Mashaer Holding Company K.S.C.P.
and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 MARCH 2018 (UNAUDITED)

Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO BOARD OF DIRECTORS OF MASHAER HOLDING COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mashaer Holding Company K.S.C.P. ("the Parent Company") and its Subsidiaries (collectively "the Group") as at 31 March 2018, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in equity for the three 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 (IAS) 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 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.

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 accounts of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material 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 three months period ended 31 March 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

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

14 May 2018
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2018

	Notes	*Three months ended 31 March* 2018 KD	2017 KD
Income			
Net real estate income	3	**383,377**	268,318
Investment income		**20,829**	7,969
Share of results of associates		**(90,825)**	485,218
Foreign exchange (loss) gain		**87**	1,497
Other income		**53,524**	81,164
Total income		**366,992**	844,166
Expenses			
Staff costs		**161,601**	166,070
Administration expenses		**107,086**	98,021
Finance costs		**49,161**	120,977
Depreciation		**1,283**	2,982
Total expenses		**319,131**	388,050
profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), provision for National Labour Support Tax (NLST) and Zakat		**47,861**	456,116
KFAS		-	(6,593)
NLST		**(1,097)**	(12,050)
Zakat		-	(7,338)
Profit for the period		**46,764**	430,135
Attributable to:			
Shareholders of the Parent Company		**43,877**	422,753
Non-controlling interests		**2,887**	7,382
		46,764	430,135
Basic and diluted earnings per share attributable to shareholders of the Parent Company	4	**0.24 fils**	2.36 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 31 March 2018

	Three months ended 31 March	
	2018	*2017*
	KD	*KD*
Profit for the period	**46,764**	430,135
Other comprehensive income:		
Items that are or may be reclassified to the interim condensed consolidated statement of income in subsequent periods:		
Foreign currency translation adjustments	**(163)**	18,470
Other comprehensive (loss) income for the period	**(163)**	18,470
Total comprehensive income for the period	**46,601**	448,605
Attributable to:		
Shareholders of the Parent Company	**43,774**	441,223
Non-controlling interests	**2,827**	7,382
	46,601	448,605

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 31 March 2018

	Notes	31 March 2018 KD	(Audited) 31 December 2017 KD	31 March 2017 KD
Assets				
Non-current assets				
Furniture and equipment		**6,445**	7,622	27,752
Investment properties	5	**19,042,533**	19,603,350	23,185,985
Investment in associates		**9,497,937**	9,588,762	14,393,278
Financial assets at fair value through other comprehensive income		**1,499,420**	-	-
Available for sale investments		-	1,763,906	1,815,906
Accounts receivable and other assets		-	-	753,307
		30,046,335	30,963,640	40,176,228
Current assets				
Amounts due from related parties	8	**425,403**	428,683	420,432
Accounts receivable and other assets		**3,613,849**	3,579,371	2,937,650
Investment deposits		**696,262**	685,708	414,506
Cash and bank balances		**620,781**	512,072	2,914,549
		5,356,295	5,205,834	6,687,137
TOTAL ASSETS		**35,402,630**	36,169,474	46,863,365
Equity and liabilities				
Equity				
Share capital		**17,942,989**	17,942,989	17,942,989
Share premium	7	**14,334,621**	20,154,456	20,154,456
Statutory reserve	7	-	443,293	443,293
Foreign currency translation reserve		**(6,317,999)**	(6,317,896)	(6,546,326)
Treasury shares	6	**(13,008)**	(13,008)	(13,008)
Treasury shares reserve		**2,761**	2,761	2,761
Cumulative changes in fair values	2	**(264,486)**	-	-
Retained earnings		**43,877**	(6,263,128)	2,583,413
Equity attributable to shareholders of the Parent Company		**25,728,755**	25,949,467	34,567,578
Non-controlling interests		**370,599**	367,772	415,933
Total equity		**26,099,354**	26,317,239	34,983,511
Liabilities				
Non-current liabilities				
Employees' end of service benefits		**316,812**	306,844	157,316
Tawarruq and murabaha facilities		**3,527,098**	3,575,632	6,715,044
		3,843,910	3,882,476	6,872,360
Current liabilities				
Accounts payable and other liabilities		**3,035,420**	3,557,858	2,792,995
Amounts due to related parties	8	**198,995**	235,445	331,691
Tawarruq and murabaha facilities		**2,224,951**	2,176,456	1,882,808
		5,459,366	5,969,759	5,007,494
Total liabilities		**9,303,276**	9,852,235	11,879,854
TOTAL EQUITY AND LIABILITIES		**35,402,630**	36,169,474	46,863,365

Fahad Abdullah Al-Saleh
Chairman

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 31 March 2018

	Equity attributable to the shareholders of the Parent Company										
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Foreign currency translation reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Cumulative changes in fair values*	*Retained earnings KD*	*Sub total KD*	*Non-controlling interests KD*	*Total KD*
Balance as at 1 January 2018	17,942,989	20,154,456	443,293	(6,317,896)	(13,008)	2,761	-	(6,263,128)	25,949,467	367,772	26,317,239
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 2)	-	-	-	-	-	-	(264,486)	-	(264,486)	-	(264,486)
Balance as at 1 January 2018	17,942,989	20,154,456	443,293	(6,317,896)	(13,008)	2,761	(264,486)	(6,263,128)	25,684,981	367,772	26,052,753
Profit for the period	-	-	-	-	-	-	-	43,877	43,877	2,887	46,764
Other comprehensive income for the period	-	-	-	(103)	-	-	-	-	(103)	(60)	(163)
Total comprehensive income (loss) for the period	-	-	-	(103)	-	-	-	43,877	43,774	2,827	46,601
Accumulated losses written-off (Note 7)	-	(5,819,835)	(443,293)	-	-	-		6,263,128	-	-	-
Balance as at 31 March 2018	**17,942,989**	**14,334,621**	**-**	**(6,317,999)**	**(13,008)**	**2,761**	**(264,486)**	**43,877**	**25,728,755**	**370,599**	**26,099,354**
Balance as at 1 January 2017	17,942,989	20,154,456	443,293	(6,564,796)	(13,008)	2,761	-	2,160,660	34,126,355	408,214	34,534,569
Profit for the period	-	-	-	-	-	-	-	422,753	422,753	7,382	430,135
Other comprehensive loss for the period	-	-	-	18,470	-	-	-	-	18,470	-	18,470
Total comprehensive income for the period	-	-	-	18,470	-	-	-	422,753	441,223	7,382	448,605
Change in effective holding in a subsidiary	-	-	-	-	-	-	-	-	-	337	337
Balance as at 31 March 2017	17,942,989	20,154,456	443,293	(6,546,326)	(13,008)	2,761	-	2,583,413	34,567,578	415,933	34,983,511

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 31 March 2018

	Notes	*Three months ended 31 March* 2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit for the period before taxation of overseas subsidiaries, contribution to KFAS, provision for NLST and Zakat		**46,764**	456,116
Adjustments for:			
Depreciation		**1,283**	2,982
Investment income		**(20,829)**	(7,969)
Employees' end of service benefits		**10,217**	6,514
Amortization of leasehold prepayments		**40,581**	40,581
Share of results of associates		**90,825**	(485,218)
Foreign exchange (gain) loss		**(87)**	(1,497)
Finance costs		**49,161**	120,977
Unrealised loss on revaluation of investment properties	7	**346,005**	304,179
Gain on sale of investment properties		**(129,377)**	-
		434,543	436,665
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**(75,059)**	2,242,927
Amounts due from related parties		**3,280**	(14,469)
Accounts payable and other liabilities		**(522,351)**	(677,944)
Amounts due to related parties		**(36,450)**	(71)
Net cash flows (used in) from operations		**(196,037)**	1,987,108
Employees' end of service benefits paid		**(249)**	(21,230)
Net cash flows (used in) from operating activities		**(196,286)**	1,965,878
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(106)**	(2,008)
Additions in investment properties	7	**(10,326)**	(2,070)
Proceeds from sale of an investment property		**354,515**	
Net movement in investment deposits		**(10,554)**	(14,506)
Investment in a subsidiary		**-**	337
Investment income received		**20,829**	7,969
Net cash flows from (used in) investing activities		**354,358**	(10,278)
FINANCING ACTIVITIES			
Finance costs paid		**(49,161)**	(120,977)
Movement in tawarruq and murabaha facilities		**(39)**	(40,615)
Cash flows used in financing activities		**(49,200)**	(161,592)
Net increase in cash and bank balances		**108,872**	1,794,008
Foreign currency translation adjustments		**(163)**	(58,311)
Cash and bank balances at beginning of the period		**512,072**	1,178,852
Cash and bank balances at end of the period		**620,781**	2,914,549

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

1 INCORPORATION AND ACTIVITIES

Mashaer Holding Company K.S.C.P. (Formerly AWJ Holding Company K.S.C.P.) (the "Parent Company") is a Kuwaiti public shareholding company registered and incorporated (commercial registration # 1804962) in the State of Kuwait on 12 June 2000 and is listed on the Kuwait Stock Exchange.

The interim condensed consolidated financial information of the the Parent Company and its subsidiaries (collectively the "Group") for the three months period ended 31 March 2018 were authorized for issue in accordance with a resolution of the directors of the Parent Company on 14 May 2018.

The Parent Company is engaged in establishing companies in Kuwait and abroad, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialized financial institutions. All activities of the Group are conducted in accordance with Islamic Sharia'a as approved by Sharia'a Board.

The registered address of the Parent Company is P.O. Box 23110, Safat 13092, State of Kuwait.

During the period, the name of the Parent Company changed to Mashaer Holding Company with the approval of the shareholders of the Parent Company on 22 August 2017. This was approved by the Ministry of Commerce in its letter dated 11 September 2017.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 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 partial adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' effective from 1 January 2018.

The Group has not early adopted any other standard, interpretation or amendment that has been issued or 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 three months period ended 31 March 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 key changes to the Group's accounting policies resulting from its adoption of IFRS 15 and IFRS 9 are summarised below:

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 along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 3. 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 adoption of this standard does 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.

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018, with the exception of requirements of the expected credit losses on financing facilities. 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 for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are in the following pages.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Group'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 objective. That is, whether the Group's 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. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test)
The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement categories of financial assets and liabilities
The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) 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 profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was 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 income statement.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Debt instruments at amortised cost
A financial asset is measured at amortised 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.

Balances with banks and deposits with financial institutions, account receivables and certain other assets are classified as debt instruments at amortised cost. Debt instruments measured at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as 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 the consolidated income statement. Dividends are recognised in income statement when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity. The management classifies certain equity investments at FVOCI and are separately disclosed in the statement of financial position.

The Group does not have any debt instruments at fair value through other comprehensive income (FVOCI) and financial assets at FVTPL

Reclassification of financial assets
The Group does not reclassify its financial assets subsequent to their initial recognition apart in the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line.

Impairment of financial assets
The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. The management has applied the new impairment model only to debt instruments at amortised cost excluding credit facilities for which the Group continues to apply impairment requirements under CBK regulations.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)
For the Group's financial assets, the management has applied the standard's simplified approach and has determined lifetime expected credit losses on these instruments. The management has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the counter parties and the economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management 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.

Financial liabilities
The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from Group's own credit risk relating to liabilities designated at fair value through profit or loss. Such movements are presented in other comprehensive income with no subsequent reclassification to the interim condensed consolidated income statement.

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.

IFRS 9 transition disclosures
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) 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 recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017.

b) 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 investments in equity instruments not held for trading as at FVOCI.

The impact of this change in accounting policy as at 1 January 2018 has resulted in negative fair value reserve of KD 264,486. However, there is no change in retained earnings as follows:

	Retained earnings KD	*Cumulative changes in fair value KD*
Closing balance under IAS 39 (31 December 2017)	(6,263,128)	-
Impact on reclassification and re-measurements:		
Investment securities (equity) from available-for-sale to FVOCI	-	(264,486)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**(6,263,128)**	**(264,486)**

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 transition disclosures

Classification of financial assets 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 as at 1 January 2018.

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39*	*Re-measurement others*	*New carrying amount under IFRS 9*
			KD	*KD*	*KD*
Financial assets					
Cash and balances with banks	Loans and receivable	Amortised cost	512,072	-	512,072
Investment deposits	Loans and receivable	Amortised cost	685,708	-	685,708
Accounts receivable and other assets	Loans and receivable	Amortised cost	3,579,371	-	3,579,371
Amounts due from related parties	Loans and receivable	Amortised cost	428,683	-	428,683
Investment securities					
– Unquoted equity	AFS	FVOCI	1,763,906	(264,486)	1,499,420
Total financial assets			**6,969,740**	**(264,486)**	**6,705,254**

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

3 NET REAL ESTATE INCOME

	Three months ended 31 March	
	2018	*2017*
	KD	*KD*
Rental income	**762,742**	751,454
Rental and real estate related expenses	**(122,156)**	(138,376)
Amortisation of leasehold prepayments	**(40,581)**	(40,581)
Net rental income	**600,005**	572,497
Gain on sale of investment properties	**129,377**	-
Unrealised loss on revaluation of investment properties (Note 7)	**(346,005)**	(304,179)
	383,377	268,318

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit for the period attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended 31 March	
	2018	*2017*
Profit for the period attributable to shareholders of the Parent Company (KD)	**43,877**	422,753
Weighted average number of ordinary shares outstanding during the period (shares)	**179,429,890**	179,429,890
Weighted average number of treasury shares	**(53,000)**	(53,000)
Weighted average number of shares outstanding (net of treasury shares)	**179,376,890**	179,376,890
Basic and diluted earnings per share attributable to shareholders of the Parent Company	**0.24 fils**	2.36 fils

5 INVESTMENT PROPERTIES

	31 March 2018 KD	*(Audited) 31 December 2017 KD*	*31 March 2017 KD*
At the beginning of the period/year	**19,603,350**	23,411,313	23,411,313
Additions	**10,326**	2,420	2,070
Disposals	**(225,138)**	(241,566)	-
Foreign currency translation adjustment	**-**	76,782	76,781
Unrealised loss on the revaluation of investment properties	**(346,005)**	(3,645,599)	(304,179)
At the end of the period/year	**19,042,533**	19,603,350	23,185,985

Investment properties amounting to KD 10,585,000 (31 December 2017: 10,585,000 and 31 March 2017: KD 10,985,070) are pledged as collateral against tawarruq payables (Note 12).

During the three months period ended 31 March 2018, management has reassessed the fair value of an investment property that was carried previously for an amount of KD 5,066,676 as at 31 December 2017 that falls under level 3 hierarchy, using the income capitalization approach. The fair value is determined based on discounted cash flow method, using rental fixed cash flows for 4 years and discount rate of 10.34% (31 December 2017: 10.34% and 31 March 2017: 10.34%). This reassessment resulted in unrealized loss of KD 346,005 recorded in the interim condensed consolidated statement of income.

6 TREASURY SHARES

	31 March 2018 KD	*(Audited) 31 December 2017 KD*	*31 March 2017 KD*
Number of treasury shares	**53,000**	53,000	53,000
Percentage of treasury shares	**0.03%**	0.03%	0.03%
Cost of treasury shares	**13,008**	13,008	13,008
Market value of treasury shares	**3,021**	3,286	4,982
Weighted average market value per treasury share (fils)	**57**	62	94

6 TREASURY SHARES (continued)

The balance in the treasury share reserve amounting to KD 2,761 (31 December 2017: KD 2,761, 31 March 2017: KD 2,761) is not available for distribution. Further, an amount equal to the cost of treasury shares is not available for distribution from the reserves throughout the holding period of these treasury shares.

7 ANNUAL GENERAL ASSEMBLY

The Annual General Meeting (AGM) of the Parent Company's shareholders held on 10 May 2018 approved the consolidated financial statements of the Group for the year ended 31 December 2017 and also approved the Board of Directors' proposal not to distribute the cash dividend (2017: KD 1,345,327).

In the AGM shareholders also approved to write-off accumulated losses of KD 6,263,128 as of 31 December 2017 against share premium of KD 5,819,835 and statutory reserve of KD 443,293 as at that date.

8 RELATED PARTY TRANSACTIONS

Related parties represent i.e. associates, major shareholders, directors and key management personnel of the group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Details of significant related party balances and transaction are as follows:

	31 March 2018 KD	*(Audited) 31 December 2017 KD*	*31 March 2017 KD*
Balances included in interim condensed consolidated statement of financial position:			
Due from related parties			
- Associates	**425,403**	428,683	420,432
Due to related parties			
- Associates	**190,895**	225,475	323,591
- Other related parties	**8,100**	9,970	8,100
	198,995	235,445	331,691

The Group did not have any transaction with related parties during the period ended 31 march 2018.

	Three months ended 31 March	
	2018 KD	*2017 KD*
Key management compensation:		
Short term benefits	**48,338**	48,428
Employees' end of service benefits	**5,884**	4,000
	54,222	52,428

9 COMMITMENTS AND CONTINGENCIES

The Group has capital expenditure commitments amounting to KD 1,033,200 (31 December 2017: KD 1,033,200 and 31 March 2017: KD 4,929,833). At the reporting date, the Group had contingent liabilities in respect of outstanding letters of guarantee of KD Nil (31 December 2017: KD Nil and 31 March 2017: KD 8,122).

10 SEGMENTAL INFORMATION

The Group's primary basis for segmental reporting is by business segments which is subject to risks and rewards that are different from those of other segments. The business segments comprises of:

Real estate activities – Investments in real estate properties either by way of purchase, sale, development and renting of residential and commercial properties (including land and land development) in various geographical locations.

Hajj and Umrah services – Ticketing, hotel accommodation, travel and logistic services relating to Hajj and Umrah.

Investment activities - Establishing companies in Kuwait and aboard, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialized financial institutions.

The Board of Directors monitors the operating results of each business segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Accordingly, management analyses the segmental information based on their business segments as follows:

	Real estate activities	***Hajj & Umrah services***	***Investment activities***	***Total***
	KD	***KD***	***KD***	***KD***
31 March 2018				
Segment revenue	**967,104**	**(1,874)**	**1,329**	**966,559**
Segment expenses	**(596,270)**	**(2,379)**	**(321,146)**	**(919,795)**
Segment results	**370,834**	**(4,253)**	**(319,817)**	**46,764**
Segment assets	**24,077,944**	**12,177**	**11,312,509**	**35,402,630**
Segment liabilities	**2,781,237**	**48,166**	**6,473,873**	**9,303,276**

	Real estate activities	*Hajj & Umrah services*	*Investment activities*	*Total*
	KD	*KD*	*KD*	*KD*
31 March 2017				
Segment revenue	834,275	4,948	488,080	1,327,303
Segment expenses	(607,318)	(3,896)	(285,954)	(897,168)
Segment results	226,957	1,052	202,126	430,135
Segment assets	27,610,628	433,046	18,819,691	46,863,365
Segment liabilities	2,542,514	240,221	9,097,119	11,879,854

During the year ended 31 December 2017, the Shareholders of Hajj & Umrah Services Consortium – Mashaer K.S.C. (Closed), a subsidiary, have decided to temporarily suspend the business operations, until the market condition of Hajj & Umrah Services become favourable.

11 FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: quoted prices in active market for the same instrument;
Level 2: quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data ; and
Level 3: valuation techniques for which any significant input is not based on observable market data.

11 FAIR VALUE MEASUREMENT (continued)

Financial instruments:
Financial instruments comprise financial assets and financial liabilities.

For financial instruments where there is no active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The methodologies and assumptions used to determine fair values of assets is described in fair value section of Significant Accounting Policies in the consolidated financial statements for the year ended 31 December 2017.

Financial assets:
The fair value of unquoted investments at fair value through other comprehensive income at 31 March 2018 amounting to KD 1,499,420 (31 December 2017: KD 1,763,906 and 31 March 2017: KD 1,815,906) is categorised under level 3 of the fair value hierarchy.

As a result, of no additions, disposals and change in fair value of unquoted investments, there is no change in closing amount of level 3 financial assets as at 31 March 2018 and 31 December 2017.

Description of significant unobservable inputs to valuation of financial assets:
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

	Valuation technique	*Significant unobservable inputs*	*Range (weighted average)*	*Sensitivity of the input to fair value*
FVTPL				
Foreign unquoted security	Market Multiples approach	Sector PBV multiple	0.710 - 0.785 (0.748)	5% increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD 8,606.
		DOLM	10% - 20% (15%)	5% increase / (decrease) in the DOLM would result in an (decrease) / increase in fair value by KD 88,201.

For other financial assets and financial liabilities carried at amortized cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short term maturity or re-priced immediately based on market movement in profit rates.

Non-financial assets:
Investment properties are fair valued and are classified under level 2 and level 3 fair value hierarchies as given below:

	Fair value measurement using		
	Significant observable inputs (Level 2) KD	*Significant unobservable inputs (Level 3) KD*	*Total KD*
31 March 2018			
Investment properties	**14,321,862**	**4,720,671**	**19,042,533**
31 December 2017			
Investment properties	14,536,674	5,066,676	19,603,350
31 March 2017			
Investment properties	16,696,822	6,489,163	23,185,985

11 FAIR VALUE MEASUREMENT (continued)

Description of significant unobservable inputs to valuation of non-financial assets:
The following table shows a reconciliation of the opening and closing amount of level 3 of non- financial assets which are recorded at fair value:

	Balance at the beginning of the period/year	***Loss recorded in the interim condensed consolidated statement of income***	***Balance at the closing of the period/year***
	KD	***KD***	***KD***
31 March 2018			
Investment properties	**5,066,676**	**(346,005)**	**4,720,671**
31 December 2017			
Investment properties	6,793,342	(1,726,666)	5,066,676
31 March 2017			
Investment properties	6,793,342	(304,179)	6,489,163

Level 2 hierarchy
The fair value of investment properties under the Level 2 hierarchy were determined using the market comparable approach, conducted by valuators considering recent transaction prices of the property and similar properties. Market price per square meter and annual income are the significant observable market inputs to the valuation.

Level 3 hierarchy
The fair value of the investment property under the Level 3 hierarchy was determined using the income approach. The fair value is determined based on discounted cash flow method, using rental fixed cash flows for 4 years and discount rate of 10.34%.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.