**Al Madar Finance and Investment Company K.P.S.C. and its subsidiaries**
**State of Kuwait**

**Interim Condensed Consolidated Financial Information (Unaudited)**
And independent auditors' review report for the six month period ended 30 June 2018

**Al Madar Finance and Investment Company K.P.S.C. and its subsidiaries**
**State of Kuwait**

Interim Condensed Consolidated Financial Information (Unaudited)
For the six month period ended 30 June 2018

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**Independent auditors' report on review of interim condensed consolidated financial information to the board of directors of Al Madar Finance and Investment Company K.S.C. (Public)**
**State of Kuwait**

*Introduction*

We have reviewed the interim condensed consolidated financial information of Al Madar Finance and Investment Company K.S.C. (Public) ("the Parent Company") and its subsidiaries (together referred to as "the Group") which comprise the interim condensed consolidated statement of financial position as at 30 June 2018, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standards 34: "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Basis for Qualified Conclusion*

The Group has not applied the amendments of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", which are effective as of 1 January 2018. Accordingly, we were unable to determine whether it is necessary to make any amendments on the accompanying interim condensed consolidated financial information and the opening balances as at 1 January 2018.

*Qualified Conclusion*

Based on our review, except for the possible effects of the matter described in the "Basis for Qualified Conclusion" paragraph above, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

*Emphasis of Matter*

Without qualifying our conclusion, we draw attention to Note 21 on the interim condensed consolidated financial information, which indicates that current liabilities of the Group exceeded its current assets with an amount of KD 6,672,537 as at 30 June 2018 (31 December 2017: KD 22,300,467 and 30 June 2017: KD 20,719,981).

**Report on Other Legal and Regulatory Requirements**

Furthermore, except for the possible effects of the matter described in the "Basis for Qualified Conclusion" paragraph above, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report nothing has come to our attention indicating occurrence of contraventions during the six month period ended 30 June 2018, of the Companies Law No. 1 of 2016, and its Executive Regulations as amended or Law No. 7 of 2010 in respect of the establishment of Capital Markets Authority and Organization of securities activity and its Executive Regulations and the Parent's Company's Memorandum of Incorporation and Articles of Association, as amended, that would materially affect the Group's activities or its interim condensed consolidated financial position.

We further report that, except for the possible effects of the matter described in the "Basis for Qualified Conclusion" paragraph above, during the course of our review, we have not become aware of any material violations during the six month period ended 30 June 2018 of the provisions of law no. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and related regulations.

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

**Abdul Hussein Mohamed Al Rasheed**
**License No. 67 "A"**
**Rödl Middle East**
**Burgan - International Accountants**

**Kuwait: 30 July 2018**

## Interim condensed consolidated statement of financial position (unaudited)
As at 30 June 2018

| | Notes | 30 June 2018 KD | 31 December 2017 (Audited) KD | 30 June 2017 KD |
|---|---|---|---|---|
| **Assets** | | | | |
| Bank balances and cash | 5 | 725,594 | 960,559 | 524,488 |
| Investments at fair value through statement of income | 6 | 139,269 | 148,191 | 163,502 |
| Receivables and other debit balances | 7 | 2,158,604 | 2,943,223 | 4,811,298 |
| Due from related parties | 14 | 3,786 | 601,126 | 547,935 |
| Available for sale investments | 8 | 55,108 | 55,289 | 55,192 |
| Investment properties | 9 | 20,933,484 | 23,563,334 | 23,009,342 |
| Investment in associates | 10 | 243,534 | 1,098,501 | 1,139,647 |
| Property, plant and equipment | | 6,672,294 | 6,759,358 | 7,043,800 |
| Intangible assets | | 643,688 | 686,754 | 794,883 |
| **Total assets** | | 31,575,361 | 36,816,335 | 38,090,087 |
| | | | | |
| **Liabilities and equity** | | | | |
| **Liabilities** | | | | |
| Wakala payables | 11 | 4,166,716 | 21,164,197 | 21,667,698 |
| Ijara payables | 12 | 2,451,339 | 2,578,479 | 1,259,684 |
| Payables and other credit balances | 13 | 2,755,342 | 2,877,624 | 3,180,020 |
| Due to related parties | 14 | 326,393 | 333,266 | 659,802 |
| Employees' end of service indemnity | | 1,271,014 | 1,210,022 | 1,408,616 |
| **Total liabilities** | | 10,970,804 | 28,163,588 | 28,175,820 |
| | | | | |
| **Equity** | | | | |
| Share capital | | 21,386,865 | 21,386,865 | 21,386,865 |
| Share premium | | 4,990,296 | 4,990,296 | 4,990,296 |
| Treasury shares | 15 | (4,573,296) | (4,573,296) | (4,573,296) |
| Change in fair value reserve | | 1,638 | 1,116 | 1,019 |
| Revaluation surplus | | - | - | 97,037 |
| Foreign currency translation reserve | | (109,161) | (95,064) | (97,987) |
| Other reserve | | (122,147) | (122,147) | (122,147) |
| Accumulated losses | | (2,791,029) | (14,723,982) | (13,548,585) |
| **Total equity attributable to shareholders of the Parent Company** | | 18,783,166 | 6,863,788 | 8,133,202 |
| Non-controlling interests | | 1,821,391 | 1,788,959 | 1,781,065 |
| **Total equity** | | 20,604,557 | 8,652,747 | 9,914,267 |
| **Total liabilities and equity** | | 31,575,361 | 36,816,335 | 38,090,087 |

The accompanying notes on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

**Hamad Saleh Althekair**
*Chairman*

## Interim condensed consolidated statement of income (unaudited)
For the six month period ended 30 June 2018

| | Notes | Three months ended 30 June 2018 | Three months ended 30 June 2017 | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|---|---|---|---|---|---|
| **Revenues** | | | | | |
| Rental income | | 336,817 | 312,170 | 717,051 | 653,105 |
| Net sales profit | | 186,244 | 215,275 | 407,860 | 410,628 |
| Investment services (expenses)/ revenues | | (3,121) | 5,365 | 9,883 | 6,938 |
| Finance revenue / murabaha | | 178,744 | 3,564 | 237,065 | 11,845 |
| Change in fair value of investments at fair value through statement of income | | - | (53,820) | (8,922) | (101,733) |
| Cash dividends | | - | - | 569 | - |
| Write-back of finance transactions provision | | 1,462,666 | 9,690 | 1,852,974 | 34,310 |
| Impairment of available for sale investments | 8 | - | - | (703) | (23,237) |
| Share of associates' business results | | 9,436 | (12,892) | (5,733) | (22,379) |
| Realised gain / (losses) on sale of investment properties | 9 | 2,007,756 | (33,185) | 2,008,933 | (28,408) |
| Realised gain on sale of investment in an associate | 10 | 429,773 | - | 429,773 | - |
| Foreign currency valuation differences | | - | 5,775 | - | 8,007 |
| Realised gain on settlement of wakala payables | | 8,497,026 | - | 8,497,026 | - |
| Other income | | 141,612 | 239,961 | 283,658 | 246,284 |
| **Total income** | | 13,246,953 | 691,903 | 14,429,434 | 1,195,360 |
| **Expenses and other charges** | | | | | |
| General and administrative expenses | | 989,116 | 1,444,063 | 1,927,257 | 2,201,386 |
| Provision for doubtful debts | | 37,953 | - | 38,496 | - |
| Finance costs | | 35,761 | 8,116 | 71,768 | 15,754 |
| **Total expenses and other charges** | | 1,062,830 | 1,452,179 | 2,037,521 | 2,217,140 |
| **Profit for the period before NLST and Zakat** | | 12,184,123 | (760,276) | 12,391,913 | (1,021,780) |
| National Labour Support Tax | | (304,663) | - | (304,663) | - |
| Zakat | | (121,865) | - | (121,865) | - |
| **Net profit/ (loss) for the period** | | 11,757,595 | (760,276) | 11,965,385 | (1,021,780) |
| **Attributable to:** | | | | | |
| Shareholders of the Parent Company | | 11,729,309 | (724,811) | 11,932,953 | (1,007,140) |
| Non-controlling interests | | 28,286 | (35,465) | 32,432 | (14,640) |
| **Net profit / (loss) for the period** | | 11,757,595 | (760,276) | 11,965,385 | (1,021,780) |
| **Basic and diluted earning / (loss) per share attributable to shareholders of the Parent Company/ (fils)** | 16 | 56.66 | (3.50) | 57.64 | (4.86) |

The accompanying notes on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of comprehensive income (unaudited)
For the six month period ended 30 June 2018

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | **KD** | **KD** | **KD** | **KD** |
| Net profit / (loss) for the period | 11,757,595 | (760,276) | 11,965,385 | (1,021,780) |
| **Other comprehensive income items:** | | | | |
| Items that may be reclassified subsequently to the interim condensed consolidated statement of income: | | | | |
| Change in fair value of available for sale investments | 98 | 15 | 522 | (7,698) |
| Transferred to interim condensed consolidated statement of income due to impairment of available for sale investments | - | - | - | 23,237 |
| Foreign currency translation reserve | (4,359) | (9,044) | (14,097) | 3,840 |
| Other comprehensive (loss) / income | (4,261) | (9,029) | (13,575) | 19,379 |
| Total comprehensive income/ (loss) for the period | 11,753,334 | (769,305) | 11,951,810 | (1,002,401) |
| **Attributable to:** | | | | |
| Shareholders of the Parent Company | 11,725,048 | (733,840) | 11,919,378 | (987,761) |
| Non-controlling interests | 28,286 | (35,465) | 32,432 | (14,640) |
| | 11,753,334 | (769,305) | 11,951,810 | (1,002,401) |

The accompanying notes on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

**Al Madar Finance and Investment Company K.P.S.C. and its subsidiaries**
**State of Kuwait**

## Interim condensed consolidated statement of changes in equity (unaudited)
For the six month period ended 30 June 2018

| | Share capital | Share premium | Treasury shares | Change in fair value reserve | Revaluation surplus | Foreign currency translation reserve | Other reserve | Accumulated losses | Total equity attributable to the shareholders of the Parent Company | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2017 | 21,386,865 | 4,990,296 | (4,573,296) | (14,520) | 97,037 | (101,827) | (122,147) | (12,541,445) | 9,120,963 | 1,795,705 | 10,916,668 |
| Net (loss) for the period | - | - | - | - | - | - | - | (1,007,140) | (1,007,140) | (14,640) | (1,021,780) |
| Other comprehensive income for the period | - | - | - | 15,539 | - | 3,840 | - | - | 19,379 | - | 19,379 |
| Total comprehensive income/ (loss) for the period | - | - | - | 15,539 | - | 3,840 | - | (1,007,140) | (987,761) | (14,640) | (1,002,401) |
| Balance at 30 June 2017 | 21,386,865 | 4,990,296 | (4,573,296) | 1,019 | 97,037 | (97,987) | (122,147) | (13,548,585) | 8,133,202 | 1,781,065 | 9,914,267 |
| | | | | | | | | | | | |
| Balance at 1 January 2018 | 21,386,865 | 4,990,296 | (4,573,296) | 1,116 | - | (95,064) | (122,147) | (14,723,982) | 6,863,788 | 1,788,959 | 8,652,747 |
| Net profit for the period | - | - | - | - | - | - | - | 11,932,953 | 11,932,953 | 32,432 | 11,965,385 |
| Comprehensive income/ (loss) for the period | - | - | - | 522 | - | (14,097) | - | - | (13,575) | - | (13,575) |
| Total comprehensive income/ (loss) for the period | - | - | - | 522 | - | (14,097) | - | 11,932,953 | 11,919,378 | 32,432 | 11,951,810 |
| Balance at 30 June 2018 | 21,386,865 | 4,990,296 | (4,573,296) | 1,638 | - | (109,161) | (122,147) | (2,791,029) | 18,783,166 | 1,821,391 | 20,604,557 |

The accompanying notes on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

## Interim condensed consolidated statement of cash flows (unaudited)

For the six month period ended 30 June 2018

| | Notes | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|---|---|---|---|
| | | KD | KD |
| **Operating activities** | | | |
| Net profit / (loss) for the period | | 11,965,385 | (1,021,780) |
| Adjustments: | | | |
| Depreciation and amortization | | 133,251 | 161,993 |
| Finance costs | | 71,768 | 15,754 |
| Change in fair value of investments at fair value through statement of income | | 8,922 | 101,733 |
| Impairment of available for sale investment | | 703 | 23,237 |
| Realised (gain) / losses on sale of investment properties | | (2,008,933) | 28,408 |
| Gain on sale of property, plant and equipment | | (2,575) | (10,180) |
| Group's share of associates' results | | 5,733 | 22,379 |
| Provision for doubtful debts | | 38,496 | - |
| Realised gain on sale of investment in an associate | | (429,773) | - |
| Write-back of finance transactions provision | | (1,852,974) | (34,310) |
| Foreign currency valuation differences | | - | (8,007) |
| Realised gain on settlement of wakala payables | | (8,497,026) | - |
| Employees' end of service indemnity | | 117,351 | 409,109 |
| Operating loss before calculating effect of changes in working capital | | (449,672) | (311,664) |
| Receivables and other debit balances | | 426,891 | 21,274 |
| Related parties - net | | 42,532 | 10,844 |
| Payables and other credit balances | | (194,138) | (249,888) |
| Cash used in operations | | (174,387) | (529,434) |
| Employees' end of service indemnity paid | | (56,359) | (109,066) |
| **Net cash used in operating activities** | | (230,746) | (638,500) |
| **Investing activities** | | | |
| Investment in associates | | - | (26,726) |
| Dividends from associate | 10 | 12,846 | - |
| Proceeds from sale of property, plant and equipment | | 3,065 | 41,020 |
| Paid for purchase of investment properties | 9 | (14,368) | (16,769) |
| Proceeds from sale of investment properties | | 523,151 | 81,208 |
| Paid for the acquisition of property, plant and equipment | | (3,611) | (34,154) |
| **Net cash generated by investing activities** | | 521,083 | 44,579 |
| **Cash flow from financing activities** | | | |
| Ijara payables | | (83,866) | 756,182 |
| Wakala payables | | (398,162) | (95,265) |
| Finance costs paid | | (43,274) | (3,091) |
| **Net cash (used in) / from financing activities** | | (525,302) | 657,826 |
| Net (decrease) / increase in cash and bank balances | | (234,965) | 63,905 |
| Cash and bank balances at the beginning of the period | | 960,559 | 460,583 |
| **Cash and bank balances at the end of the period** | 5 | 725,594 | 524,488 |

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

| **Non-cash transactions** | Notes | Six months ended 30 June 2018 | Six months ended 30 June 2017 |
|---|---|---|---|
| | | KD | KD |
| Investment properties | | 2,122,243 | - |
| Due from related parties | | 547,935 | - |
| Receivables and other debit balances | | 2,172,206 | - |
| Investments in associates | | 1,370,227 | - |
| Wakala payables | | 8,215,264 | - |

The accompanying notes on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.

## 1. Incorporation and activities

Al Madar Finance and Investment Company K.P.S.C ("the Parent Company") was incorporated on November 23, 1998. The Parent Company is registered with the Central Bank of Kuwait and Capital Market Authority as an investment company. The Company's shares are listed in the Kuwait Stock Exchange on 20 June 2005.

The Parent Company is principally engaged in the following activities in compliance with the Islamic Sharia as follows:

- Promoting and marketing shares and bonds of all types for the favor of the Company according to Islamic Shari'a.
- Investment in all types of movables whether for its own favor or for others by way of agency or brokerage except for the Company's trading in commodities for its favor.
- Lending, borrowing and financing international trading transactions as well as issue and exchange of Islamic bonds of all kinds and forms for its clients.
- Portfolio management as per relevant laws and according to Islamic Shari'a.
- Purchase, lease, acquisition, rent, licensing of all kinds of investment equipment and subsequent sale or disposal thereof.
- Carry out real estate investments for the Parent Company's account or for third parties.
- Providing research and studies and other technical services related to investment and employing funds for others.
- Establishing and managing investment funds as per relevant laws and regulations and after approval of concerned parties.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside the State of Kuwait or abroad. It may also incorporate, purchase or affiliate such entities.

The Parent Company is domiciled in Kuwait and its registered office is P.O. Box 1376, Safat 13014, Kuwait.

The Parent Company is subsidiary to Al Thekair General Trading and Contracting Company (sole proprietorship) ("the Ultimate Parent Company").

The interim condensed consolidated financial information of Al Madar Finance and Investment Company K.S.C. (Public) and its subsidiaries ("the Group") for the six month period ended 30 June 2018 were authorized for issue by the Parent Company's board of directors on 30 July 2018.

## 2. Basis of preparation

The interim condensed Consolidated financial information have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting" and instructions of Central Bank of Kuwait. Accordingly, it should be read in conjunction with the latest annual consolidated financial statements of the Group for the year ended 31 December 2017 ("the last annual consolidated financial statements"). The interim condensed consolidated financial information does not include all of the information required for preparing complete financial statements in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK") and Capital Market Authority ("CMA"). These regulations require adoption of all IFRSs except for the CBK's requirement for a minimum general provision of 1% for cash facilities and 0.5% for non cash facilities, if any. However, certain detailed notes have been added in order to interpret the significant events and transactions to understand the changes in Group's consolidated financial position and its performance since last annual consolidated financial statements. It is the second consolidated financial statements of the Group, in which IFRS 15 and IFRS 9 should be adopted. Changes in significant accounting policies are as follows:

### Use of judgements and estimates

In preparation of the interim condensed consolidated financial information, the management made judgments and estimates that may affect the adoption of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. Actual results may differ from these estimates.

The significant judgements made by management in adoption of the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which were described below.

## 2. Basis of preparation (continued)

**Use of judgements and estimates (continued)**

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further details about the assumptions made in measuring fair value are included in Note 20.

**Changes in significant accounting policies**

Except as described below, the accounting policies applied in these condensed consolidated interim financial information are the same as those applied in the Group's consolidated financial statements for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements for the year ending 31 December 2018.

The Group didn't adopt IFRS 15 "Revenue from Contracts with Customers" (see A below) and IFRS 9 "Financial Instruments" (see B below) starting from 1 January 2018. Certain adjustments are effective from 1 January 2018 but it does not have a material effect on the Group's condensed consolidated interim financial information.

### A) IFRS 15: Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

The Group didn't adopt this standard. Accordingly, no impacts on IFRS 15 have been recognized on 1 January 2018 on the Group's consolidated financial statements as at 31 December 2017 and the interim condensed consolidated financial information for the six month period ended 30 June 2018.

Service and contracting revenues
Services and contracting revenues are recognised when the services are provided to the customers in accordance with recognition criteria required by IFRS 15. The Group believes that the recognition criteria in progress are still appropriate for its contracts.

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

**B) IFRS 9: Financial Instruments**

IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This Standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The Group didn't adopt IFRS 9. Accordingly, no any amounts are recognised for the opening balance of accumulated losses.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

**I. Classification and measurement of the financial assets and liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale financial assets.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost, fair value through statement of other comprhensive income – debt investments, at fair value through statement of other comprhensive income – equity investments; or at fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprhensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value at othe comprehensive income as financial asset recognized at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not recognized at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

## 2. Basis of preparation (continued)

### A. IFRS 9 - Financial Instruments (continued)

### I. Classification and measurement of the financial assets and liabilities (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

| | |
|---|---|
| Financial assets at fair value through profit or loss | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets Carried at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. |
| Debt investments at fair value through other comprehensive income | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss. |
| Equity investments at fair value through other comprehensive income | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss. |

### II. Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets carried at amortised cost include bank balances and cash, receivables and other debit balances, and due from related parties.

Under IFRS 9, loss allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:
- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities, bank balances, and term deposits for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has not determined the method of measuring impairment provisions for receivables and other debit balances because IFRS 9 has not been applied to carrying amounts on 1 January 2018. Accordingly, the Group's financial assets categories have not been re-measured in accordance with the Standard as at 1 January 2018.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

**A. IFRS 9 - Financial Instruments (continued)**

**II. Impairment of financial assets (continued)**

The Group considers a financial asset to be in default when:
- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

*Measurement of ECLs*
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

*Presentation of impairment*
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in interim condensed consolidated statement of income.

*Impact of the new impairment model*
For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has not determined IFRS 9's impairment requirements as at 1 January 2018. Accordingly, no any additional allowances are recognised.

*Receivables*
The following analysis provides further detail about the calculation of ECLs related to receivables on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

Receivables' ECLs have not been calculated as at 1 January 2018 since the standard has not been adopted.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry, delinquency status, age of relationship and type of product purchased where applicable.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

**III. Transition**

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 are not recognised in the retained earnings and reserves as at 1 January 2018 since the standard has not been adopted by the Group.

The following assessments 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 and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.
- The designation of certain investments in equity instruments not held for trading as at fair value through other comprehensive income.

## 3. Subsidiaries

The interim condensed consolidated financial information includes the financial information of Al Madar Finance and Investment Company K.S.C. (Public) and its following subsidiaries:

| Name of the subsidiary | Country of incorporation | Activity | Voting rights and equity interest % | | |
|---|---|---|---|---|---|
| | | | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
| Dar Al-Thuraya Real Estate Co. K.S.C. (Public) | State of Kuwait | Real estate | 88.35% | 88.35% | 88.35% |
| Fiduciary International For Programming and Printing Software Company W.L.L. | State of Kuwait | Programming and operating computer, printing and distribution of software and computers | 99% | 99% | 99% |
| Al Madar Real Estate Development Company K.S.C. (Closed) * | State of Kuwait | Real estate | 98.5% | 98.5% | 98.5% |
| Althuraya for Warehousing & Refrigeration K.S.C. (Closed)* | State of Kuwait | Warehousing | 96% | 96% | 96% |

* During the period ended 30 June 2018, the Group has consolidated the interim condensed financial information of Fiduciary International for Programming and Printing Software Company W.L.L., Al Madar Real Estate Development Company K.S.C. (Closed) and Althuraya for Warehousing & Refrigeration K.S.C. (Closed) based on interim financial information prepared by the management as at 30 June 2018.
As at the reporting date, shares of the subsidiaries (Dar Al-Thuraya Real Estate Company K.S.C. (Public), Al Madar Real Estate Development Company K.S.C. (Closed) and Althuraya for Warehousing & Refrigeration K.S.C. (Closed) totaling 125,434,632 shares, 68,950,000 shares and 9,900,000 shares respectively are retained to certain creditors.

The interim condensed consolidated financial information includes the interim condensed financial information of Dar Al-Thuraya Real Estate Co. K.P.S.C. and its following subsidiaries:

| Name of the subsidiary | Country of incorporation | Activity | Voting rights and equity interest % | | |
|---|---|---|---|---|---|
| | | | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
| Thuraya Star Company W.L.L. | State of Kuwait | General Trading and Contracting | 99% | 99% | 99% |
| Kuwait Building Real Estate Company K.S.C (Closed) | State of Kuwait | Real estate | 96% | 96% | 96% |
| Pack & Move Holding Company K.S.C (Holding) | State of Kuwait | Holding | 99.88% | 99.88% | 99.88% |
| Golden Madar Real Estate Company W.L.L. | State of Kuwait | Real estate | 98% | 98% | 98% |

## 4. Significant accounting assumptions and judgments

The preparation of interim condensed consolidated financial information in accordance with International Financial Reporting Standards requires use of estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial information and the reported amounts of revenues and expenses during the period. Although these estimates depend on the best knowledge of the current events by the management, but the actual results may vary from these estimates.

## 5. Cash and bank balances

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Bank balances | 674,948 | 910,366 | 475,866 |
| Cash on hand | 50,646 | 50,193 | 48,622 |
| | 725,594 | 960,559 | 524,488 |

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

## 6. Investments at fair value through statement of income

Below is analysis of investments at fair value through statement of income for the period / year / period:

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Investments in unquoted local shares | 44,179 | 53,101 | 68,412 |
| Investments in portfolio - local funds | 41,147 | 41,147 | 41,147 |
| Investments in portfolio – foreign funds | 53,943 | 53,943 | 53,943 |
| | 139,269 | 148,191 | 163,502 |

Valuation techniques for investments at fair value through statement of income are disclosed in Note 20.

Unquoted local shares and foreign funds of KD 103,532 (31 December 2017: KD 103,532, and 30 June 2017: KD 145,085) are carried at cost less impairment since their fair values could not be measured reliably. Management does not have any indication of impairment in these investments.

Investments in unquoted shares are valued in accordance with the estimated operations based on the available information on the financial position, results of operations of the investee companies, the expected future profits of these companies and by taking into consideration recent transactions on the shares with other parties in investee companies or similar companies

Investments at fair value through statement of income include certain shares retained for certain creditors of KD 17,178 (31 December 2017: KD 22,601 and 30 June 2017: KD 28,084).

## 7. Receivables and other debit balances

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Trade receivables | 2,546,304 | 4,415,577 | 5,963,437 |
| Less: provision for doubtful debts | (2,509,744) | (4,324,222) | (5,291,779) |
| | 36,560 | 91,355 | 671,658 |
| Receivables from sale of financial and real estate investments and services | 57,165 | 741,737 | 680,993 |
| Accrued revenues | 207,272 | 178,431 | 747,484 |
| Staff receivables | 11,012 | 19,947 | 19,474 |
| Prepaid expenses | 345,249 | 387,569 | 1,054,440 |
| Other receivables | 1,501,346 | 1,524,184 | 1,637,249 |
| | 2,158,604 | 2,943,223 | 4,811,298 |

Receivables from sale of financial and real estate investments and services has been presented after deducting provision for doubtful debts of KD 703,368 as at 30 June 2018 (31 December 2017: KD 703,368 and 30 June 2017: KD 704,049).

Accrued revenues has been presented after deducting a provision for doubtful debts of KD 617,258 as at 30 June 2018 representing provisions recorded in subsidiaries (31 December 2017: KD 617,258 and 30 June 2017: KD 145,000).

The item other receivables have been presented after deducting provision for doubtful debts of KD 363,205 as at 30 June 2018 (31 December 2017: KD 363,205, and 30 June 2017: KD 122,057).

The maximum exposure to credit risks at reporting date is the fair value of each class of receivables. The Group holds guarantees of KD 36,307 for trade receivables as at 30 June 2018 (31 December 2017: KD 474,491 and 30 June 2017: KD 1,054,840).

During the period ended 30 June 2018, the Parent Company admitted into a settlement contract with a creditor on 16 May 2018 against settlement of Wakala payables balance of KD 16,999,319 including assignment of certain finance customers' receivable balances, which were estimated in a total amount of KD 2,285,177, resulted in realised gain of KD 1,664,621 from such transaction. An amount of KD 1,395,171 has been recognised under write-back of finance transactions provision, an amount of KD 156,479 related to the deferred revenue has been recognised under finance revenues and an amount of KD 112,971 under realised gain on settlement of Wakala payables. Furthermore, assignment of certain finance customer's balance of KD 1,545,055, which has been written off during the previous year as per the Parent Company board of directors meeting held on 19 November 2017, resulted in realised gain of KD 1,545,055 from such transaction, which have been recognised in the interim condensed consolidated statement of income under realised gain on settlement of Wakala payables.

The Group does not charge any financial charges on the overdue receivables.

Analysis of provision for doubtful debts during the period/ year/ period is as follows:

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Specific provision | 4,193,575 | 6,044,915 | 6,262,885 |

## 8. Available for sale investments

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Investment in quoted local shares | 5,648 | 5,126 | 5,030 |
| Investments in unquoted local shares | 13,266 | 13,969 | 13,968 |
| Investment in unquoted foreign shares | 36,194 | 36,194 | 36,194 |
| | 55,108 | 55,289 | 55,192 |

Investments in local and foreign shares include unquoted shares of KD 41,194 (31 December 2017: KD 41,194 and 30 June 2017: KD 41,899) carried at cost due to non-availability of a basis to be based upon to measure its fair value at the date of the interim condensed consolidated statement of financial position. Management does not have indicators that the investments are impaired.

Available for sale financial investments include unquoted foreign shares at an actual cost of KD 3,698,839 (31 December 2017: KD 3,698,839 and 30 June 2017: KD 3,698,839) brought forward from 2009. Since these investments are the subject of a legal dispute, management decided to reduce the cost of these investments in full in the previous years until they are finally resolved.

During the period, the Group's management has recognized impairment of available for sale investments of KD 703 (30 June 2017: KD 23,237).

Investments in unquoted shares are evaluated on the basis of estimated operations based on the available information on the financial position, results of operations of the investee companies, the expected future profits of these companies and by taking in consideration recent transactions on the shares with other parties in investee companies or similar companies

Available for sale investments include certain shares retained for a creditor at an amount of KD 8,264 (31 December 2017: KD 8,264 and 30 June 2017: KD 8,264).

Valuation techniques of available for sale investments are disclosed in Note 20.

## 9. Investment properties

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| **Investment properties** | | | |
| Balance at beginning of the period/ year/ period | 17,611,217 | 14,839,420 | 14,839,420 |
| Disposals | (2,250,738) | (780,000) | (780,000) |
| Transfer from properties under development | - | 3,357,730 | - |
| Change in fair value | - | 262,361 | - |
| Foreign currency translation differences | - | (68,294) | - |
| Balance at end of the period/ year/ period | 15,360,479 | 17,611,217 | 14,059,420 |

## 9. Investment properties (continued)

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| **Properties under development** | | | |
| Balance at beginning of the period/year/period | 5,952,117 | 9,012,769 | 9,012,769 |
| Additions | 14,368 | 39,880 | 16,769 |
| Disposals | (393,480) | (96,968) | (79,616) |
| Transfers to investment properties | - | (3,357,730) | - |
| Change in fair value | - | 408,797 | - |
| Foreign currency translation differences | - | (54,631) | - |
| Balance at end of the period/ year/ period | 5,573,005 | 5,952,117 | 8,949,922 |
| Balance at end of the period/ year/ period | 20,933,484 | 23,563,334 | 23,009,342 |

During the period ended 30 June 2018, the Group sold one of its investment properties of KD 500,000. No profit or loss resulted from this transaction.

During the period ended 30 June 2018, the Group sold properties under development in Sultanate of Oman for an amount of KD 23,151, resulted in gain of KD 1,177 from such transaction.

During the period ended 30 June 2018, the Parent Company admitted into a settlement contract with a creditor on 16 May 2018 against settlement of Wakala payables balance of KD 16,999,319 including assignment of certain investment properties and properties under development, which were estimated in total amount of KD 4,130,000 while its cost amounted to KD 2,122,244, resulted in realised gain of KD 2,007,756 from such transaction, which have been recognised in the interim condensed consolidated statement of income under realised gain on sale of investment properties.

The Group owns certain investment properties under Ijara contracts with a promise for purchase by a local bank (note 12).

## 10. Investment in associates

The details of investment in associates are as follows:

| Name of the associate | Country of incorporation | Measurement method | Activity | Voting rights and equity interest % 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|---|---|---|
| Interpack Kuwait Limited for General Trading and Contracting Company W.L.L | State of Kuwait | Equity method | General Trading and Contracting | - | 40% | 40% |
| Egyptian Saudi Company for Medical Equipment (S.A.E) | The Arab Republic of Egypt | Equity method | Medical devices and equipment | 30.26% | 30.26% | 30.26% |

The carrying value of each individual associate is as follows:

| Name of the associate | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Interpack Kuwait Limited for General Trading and Contracting Company W.L.L | - | 848,510 | 907,369 |
| Egyptian Saudi Company for Medical Equipment (S.A.E) | 243,534 | 249,991 | 232,278 |
| | 243,534 | 1,098,501 | 1,139,647 |

**10. Investment in associates (continued)**

The Group's share in business results of associates has been recognised based on the financial information prepared by the management as at 30 June 2018 due to non-availability of associates' financial statements as at 30 June 2018.

During the period, one of the associates "Egyptian Saudi Company for Medical Equipment (S.A.E.)" distributed cash dividends at 10% of the nominal value of the share totaling KD 12,846 in accordance with the decision issued by the company's board of directors.

During the period ended 30 June 2018, the Parent Company admitted into a settlement contract with a creditor on 16 May 2018 against settlement of Wakala payables balance of KD 16,999,319 including assignment of an associate "Interpack Kuwait Limited for General Trading and Contracting Company W.L.L.", which were estimated in total amount of KD 1,800,000, where its carrying value amounted to KD 822,292 as well as assignment of the associate's debt balance of KD 547,935, resulted in realised gain of KD 429,773 from such transaction, which have been recognised in the interim condensed consolidated statement of income under realised gain on sale of investment in an associate.

**11. Wakala payables**

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Wakala payables | 4,166,716 | 21,164,197 | 21,667,698 |

The average effective cost rate on wakala was 5.28% as at 30 June 2018 (31 December 2017: 5.8% and 30 June 2017: 4%).
Wakala payables include past due wakala of KD 3,636,816 (31 December 2017: KD 3,636,816 and 30 June 2017: KD 4,886,816). The Parent Company was obliged to pay in accordance with a legal judgment against the Parent Company, and amicable settlement is currently in progress with the prevailing party.

During the period ended 30 June 2018, the Parent Company admitted into a settlement contract with a creditor on 16 May 2018 against settlement of Wakala payables balance of KD 16,999,319, which was due during the previous years, items of the settlement included the following:

- Cash payment of KD 400,000.
- Assignment of certain finance customers' receivable balances, which were estimated at a total amount of KD 2,285,177, resulted in realised gain of KD 1,664,621 from such transaction. An amount of KD 1,395,171 has been recognised under write-back of finance transactions provision, an amount of KD 156,479 related to the deferred revenue which has been recognised under finance revenues and an amount of KD 112,971 under realised gain on settlement of Wakala payables. Furthermore, assignment of certain finance customer's balance of KD 1,545,055, which has been written off during the previous year as per the Parent Company's board of directors meeting held on 19 November 2017, resulted in realised gain of KD 1,545,055 from such transaction, which has been recognised in the interim condensed consolidated statement of income under realised gain on settlement of Wakala payables (Note 7).
- Assignment of certain investment properties and properties under development, which were estimated in total amount of KD 4,130,000 while its cost amounted to KD 2,122,244, resulted in realised gain of KD 2,007,756 from such transaction, which has been recognised in the interim condensed consolidated statement of income under gain on sale of investment properties (Note 9).
- Assignment of an associate "Interpack Kuwait Limited for General Trading and Contracting Company W.L.L.", which were estimated in total amount of KD 1,800,000, where its carrying value amounted to KD 822,292 as well as assignment of the associate's debt balance in total carrying value of KD 547,935, resulted in realised gain of KD 429,773 from such transaction, which has been recognised in the interim condensed consolidated statement of income under realised gain on sale of investment in an associate (Note 10).
- The remaining debt of KD 6,839,000 has been deducted against the Parent Company's commitment to the content of the settlement concluded with the creditor, which has been recognised under realised gain on settlement of Wakala payables.

Total gain of KD 12,486,292 have been resulted from the settlement, which have been recognised in the interim condensed consolidated statement of income for the period ended 30 June 2018 as per the above mentioned items.

## 12. Ijara payables

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Ijara payables | 2,520,516 | 2,648,641 | 1,326,616 |
| Deferred finance costs | (69,177) | (70,162) | (66,932) |
| | 2,451,339 | 2,578,479 | 1,259,684 |

Ijara payables represent facilities contracts granted by a local bank in return for lease contracts concluded with the bank related to investment properties, with a promise for purchase as follows:

- An amount of KD 481,153 (31 December 2017: KD 533,341 and 30 June 2017: KD 533,341) represents deferred rental value due at end of the contract duration on 17 April 2018. The effective yield rate was 6.30% per annum (31 December 2017: 6.05% and 30 June 2017: 6.05%). During the period ended 30 June 2018, Ijara contract in an amount of KD 452,709 has been renewed and the maturity date has been extended through 12 monthly installments starting from 18 April 2018 to 17 April 2019.

- An amount of KD 717,338 (31 December 2017: KD 793,275 and 30 June 2017: KD 793,275) represents deferred rental value due at end of the contract duration on 3 June 2019. The effective yield rate was 6.29% per annum (31 December 2017: 5.79% and 30 June 2017: 5.79%). During the period ended 30 June 2018, Ijara contract in an amount of KD 675,000 has been renewed and the maturity date has been extended through 12 monthly installments starting from 3 June 2018 to 3 June 2019.

- An amount of KD 1,322,025 (31 December 2017: KD 1,322,025 and 30 June 2017: nil) represents deferred rental value due at end of the contract duration on 5 August 2018. The effective yield rate was 5.78% per annum (31 December 2017: 5.78% and 30 June 2017: nil).

## 13. Payables and other credit balances

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Trade payables | 465,839 | 548,091 | 1,577,473 |
| Accrued expenses | 583,986 | 631,669 | 158,291 |
| Purchase of land and financial investments payables | 67,742 | 235,575 | 280,730 |
| Other payables | 1,637,775 | 1,462,289 | 1,163,526 |
| | 2,755,342 | 2,877,624 | 3,180,020 |

## 14. Related party transactions

Related parties comprise of the Group's major shareholders who are members in the, key management personnel, and subsidiaries in which the Company has representatives in their board. In the ordinary course of business, related party transactions were carried out with approval of the Group's management during the period/ year/ period. Balances and transactions between the Group and its subsidiaries, which are deemed as related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

**14. Related party transactions (continued)**

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

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| **Interim condensed consolidated statement of financial position** | KD | KD | KD |
| Due from related parties | 3,786 | 601,126 | 547,935 |
| Due to related parties | 326,393 | 333,266 | 659,802 |

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Interim condensed consolidated statement of income** | KD | KD | KD | KD |
| Salaries and other short term benefits | 8,574 | 75,533 | 53,002 | 166,637 |
| End of service indemnity | 2,136 | 48,467 | 14,321 | 55,689 |
| | 10,710 | 124,000 | 67,323 | 222,326 |

**15. Treasury shares**

| | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Number of shares purchased (share) | 6,845,096 | 6,845,096 | 6,845,096 |
| Ownership percentage (treasury shares percentage to total issued shares) | 3.2% | 3.2% | 3.2% |
| Cost (KD) | 4,573,296 | 4,573,296 | 4,573,296 |
| Market value (KD) | 552,399 | 169,758 | 147,170 |

The Parent Company is committed to retain reserves and capital share premium equal to the purchased treasury shares cost which are non-distributable along acquisition period by the Parent Company in accordance with instructions of the concerned regulatory authorities. Treasury shares are retained for certain creditors.

**16. Basic and diluted earnings/ (loss) per share attributable to shareholders of the Parent Company / (fils)**

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

| | Three months ended 30 June | | Six months ended 30 June | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net profit / (loss) for the period attributable to shareholders of the Parent Company | 11,729,309 | (724,811) | 11,932,953 | (1,007,140) |
| Weighted average number of outstanding shares: | | | | |
| Number of issued shares (share) | 213,868,650 | 213,868,650 | 213,868,650 | 213,868,650 |
| Less: Weighted average number of treasury shares (share) | (6,845,096) | (6,845,096) | (6,845,096) | (6,845,096) |
| Weighted average number of outstanding shares | 207,023,554 | 207,023,554 | 207,023,554 | 207,023,554 |
| Basic and diluted earning / (loss) per share attributable to shareholders of the Parent Company/ (fils) | 56.66 | (3.50) | 57.64 | (4.86) |

## 17. Fiduciary assets

Fiduciary assets comprise of investments and funds managed on behalf of clients. These assets are not owned by the Parent Company, and accordingly they are not included in the interim condensed consolidated financial information. As at the interim condensed consolidated financial position date, total fiduciary assets managed on behalf of clients amounted to KD 4,152,512 (31 December 2017: KD 4,194,000, and 30 June 2017: KD 4,321,000).

## 18. Segment information

Operating segments are identified based on the internal reports of Group segments, which are regularly reviewed by the Chairman and General Manager as the principal decisions makers in the Group so as to allocate resources to and evaluate performance of these segments on an ongoing basis.

The operating segments that meet the conditions and criteria for reporting them in the interim condensed consolidated financial statements and are used in the internal reports regularly submitted to decision makers are as follows:

A) *Real estate:*
This sector represents investing in investment properties to generate rental income, for capital appreciation, or for trading purposes.

B) *Financial investments:*
This sector represents investment in short term money market instruments, investment in shares of listed and unlisted companies whose articles of association and activities are in compliance with rules of the noble Islamic Shari`a.

C) *Corporate finance:*
Activity of this segment is to provide finance to companies by using the different Islamic financing instruments, i.e. Murabaha, Wakala, future sales and other contracts that are in compliance with rules of the noble Islamic Shari`a.

D) *Others:*
This includes the revenues and expenses that are not included under the above sectors.

Summarized information in respect of the Group's segment information is given below:

| | **Segment revenues Six months ended 30 June** | | **Profit / (loss) for the segment Six months ended 30 June** | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| | KD | KD | KD | KD |
| Investment properties | 2,725,984 | 624,697 | 2,725,984 | 624,697 |
| Financial investments | 414,984 | (147,349) | 414,984 | (147,349) |
| Corporate finance | 237,065 | 11,845 | 165,297 | (3,909) |
| Other | 11,051,401 | 706,167 | 11,051,401 | 706,167 |
| | 14,429,434 | 1,195,360 | 14,357,666 | 1,179,606 |
| General and administrative expenses | | | (1,927,257) | (2,201,386) |
| Provision for doubtful debts | | | (38,496) | - |
| National Labour Support Tax | | | (304,663) | - |
| Zakat | | | (121,865) | - |
| Net profit/ (loss) for the period | | | 11,965,385 | (1,021,780) |

## 18. Segment information (continued)

The assets and liabilities of the different operating segments are analysed as follows:

| **Segment assets** | **30 June 2018** | **31 December 2017 (audited)** | **30 June 2017** |
|---|---|---|---|
| | KD | KD | KD |
| Investment properties | 20,933,484 | 23,563,334 | 23,009,342 |
| Financial investments | 437,911 | 1,301,981 | 1,358,341 |
| Corporate finance | 36,560 | 91,355 | 671,658 |
| Other | 10,167,406 | 11,859,665 | 13,050,746 |
| Total segment assets | 31,575,361 | 36,816,335 | 38,090,087 |

| **Segment liabilities** | **30 June 2018** | **31 December 2017 (audited)** | **30 June 2017** |
|---|---|---|---|
| | KD | KD | KD |
| Investment properties | 29,731 | 235,575 | 240,575 |
| Corporate finance | 6,618,055 | 23,742,676 | 22,927,382 |
| Other | 4,323,018 | 4,185,337 | 5,007,863 |
| Total segment liabilities | 10,970,804 | 28,163,588 | 28,175,820 |

## 19. Shareholders general assembly

The annual general assembly of the shareholders was held on 24 July 2018 and approved the consolidated financial statements of the Group for the financial year ended 31 December 2017. It also approved board of directors' recommendations not to distribute dividends for the financial year ended 31 December 2017 and not to distribute remuneration to the board of directors members for the financial year ended 31 December 2017.

## 20. Financial instruments

**Categories of financial instruments**
The financial assets and liabilities of the Group have been classified in the interim condensed consolidated statement of financial position as follows:

| **Financial assets** | **30 June 2018** | **31 December 2017 (audited)** | **30 June 2017** |
|---|---|---|---|
| | KD | KD | KD |
| Bank balances and cash | 725,594 | 960,559 | 524,488 |
| Investments at fair value through statement of income | 139,269 | 148,191 | 163,502 |
| Receivables and other debit balances (excluding prepaid expenses) | 1,813,355 | 2,555,654 | 3,756,858 |
| Due from related parties | 3,786 | 601,126 | 547,935 |
| Available for sale investments | 55,108 | 55,289 | 55,192 |
| | 2,737,112 | 4,320,819 | 5,047,975 |

**20. Financial instruments (continued)**

| Financial liabilities | 30 June 2018 | 31 December 2017 (audited) | 30 June 2017 |
|---|---|---|---|
| | KD | KD | KD |
| Wakala payables | 4,166,716 | 21,164,197 | 21,667,698 |
| Ijara payables | 2,451,339 | 2,578,479 | 1,259,684 |
| Payables and other credit balances | 2,755,342 | 2,877,624 | 3,180,020 |
| Due to related parties | 326,393 | 333,266 | 659,802 |
| | 9,699,790 | 26,953,566 | 26,767,204 |

**Fair value of financial instruments**

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (for example: inputs relating to prices).

- Level 3: Inputs derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| | KD | KD | KD |
| **30 June 2018** | | | |
| **Financial assets:** | | | |
| Investments at fair value through statement of income | - | 35,737 | 35,737 |
| Available for sale investments | 5,648 | 8,266 | 13,914 |
| | 5,648 | 44,003 | 49,651 |

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| | KD | KD | KD |
| **31 December 2017 (audited)** | | | |
| **Financial assets:** | | | |
| Investments at fair value through statement of income | - | 44,659 | 44,659 |
| Available for sale investments | 5,126 | 8,969 | 14,095 |
| | 5,126 | 53,628 | 58,754 |

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| | KD | KD | KD |
| **30 June 2017** | | | |
| **Financial assets:** | | | |
| Investments at fair value through statement of income | - | 18,417 | 18,417 |
| Available for sale investments | 5,030 | 8,263 | 13,293 |
| | 5,030 | 26,680 | 31,710 |

## 21. Liquidity risk

Liquidity risk is the risk that the Group will encounter the difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realisable. Further, the Group plans and manages its expected cash flows through maintaining cash reserves.

As at 30 June 2018, the current liabilities of the Group exceeded its current assets with an amount of KD 6,672,537 (31 December 2017: KD 22,300,467 and 30 June 2017: KD 20,719,981). Whereas the Group maintains adequate cash reserves and owns investment properties of KD 20,933,484 as at 30 June 2018 (31 December 2017: KD 23,563,334 and 30 June 2017: KD 23,009,342) which may be sold or utilized by the Group in settlement of its debt with creditors related to wakala payables of KD 4,166,716 as at 30 June 2018 (31 December 2017: KD 21,164,197 and 30 June 2017: KD 21,667,698). Furthermore, the Group maintains guarantees of KD 36,307 as at 30 June 2018 (31 December 2017: KD 474,491 and 30 June 2017: KD 1,054,840) against receivables due from customers which indicates that the Group will be able to meet its short-term commitments.

## 22. Approval of the interim condensed consolidated financial information

During the period ended 30 June 2018, the Parent Company's board of directors has been dismissed and an interim administrative committee has been appointed accordingly. The Company's Chief Executive Officer has been dismissed by the Parent Company's general assembly on 5 February 2018. Subsequently, the board of directors has been appointed by the ordinary general assembly held on 10 June 2018 and the interim condensed consolidated financial information for the period ended 30 June 2018 was approved on 30 July 2018.

## 23. Comparative figures

Certain comparative figures for the year/ prior period have been re-classified to conform to current period's presentations. Such reclassification did not affect the previously reported loss or equity.