Sokouk Holding Company K.S.C.P.
And its Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 MARCH 2018

Building a better working world

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

Report on the Interim Condensed Consolidated Financial Information
We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively the "Group") as at 31 March 2018, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three months period then ended. The management of the 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 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, it 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 International Accounting Standard 34.

Emphasis of Matter
We draw attention to the following:

i) We draw attention to Note 5 to the interim condensed consolidated financial information, regarding material uncertainly relating to the outcome of the tax demand notice issued by the General Authority of Zakat and Tax ('GAZT'), Kingdom of Saudi Arabia in January 2016 to Munshaat Real Estate Projects Company K.S.C.P. ('an associate of the Company' or 'Munshaat') ("tax claim"). Based on the advice obtained from an independent tax consultant, Munshaat has recorded a provision in the books of account as at 31 March 2018, as detailed in Note 5, that represents the best estimate of the ultimate liability on the tax claim, by the management of Munshaat. However, there is a significant uncertainty relating to the final outcome of the tax claim as at the reporting date.

ii) Note 5 to the interim condensed consolidated financial information which describes that during the year 2015, the contractor of one of the properties of Munshaat in the Kingdom of Saudi Arabia has claimed an amount equivalent to KD 41 million from Munshaat and Munshaat has filed a counter claim against the same contractor for delay in completing the project for and amount equivalent to KD 51 million. The ultimate outcome of the matter cannot presently be determined, and accordingly no provision for any liability that may result has been made in the interim condensed consolidated financial information as at 31 March 2018. However, there is a significant uncertainty relating to the final outcome of the proceedings as at the reporting date.

iii) Note 7 to the interim condensed consolidated financial information, which describes the uncertainty related to the final outcome of an ongoing lawsuit in relation to a trading property owned by the Company.

Our conclusion is not modified in respect of the above matters.

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO BOARD OF DIRECTORS OF SOKOUK HOLDING COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Company's Articles of Association and Memorandum of Incorporation, as amended, during the three months period ended 31 March 2018 that might have had a material effect on the business of the Company or on its financial position.

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

16 May 2018
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three months ended 31 March 2018

	Note	*Three months ended 31 March* **2018** *KD*	*Three months ended 31 March* 2017 *KD*
INCOME			
Hospitality income		**1,335,534**	1,206,095
Hospitality costs		**(702,809)**	(664,610)
Net hospitality income		**632,725**	541,485
Net income from investment properties		**105,211**	95,116
Share of results of associates		**(541,147)**	(558,412)
Net foreign exchange differences		**(1,080)**	(689)
Management fees		**15,796**	16,010
Other income		**4,920**	8,295
		216,425	101,805
EXPENSES			
Staff costs		**(263,065)**	(301,575)
Administrative expenses		**(234,779)**	(222,897)
Finance costs		**(388,758)**	(434,525)
Amortization of leasehold property		**(39,784)**	(42,401)
		(926,386)	(1,001,398)
LOSS FOR THE PERIOD		**(709,961)**	(899,593)
Attributable to:			
Equity holders of the Company		**(707,687)**	(883,350)
Non-controlling interests		**(2,274)**	(16,243)
		(709,961)	(899,593)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	4	**(1.24) fils**	(1.55) fils

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2018

	Three months ended 31 March	
	2018	*2017*
	KD	*KD*
Loss for the period	**(709,961)**	(899,593)
Other comprehensive loss		
Other comprehensive (loss) income to be reclassified to interim condensed consolidated statement of profit or loss in subsequent periods:		
- Exchange difference on translation of foreign operations	**(19,122)**	(51,187)
- Share of other comprehensive (loss) income of associates	**(8,240)**	87,558
Net other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods	**(27,362)**	36,371
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(737,323)**	(863,222)
Attributable to:		
Equity holders of the Company	**(735,049)**	(846,979)
Non-controlling interests	**(2,274)**	(16,243)
	(737,323)	(863,222)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 31 March 2018

	Notes	*31 March 2018 KD*	*(Audited) 31 December 2017 KD*	*31 March 2017 KD*
ASSETS				
Cash and cash equivalents		**1,341,297**	1,147,770	1,697,356
Inventories		**58,444**	58,303	56,605
Accounts receivables and prepayments		**7,849,090**	7,851,221	7,690,793
Investment properties		**5,452,000**	5,452,000	5,660,000
Leasehold property		**2,983,810**	3,023,594	3,684,552
Available-for-sale financial assets		**-**	2,649,680	2,925,499
Financial assets at fair value through other comprehensive income		**2,649,680**	-	-
Investment in associates	5	**44,011,147**	44,579,656	46,939,785
Sokouk utilization rights		**-**	-	24,671
Property and equipment	6	**33,172,801**	33,410,910	34,557,107
Trading property	7	**1,500,022**	1,500,022	1,500,022
TOTAL ASSETS		**99,018,291**	99,673,156	104,736,390
EQUITY AND LIABILITIES				
Equity				
Share capital	8	**59,314,500**	59,314,500	59,314,500
Statutory reserve		**2,895,475**	2,895,475	2,895,475
Voluntary reserve		**2,895,475**	2,895,475	2,895,475
Treasury shares		**(1,769,871)**	(1,769,871)	(1,769,871)
Effect of changes in other comprehensive income of associates		**(235,293)**	(227,053)	300,031
Foreign currency translation reserve		**22,024**	41,146	153,038
Fair value reserve		**(2,854,727)**	-	-
Other reserves	8	**(258,172)**	(258,172)	(258,172)
Retained earnings		**5,139,014**	2,991,974	7,222,560
Equity attributable to the shareholders of the Company		**65,148,425**	65,883,474	70,753,036
Non-controlling interests		**1,287,106**	1,289,380	1,055,668
Total equity		**66,435,531**	67,172,854	71,808,704
Liabilities				
Islamic finance payables	9	**29,144,549**	29,054,420	30,570,057
Accounts payable and accruals		**2,941,992**	2,938,543	1,934,615
Employees' end of service benefits		**496,219**	507,339	423,014
Total liabilities		**32,582,760**	32,500,302	32,927,686
TOTAL EQUITY AND LIABILITIES		**99,018,291**	99,673,156	104,736,390

Mohammad Mubarak Al Hajeri
Chairman

Feras Fahad Al Bahar
Chief Executive Officer

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2018

	Attributable to equity holders of the Company											
	Share capital KD	*Statutory reserve* KD	*Voluntary reserve* KD	*Treasury shares* KD	*Effect of changes in other comprehensive income of associates* KD	*Foreign currency translation reserve* KD	*Fair value reserve* KD	*Other reserves* KD	*Retained earnings* KD	*Sub-Total* KD	*Non-controlling interests* KD	*Total equity* KD
Balance at 1 January 2018 before the adoption of IFRS 9 (Audited)	59,314,500	2,895,475	2,895,475	(1,769,871)	(227,053)	41,146	-	(258,172)	2,991,974	65,883,474	1,289,380	67,172,854
Transition adjustment on initial application of IFRS 9 at 1 January 2018 (Note 3.2)	-	-	-	-	-	-	(2,854,727)	-	2,854,727	-	-	-
Adjusted balance as at 1 January 2018	59,314,500	2,895,475	2,895,475	(1,769,871)	(227,053)	41,146	(2,854,727)	(258,172)	5,846,701	65,883,474	1,289,380	67,172,854
Loss for the period	-	-	-	-	-	-	-	-	(707,687)	(707,687)	(2,274)	(709,961)
Other comprehensive loss for the period	-	-	-	-	(8,240)	(19,122)	-	-	-	(27,362)	-	(27,362)
Total comprehensive loss for the period	-	-	-	-	(8,240)	(19,122)	-	-	(707,687)	(735,049)	(2,274)	(737,323)
Balance as at 31 March 2018	**59,314,500**	**2,895,475**	**2,895,475**	**(1,769,871)**	**(235,293)**	**22,024**	**(2,854,727)**	**(258,172)**	**5,139,014**	**65,148,425**	**1,287,106**	**66,435,531**
Balance as at 1 January 2017	59,314,500	2,895,475	2,895,475	(1,769,871)	212,473	204,225	-	(258,172)	8,105,910	71,600,015	1,071,911	72,671,926
Loss for the period	-	-	-	-	-	-	-	-	(883,350)	(883,350)	(16,243)	(899,593)
Other comprehensive income (loss) for the period	-	-	-	-	87,558	(51,187)	-	-	-	36,371	-	36,371
Total comprehensive income (loss) for the period	-	-	-	-	87,558	(51,187)	-	-	(883,350)	(846,979)	(16,243)	(863,222)
Balance as at 31 March 2017	59,314,500	2,895,475	2,895,475	(1,769,871)	300,031	153,038	-	(258,172)	7,222,560	70,753,036	1,055,668	71,808,704

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three months ended 31 March 2018

	Three months ended 31 March	
	2018	*2017*
	KD	*KD*
OPERATING ACTIVITIES		
Loss for the period	**(709,961)**	(899,593)
Adjustments to reconcile loss for the period to net cash flows:		
Share of results of associates	**541,147**	558,412
Finance costs	**388,758**	434,525
Provision for employees' end of service benefits	**10,974**	23,568
Depreciation of property and equipment	**251,377**	247,503
Amortization of leasehold property	**39,784**	42,401
	522,079	406,816
Changes in operating assets and liabilities:		
Inventories	**(141)**	475
Accounts receivable and prepayments	**2,131**	(108,278)
Accounts payable and accruals	**3,449**	(120,898)
Cash flows from operating activities	**527,518**	178,115
Employees end of service benefits paid	**(22,094)**	-
Net cash flows from operating activities	**505,424**	178,115
INVESTING ACTIVITIES		
Additions to property and equipment	**(13,268)**	(13,777)
Net cash flows used in investing activities	**(13,268)**	(13,777)
FINANCING ACTIVITIES		
Finance costs paid	**(298,629)**	(304,373)
Net cash flows used in financing activities	**(298,629)**	(304,373)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**193,527**	(140,035)
Cash and cash equivalents at 1 January	**1,147,770**	1,837,391
CASH AND CASH EQUIVALENTS AT 31 MARCH	**1,341,297**	1,697,356

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively the "Group") for the three months ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on 10 May 2018.

The consolidated financial statements for the year ended 31 December 2017 were approved by the Company's shareholders during the Annual General Assembly meeting ("AGM") held on 6 May 2018. No dividends were declared by the Company.

The Company is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice - Real Estate Registration and Authentication Department on 23 August 1998 and registered in commercial register on 29 August1998, and subsequent amendments there to. The Company's registered address is at P.O. Box 29110 Safat- Postal code 13152- State of Kuwait.

The Company is a subsidiary of Aref Investment Group K.S.C.C. ("Aref") ("the Parent Company"), a Kuwaiti shareholding company incorporated and domiciled in the State of Kuwait.

The main activities of the Company are as follows:

- Ownership of shares of Kuwaiti or foreign shareholding companies or units in Kuwaiti or foreign limited liability companies, or establishing, managing, financing and sponsoring such companies.
- Financing and sponsoring entities in which the Company has an ownership interest of not less than 20% in such entities.
- Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside or outside State of Kuwait.
- Ownership of movable assets or real estates required to pursue the Company's activities within the limits acceptable by law.
- Utilizing available surplus funds by investing these funds in portfolios managed by specialized parties.

All activities are conducted in accordance with Islamic sharia'a.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group has incurred a net loss of KD 709,961 for the three months period ended 31 March 2018 (31 March 2017: KD 899,593). And, as of that date, the Group's current liabilities exceeded its current assets by KD 7,507,944 (31 December 2017: KD 7,046,454 and 31 March 2017: KD 6,862,036). The ability of the Group to continue as a going concern is dependent on its future profitability and support from the Parent Company. These interim condensed consolidated financial information have been prepared under the going concern concept as the management believes the Group will be able to generate adequate cash flows in order to meets its obligations when it falls due. Also, certain of the loans and borrowings are with the Ultimate Parent Company and the management expects the re-scheduling of these facilities to be carried out in ordinary course of business.

The interim condensed consolidated financial information do not include any adjustments relating to the recoverability and classification of the recorded asset amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

3 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

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

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at 31 December 2017.

3 BASIS OF PREPERATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

3.2 New standards, interpretations and amendments adopted by the Group (continued)

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the annual consolidated financial statements for the financial year ended 31 December 2017, except for the adoption of IFRS 9: *'Financial Instruments'* and IFRS 15: *'Revenue from Contracts with Customers'*, effective 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 key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarised below:

IFRS 9 Financial Instruments

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

The Group has not restated comparative information for 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for the period ended 31 March 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

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 objective. 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 a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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).

3 BASIS OF PREPERATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

3.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)
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.

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 interim condensed consolidated statement of other comprehensive income ("OCI") with no subsequent reclassification to the interim condensed consolidated statement of profit or loss.

Debt instruments at amortised cost
Classification
A financial asset which is a debt instrument, is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- 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 profit (SPPI) on the principal amount outstanding.

Accounts receivables and bank balances are classified as debt instruments at amortised cost.

Subsequent measurement
Debt instruments catogorised 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 disclosures* 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 interim condensed consolidated statement of profit or loss. Dividends are recognised in interim condensed consolidated statement of profit or loss 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 interim condensed consolidated statement of changes in equity.

3 BASIS OF PREPERATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

3.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Financial assets carried at fair value through profit or loss:
Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cashflows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the interim condensed consolidated statement of income. Dividend income from equity investments measured at FVTPL is recognised in the interim condensed consolidated statement of income when the right to the payment has been established.

Impairment of financial assets
The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39.

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.

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 or on a case to case basis to assess whether the past due days are indicators of probable default. 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.

Based on management assessment adoption of IFRS 9, ECL model did not result in any impact on the interim condensed consolidated financial information.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9
The following table shows reconciliation of original classification categories and carrying value in accordance with IAS 39 and the new classification categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

	Classification under IAS 39	***Classification under IFRS 9***	***Carrying amount under IAS 39 KD***	***Carrying amount under IFRS 9 KD***
Available-for-sale financial assets	Available-for-sale	Financial assets at FVOCI	**2,649,680**	**2,649,680**
Accounts receivable	Loans and receivables	Amortised cost	**7,851,221**	**7,851,221**
Bank balances	Loans and receivables	Amortised cost	**1,147,770**	**1,147,770**

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

3 BASIS OF PREPERATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

3.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Impact of Adopting IFRS 9
The following table analyses the impact of transition to IFRS 9 on reserves and retained earnings.

	Fair value reserve **KD**	***Retained earnings*** **KD**
Closing balance under IAS 39 (31 December 2017)	-	2,991,974
Impact on reclassification and re-measurements:		
Reclassify equity securities from AFS to FVOCI	(2,854,727)	2,854,727
Opening balance under IFRS 9 on date of initial application as of 1 January 2018	**(2,854,727)**	**5,846,701**

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 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 31. 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. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for the financial year 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. The key revenue streams of the group are operating lease income and real estate rental income, which are outside the scope of IFRS 15. Accordingly, the adoption of IFRS 15 did not result in any material impact on the interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2018.

4 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) as follows:

	Three months ended 31 March	
	2018	*2017*
	KD	*KD*
Loss for the period attributable to equity holders of the Company	**(707,687)**	(883,350)
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	**571,645,336**	571,645,336
Basic and diluted loss per share	**(1.24) fils**	(1.55) fils

As there are no dilutive instruments outstanding, basic and diluted loss per share are identical.

5 INVESTMENT IN ASSOCIATES

i. On 5 January 2016, Munshaat received a demand notice for SAR 1,891 million (equivalent to KD 153 million) from the General Authority of Zakat and Tax ("GAZT"), Kingdom of Saudi Arabia for the years 2003 to 2013 and claimed capital gains tax, corporate income tax, withholding tax and penalties ("tax claim").

The management of Munshaat believes that the tax claim do not reflect the correct application of tax laws in the Kingdom of Saudi Arabia, the correct nature of the operations of Munshaat and also the underlying numbers used in the computation of tax claim are significantly different from the actual results of operations. Further, the management of Munshaat has appointed a tax consultant in the Kingdom of Saudi Arabia to review the tax claim and has filed an objection letter dated 2 March 2016 with GAZT.

Based on the advice from the tax consultant, Munshaat has computed the estimated impact of the aforesaid tax claim and recorded a tax liability of KD 30,026,351 as at 31 March 2018 included in accounts payable and accruals (31 December 2017: KD 30,444,311 and 31 March 2017: KD 14,994,438). However, as on the date of these interim condensed consolidated financial information there is a significant uncertainty relating to the outcome of the tax claim. The provision recorded represents the management's best estimate of the tax liability that may arise from the tax claim.

ii. During the year 2015, the contractor of one of the properties of Munshaat in Kingdom of Saudi Arabia has claimed a penalty of SAR 501 million (equivalent to KD 41 million) from Munshaat for the delay in the execution of the project and various other related costs and Munshaat has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in handing over the project and the operational losses. The dispute has been referred to Saudi Arbitration Committee and as on the date of this interim condensed consolidated financial information, the trial proceedings and hearings are still in progress as of the date of authorisation of this interim condensed consolidated financial information. However, management of Munshaat, based on the advice from the legal counsel representing Munshaat in the aforesaid arbitration, believes that the outcome of the arbitration ruling will be in favor of Munshaat and also the counter claim filed by Munshaat on the developer is higher than the amount claimed by the developer. Accordingly, as at 31 March 2018, Munshaat has not recognised any provision against this claim in the interim condensed consolidated financial information.

6 PROPERTY AND EQUIPMENT

Property and equipment represent costs of freehold land and building.

The management has assessed the value of land and building, for impairment test purposes, as at 31 December 2017, based on the lower of two valuations obtained from accredited independent valuers with relevant experience in the market, and used the lower of two valuations. The independent valuers have provided the valuation of land and building using the income capitalisation method. Management is of the view that no significant changes have occurred in the fair value during the period ended 31 March 2018.

Cumulative borrowing costs amounting to KD 3,916,007 (31 December 2017: KD 3,916,007 and 31 March 2017: KD 3,916,007) have been capitalised as additions to property and equipment.

Property and equipment of KD 33,172,801 (31 December 2017: KD 33,381,422 and 31 March 2017: KD 34,545,186) are pledged as collateral against Islamic finance payables of KD 21,000,000 (31 December 2017: KD 21,000,000 and 31 March 2017: KD 21,000,000) (Note 9).

7 TRADING PROPERTY

During the year 2012, the Company acquired a trading property at a fair value of KD 1,500,022 in lieu of settlement of a wakala receivable from the borrower. The title of this property was transferred to the Company on 16 September 2012. However, during the year 2016, the management became aware that there is an ongoing lawsuit between the borrower and a third party in relation to the ownership of this property. Consequently, any transfer of the title of this property is subject to the final outcome of the ongoing lawsuit. The hearings and legal proceedings are still in progress as at the authorisation date of these interim condensed consolidated financial information. The ultimate outcome of the matter cannot presently be determined and, accordingly, no provision for any effect on the Company that may result have been recognised in the interim condensed consolidated financial information.

8 SHARE CAPITAL AND OTHER RESERVES

a) Share capital

Authorized, issued and fully paid-up capital amounting to KD 59,314,500 (31 December 2017: KD 59,314,500, 31 March 2017: KD 59,314,500) consist of 593,145,000 (31 December 2017: 593,145,000 31 March 2017: 593,145,000) shares of 100 fils each, paid in cash.

b) Treasury shares

	31 March 2018	*(Audited)* *31 December 2017*	*31 March 2017*
Number of treasury shares	**21,499,664**	21,499,664	21,499,664
Percentage of share capital	**3.6%**	3.6%	3.6%
Market value – KD	**892,236**	1,021,234	988,985
Weighted average market price – fils	**42.6**	48.8	48.4

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

9 ISLAMIC FINANCE PAYABLES

Islamic finance payables amounting to KD 25,250,297 (31 December 2017: KD 25,213,851 and 31 March 2017: KD 25,738,313) represent facilities obtained from local Islamic financial institutions and are secured by property and equipment amounting to KD 33,172,801 (31 December 2017: KD 33,381,422 and 31 March 2017: KD 34,545,186) (Note 6) and investment properties amounting to KD 5,452,000 (31 December 2017: KD 5,452,000 and 31 March 2017: KD 5,660,000).

10 RELATED PARTY TRANSACTIONS

Related parties represent Parent Company, Ultimate Parent Company, major shareholders, associates, 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 Company's management.

Transactions with related parties included in the interim condensed consolidated financial information are as follows:

	Parent Company/Ultimate Parent Company KD	Associates KD	Others KD	Three months ended 31 March 2018 KD	Three months ended 31 March 2017 KD
Interim condensed consolidated statement of profit or loss:					
Finance costs	160,930	-	-	**160,930**	130,148

	Parent Company/Ultimate Parent Company KD	Associates KD	Others KD	31 March 2018 KD	(Audited) 31 December 2017 KD	31 March 2017 KD
Interim condensed consolidated statement of financial position:						
Amounts due from related parties	-	6,641,161	17,695	**6,658,856**	6,630,307	6,580,072
Amounts due to related parties	121,845	36,315	25,878	**184,038**	173,982	552,487
Islamic finance payables	6,544,549	-	-	**6,544,549**	6,454,420	7,570,057

Amounts due from/ due to related parties are repayable on demand and do not carry any profit.

Key management compensation
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions related to key management personnel were as follows:

	Three months ended 31 March 2018 KD	Three months ended 31 March 2017 KD
Salaries and other short term benefits	**73,742**	83,002
End of service benefits	**8,429**	7,276
	82,171	90,278

11 SEGMENT INFORMATION

For management purposes, the Company is organised into three major business segments. The principal activities and services under these segments are as follows:

- Investment: Managing direct investments and investments in subsidiaries and associates; and
- Real estate: Managing investment properties; and
- Hotel operations: Consist of the hospitality services provided through the Millennium hotel and convention center – Kuwait.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

The following table presents segment revenue, expenses, results information of the Group's operating segments for the three months ended 31 March 2018 and 2017, respectively:

Three months ended 31 March 2018	***Hotel operations***	***Real estate***	***Investment***	***Others***	***Total***
	KD	***KD***	***KD***	***KD***	***KD***
Segment revenue	**1,335,759**	**108,634**	**(541,147)**	**15,988**	**919,234**
Segment expenses	**(1,320,720)**	**(104,562)**	**(53,682)**	**(150,231)**	**(1,629,195)**
Segment results	**15,039**	**4,072**	**(594,829)**	**(134,243)**	**(709,961)**

Three months ended 31 March 2017	*Hotel operations*	*Real estate*	*Investment*	*Others*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Segment revenue	1,206,125	97,353	(558,412)	21,349	766,415
Segment expenses	(1,311,708)	(127,506)	(60,193)	(166,601)	(1,666,008)
Segment results	(105,583)	(30,153)	(618,605)	(145,252)	(899,593)

The following table presents assets and liabilities for the Group's operating segments as at 31 March 2018, 31 December 2017 and 31 March 2017, respectively:

As at 31 March 2018	***Hotel operations***	***Real estate***	***Investment***	***Others***	***Total***
	KD	***KD***	***KD***	***KD***	***KD***
Total assets	**33,922,639**	**10,273,119**	**53,334,864**	**1,487,669**	**99,018,291**
Total liabilities	**24,096,740**	**272,613**	**6,241,835**	**1,971,572**	**32,582,760**

As at 31 December 2017	*Hotel operations*	*Real estate*	*Investment*	*Others*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*
Total assets	34,243,243	10,294,661	53,840,143	1,295,109	99,673,156
Total liabilities	23,956,741	2,717,214	3,840,569	1,985,778	32,500,302

11 SEGMENT INFORMATION (continued)

As at 31 March 2017	*Hotel operations KD*	*Real estate KD*	*Investment KD*	*Others KD*	*Total KD*
Total assets	35,224,091	11,136,036	56,537,977	1,838,286	104,736,390
Total liabilities	24,460,893	3,092,161	4,831,744	542,888	32,927,686

12 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity profile of assets and liabilities is as follows:

31 March 2018	***Within 1 year KD***	***Over 1 year KD***	***Total KD***
ASSETS			
Cash and cash equivalents	**1,341,297**	**-**	**1,341,297**
Accounts receivable and prepayments	**1,175,053**	**6,674,037**	**7,849,090**
Inventories	**58,444**	**-**	**58,444**
Financial asset at fair value through other comprehensive income	**-**	**2,649,680**	**2,649,680**
Investment in associates	**-**	**44,011,147**	**44,011,147**
Property and equipment	**-**	**33,172,801**	**33,172,801**
Leasehold property	**-**	**2,983,810**	**2,983,810**
Investment properties	**-**	**5,452,000**	**5,452,000**
Trading property	**1,500,022**	**-**	**1,500,022**
TOTAL ASSETS	**4,074,816**	**94,943,475**	**99,018,291**
LIABILITIES			
Islamic finance payables	**8,144,549**	**21,000,000**	**29,144,549**
Accounts payable and accruals	**2,941,992**	**-**	**2,941,992**
Employees' end of service benefits	**-**	**496,219**	**496,219**
TOTAL LIABILITIES	**11,582,760**	**21,000,000**	**32,582,760**

31 December 2017	*Within 1 year KD*	*Over 1 year KD*	*Total KD*
ASSETS			
Cash and cash equivalents	1,147,770	-	1,147,770
Accounts receivable and prepayments	1,240,414	6,610,807	7,851,221
Inventories	58,303	-	58,303
Financial assets available for sale	-	2,649,680	2,649,680
Investment in associates	-	44,579,656	44,579,656
Property and equipment	-	33,410,910	33,410,910
Leasehold property	-	3,023,594	3,023,594
Investment properties	-	5,452,000	5,452,000
Trading property	1,500,022	-	1,500,022
TOTAL ASSETS	3,946,509	95,726,647	99,673,156
LIABILITIES			
Islamic finance payables	8,054,420	21,000,000	29,054,420
Accounts payable and accruals	2,938,543	-	2,938,543
Employees' end of service benefits	-	507,339	507,339
TOTAL LIABILITIES	10,992,963	21,507,339	32,500,302

12 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 March 2017	*Within 1 year KD*	*Over 1 year KD*	*Total KD*
ASSETS			
Cash and cash equivalents	1,697,356	-	1,697,356
Accounts receivable and prepayments	1,018,099	6,672,694	7,690,793
Inventories	56,605	-	56,605
Sokouk utilization rights	-	24,671	24,671
Financial assets available for sale	-	2,925,499	2,925,499
Investment in associates	-	46,939,785	46,939,785
Property and equipment	-	34,557,107	34,557,107
Leasehold property	-	3,684,552	3,684,552
Investment properties	-	5,660,000	5,660,000
Trading property	1,500,022	-	1,500,022
TOTAL ASSETS	4,272,082	100,464,308	104,736,390
Liabilities			
Islamic finance payables	9,570,057	21,000,000	30,570,057
Accounts payable and accruals	1,564,061	370,554	1,934,615
Employees' end of service benefits	-	423,014	423,014
TOTAL LIABILITIES	11,134,118	21,793,568	32,927,686

13 FAIR VALUES

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, and based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurements directly or indirectly observable).

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurements unobservable).

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 31 March 2018, 31 December 2017 and 31 March 2017, the Group held the following class of financial instrument measured at fair value:

Financial assets measured at fair value	***Total KD***	***Level 3 KD***
31 March 2018		
Financial asset at fair value through other comprehensive income	**2,649,680**	**2,649,680**
31 December 2017 ***(Audited)***		
Available-for-sale financial assets	2,649,680	2,649,680
31 March 2017		
Available-for-sale financial assets	2,925,499	2,925,499

During the three months ended 31 March 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

13 FAIR VALUES (continued)

The management has used the price to book value multiples approach to fair value the financial asset at fair value through other comprehensive income.

The impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

Non-financial assets

Non-financial assets consists of leasehold property and investment properties. The fair value of the leasehold property and investment properties is categorised within level 3 of the fair value hierarchy.