitration proceedings against IBL Bank SAL, Korek Telecom and International Holdings Ltd. The dispute, which was commenced on June 26, 2018, is in relation to alleged fraud orchestrated by certain Korek Telecom stakeholders with the knowledge and cooperation of IBL Bank in connection with a subordination agreement relating to a $150 million loan extended by IBL Bank to Korek Telecom. The amount in dispute is to be determined during the course of the proceedings.

- Proceedings in the courts of the Dubai International Financial Centre ("DIFC") on March 12, 2018 against certain directors of International Holdings Limited (the holding company of Korek in which IT Ltd. Holds a 44% interest). The defendant directors are Abdulhameed Aqrawi, Nozad Jundi and Raymond Zina Rahmeh. The claim alleges breach of the defendants' duties as directors of International Holdings.

- Proceedings in the courts of the DIFC on April 12, 2018 against Raymond Zina Rahmeh alleging breach of his fiduciary duties.

Separately, on September 5, 2017, Modern Global Company for General Trading of Equipment, Supplier for Construction and Real Estate WLL (a wholly owned subsidiary of the associate) commenced arbitration proceedings against Korek Telecom in relation to Korek's alleged failure to pay servicing fees due to Modern Global under a services agreement. The amount in dispute is approximately USD 3.4 Million (excluding interest).

A sole arbitrator was appointed on March 8, 2018. The claimant's statement of claim submitted on May 4, 2018, and the respondent's statement of defense was submitted on July 5, 2018.

As a counterclaim, CS Ltd. has threatened to bring a claim against IT Ltd. with respect to alleged breaches by IT Ltd. of funding provisions in a shareholders' agreement between the parties relating to Korek Telecom. The amount in dispute is approximately USD 120 million. However, no proceedings against IT Ltd. have been commenced to date.

Consequently the associate's management was unable to determine the fair value of this investment and the recoverability of interest bearing loan as at June 30, 2018 and December 31, 2018 and accordingly the investment is carried at its fair value as at June 30, 2018 of US Dollars 359 Million equivalent to KD 108,968 thousand (December 31, 2017: KD 108,425 thousand and June 30, 2017: KD 108,424 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT FOR THE PERIOD ENDED JUNE 30, 2018
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7. Share Capital

Authorized capital consists of 1,500,000,000 shares of 100 fils each. The paid up capital settled in cash is determined by an amount of KD 108,862,510 consisting of 1,088,625,103 shares of 100 fils each as follows.

	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Authorized capital	**150,000,000**	150,000,000	98,965,918
Unpaid capital	**(41,137,490)**	(51,034,082)	-
Paid up capital	**108,862,510**	98,965,918	98,965,918

8. Treasury Shares

	June 30, 2018	December 31, 2017 (Audited)	June 30, 2017
Number of shares	**58,365,097**	53,057,312	53,057,312
Percentage of issued shares (%)	**5.36**	5.36	5.36
Market value (KD)	**6,303,430**	6,526,049	5,783,247
Cost (KD)	**7,864,846**	7,864,846	7,864,846

9. Basic and diluted earnings per share

Basic earnings per share:

The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the period is as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017 (Restated)	**2018**	2017 (Restated)
Profit for the period attributable to shareholders of the Parent Company	**2,726,678**	3,671,655	**6,765,340**	7,458,387
Number of shares outstanding:				
Number of issued shares at beginning of the period	**1,088,625,100**	1,088,625,100	**1,088,625,100**	1,088,625,100
Less: Weighted average number of treasury shares	**(58,365,097)**	(58,245,705)	**(58,365,097)**	(58,245,705)
Weighted average number of shares outstanding	**1,030,260,003**	1,030,379,395	**1,030,260,003**	1,030,379,395
Basic earnings per share (Fils)	**2.64**	3.56	**6.57**	7.24

Basic earnings per share for the three months period ended June 30, 2017 was 3.92 fils and six months ended June 30, 2017 was 7.96 fils, before retrospective adjustment to the number of shares on account of bonus issue (Note 15).

Diluted earnings per share:
Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume allotment of all dilutive potential ordinary shares, and to adjust the net profit for the period with the assumed effect of those potential dilutive shares had they been issued.

The information necessary to calculate diluted earnings per share are as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017 Restated	**2018**	2017 Restated
Profit for the period attributable to shareholders of the Parent Company	**2,726,678**	3,671,655	**6,765,340**	7,458,387
Interest on convertible loan	**511,892**	-	**1,004,642**	-
	3,238,570	3,671,655	**7,769,982**	7,458,387
Add: Weighted average shares adjusted for dilution effect:				
Weighted average number of shares outstanding used in calculating basic earnings per share	**1,030,260,003**	1,030,379,395	**1,030,260,003**	1,030,379,395
Add: Effects of dilution from convertible loan	**248,000,000**	88,000,000	**248,000,000**	88,000,000
Weighted average number of shares for diluted earnings per share	**1,278,260,003**	1,118,379,395	**1,278,260,003**	1,118,379,395
Diluted earnings per share (Fils)	**2.53**	3.28	**6.08**	6.67

Diluted earnings per share for the three months period ended June 30, 2017 was 3.58 fils and six months ended June 30, 2017 was 7.28 fils, before retrospective adjustment to the number of shares on account of bonus issue (Note 15).

10. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, board of directors, key management personnel, associate entities under common control and other related parties in the normal course of its business. The Group's management approves prices and terms of payment. Significant related party transactions and balances are as follows:

Interim condensed consolidated statement of financial position

	Major Shareholders	Associate/ Joint ventures	**June 30, 2018**	December 31, 2017 (Audited)	June 30, 2017
Accounts receivable and prepayments	-	1,599,036	**1,599,036**	18,845,543	2,112,397
Financial assets at fair value through profit or loss	-	15,612,166	**15,612,166**	-	-
Financial assets at fair value through other comprehensive income	1,528,688	-	**1,528,688**	-	-
Financial assets available for sale	-	-	-	1,375,819	1,528,685
Accounts payable and accruals	-	126,957	**126,957**	-	24,353,163
Loans and borrowings	-	31,000,000	**31,000,000**	31,000,000	11,000,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT FOR THE PERIOD ENDED JUNE 30, 2018
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Interim condensed consolidated statement of profit of loss

	Major Shareholders	Associate/ Joint ventures	June 30, 2018	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Rental income	230,295	-	**230,295**	**230,295**	230,295
Administrative expenses	88,336	-	**88,336**	**88,336**	(90,283)
Finance Cost	-	1,004,642	**1,004,642**	**1,004,642**	-

Compensation to key management personnel

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	**2018**	2017
Short term benefits	**205,804**	191,440	**437,541**	373,814
Post-employment benefits	**10,334**	10,808	**22,507**	19,952
Board of Directors' remuneration	**21,250**	21,250	**42,500**	42,500
	237,388	223,498	**502,548**	436,266

11. Legal Cases:

The main legal claims of the Group are as follows:

a) The Ministry of Finance (MOF) issued a resolution to terminate contracts relating to certain properties constructed on land leased from the Government of the State of Kuwait upon the expiry of 25 years. The Parent Company appealed against this resolution. For one of the properties, the Court of Appeal has ruled in favour of MOF and awarded a compensation of KD 11,711,060.The Parent Company has further appealed to Court of Cassation and the case is still under consideration. For the other property, the Court of Appeal has also ruled in favour of MOF and awarded a compensation of KD 6,597,527. The Parent Company has further appealed to the Court of Cassation and the case is under consideration to date. The Parent Company has also filed lawsuits against MOF demanding compensation for these properties. The legal proceedings on the underlying cases are still in progress.

b) An Arbitration claim was filed by one of the investors in Kuwait Free Trade Zone (KFTZ) against the Parent Company for alleged damages and loss of profit. Arbitration ruled against the Parent Company and awarded KD 6,021,803 to the investor in the KFTZ. The Parent Company has appealed in the Court of First Instance and the appeal was rejected. The Parent Company has appealed at the Court of Appeal and is still under consideration till date.

c) The Ministry of Commerce and Industry (MOCI) had cancelled the management contract of KFTZ. The Parent Company filed a lawsuit appealing the decision of MOCI. The Parent Company had recognized a provision for KD 13,360,424 upon losing control over the assets in KFTZ. The Court of Cassation has ruled in favour of MOCI on March 22, 2016, which brings to the end of this legal case. There were no additional provision required as the Parent Company has earlier fully provided for KFTZ assets.

d) The Parent Company filed a legal case against Kuwait Ports Authority (KPA) and a transport company claiming for unpaid rent arising from utilization of certain plots in KFTZ. The Court of Appeal confirmed the appeal obliging KPA and the transport company to jointly pay KD 6,956,416 to the Parent Company. The Parent Company received the amount as stated in the court ruling on October 11, 2011. KPA and the transport company appealed against the ruling in the Court of Cassation, which is still pending final ruling. As a precaution, the Parent Company has not reversed previously recorded provisions until a final ruling is issued.

Also, the Parent Company has filed a lawsuit against KPA to compensate it for utilizing other sites in KFTZ. The Court transferred the matter to the Experts department which is still under consideration to date.

Provisions are taken for those cases where it is more probable that the Parent Company will not prevail in the opinion of the external legal counsel.

In addition to the above matters, there are other lawsuits filed against the Parent Company in the ordinary course of business, and the Parent Company's external legal counsel believes that these matters will not have a material adverse effect on the Groups interim condensed consolidated financial information.

12. Segment Information

A. Segment information by activities:
The Group's management has grouped its services into the following business segments:

- Real estate and other: consisting of development, trading, leasing and management of real estate properties and other activities.
- Investments: consisting of investment in an associate, joint venture and equity securities.
- There are no inter-segmental transactions. Information related to each reportable segment for the six months ended June 30, 2018 and 2017 is set out below:

	Real Estate and others		Investments		Total	
	June 30, 2018	June 30, 2017	**June 30, 2018**	June 30, 2017	**June 30, 2018**	June 30, 2017
Revenues	**14,441,370**	9,766,268	**9,015,637**	7,255,359	**23,457,007**	17,021,627
Expenses	**(11,561,759)**	(8,670,456)	**-**		**(11,561,759)**	(8,670,456)
Segment Profit	**2,879,611**	1,095,812	**9,015,637**	7,255,359	**11,895,248**	8,351,171
Net interest					**(4,969,058)**	(811,280)
Unallocated expenses					**(95,929)**	(84,804)
Net profit for the period					**6,830,261**	7,455,087
Total assets	**157,696,480**	313,320,543	**320,813,804**	223,543,033	**478,510,284**	536,863,576
Total liabilities	**(205,735,889)**	(264,841,857)	**(31,353,810)**	(22,653,822)	**(237,089,699)**	(287,495,679)
Net assets	**(48,039,409)**	48,478,686	**289,459,994**	200,889,211	**241,420,585**	249,367,897

13. Fair value measurement

The details of fair value measurement hierarchy are as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT FOR THE PERIOD ENDED JUNE 30, 2018
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The following table presents the Group's financial and non-financials assets that are measured at fair value at:

June 30,2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**-**	**-**	**15,612,166**	**15,612,166**
Financial assets at fair value through other comprehensive income	**1,528,688**	**-**	**-**	**1,528,688**
Investment Properties	**-**	**42,214,727**	**-**	**42,214,727**
Total	**1,528,688**	**42,214,727**	**15,612,166**	**59,355,581**

December 31,2017 (audited)	Level 1	Level 2	Level 3	Total
Financial assets available for sale*	-	-	-	-
Investment Properties	-	43,180,656	-	52,351,787
Total	-	43,180,656	-	52,351,787

June 30,2017	Level 1	Level 2	Level 3	Total
Financial assets available for sale*	-	-	-	-
Investment Properties	-	190,927,977	-	190,927,977
Total	-	190,927,977	-	190,927,977

During the period ended June 30, 2018, there were no transfers between different levels of fair value measurement.

* Financial assets available for sale comprise of investment in a local equity security stated at KD 1,528,685 at June 30, 2017 and December 31, 2017 whose trading was suspended in the Boursa Kuwait on March 28, 2017. The above table does not include the underlying investment because the fair value cannot be reliably measured since no adequate information was available to fair value the security using other generally accepted valuation methods as at the reporting date.

14. Capital commitments and contingencies

a. At June 30, 2018, the Group has capital commitments of KD 4,409,904 (December 31, 2017: KD 7,055,184 and June 30, 2017: KD 17,437,034).

b) At June 30, 2018, the Parent Company has commitments of KD 14,100 (December 31, 2017: KD 56,400 and June 30,2017: KD 84,600) under a non-cancelable operating lease, primarily for land leased from the Government of Kuwait for a Water Front Project for the period from 2016 to 2019.

c) For the operating lease commitments, the Parent Company has provided a bank guarantee of 0.5% of the total value of the capital project concerned.

d) At June 30, 2018, the Group recognizes a contingent liability amounting to KD 2,839,146 (December 31, 2017: KD 3,297,192 and June 30, 2017: 4,339,644) in respect of guarantees provided.

e) On behalf of a related party, the Parent Company issued a corporate guarantee of KD 15,000,000 (31 December 2017: 15,000,000 and 30 June 2017: KD 15,000,000) towards a short term loan facility obtained by the related party. If the related party fails to retire its short term debt either through the sale of assets or through other means, the Parent Company will be obliged to acquire the assets of the related party at a price lower than fair market price.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT FOR THE PERIOD ENDED JUNE 30, 2018
(All amounts are in Kuwaiti Dinars)

15. Annual general assembly

The annual general meeting of the shareholders held on May 10, 2018, has approved the consolidated financial statements of the Group for the year ended December 31, 2017, and has approved 10 bonus shares to every 100 shares amounting to KD 9,896,592 for the year ended December 31, 2017.

The annual general meeting of the shareholders held on June 1, 2017, has approved the consolidated financial statements of the Group for the year ended December 31, 2016, and did not approve any cash dividend for the year ended December 31, 2016.

16. Comparative figures

Certain of the prior period amounts have been reclassified to conform to the amounts of current period presentation.Such recalssifications have no effect on previously reported profit or total equity of the Group.