

Kuwait Remal Real Estate Company K.P.S.C

State of Kuwait

Interim condensed financial information

For the six months ended 30 June 2018



Geneva Group International
INDEPENDENT MEMBER
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Review Report for Interim Condensed Financial Information

**Members of the Board of Directors
Kuwait Remal Real Estate Company K.P.S.C.
Kuwait**

Introduction

We have reviewed the attached interim condensed statement of the financial position of Kuwait Remal Real Estate Company K.P.S.C. ("the Company") as on 30 June 2018 as well as the statement of profits and losses and comprehensive income, changes in interim equity and cash flows for the six months period that ended on that date. The preparation and presentation of this interim financial information in accordance with the International Accounting Standard 34 - "Interim Financial Reporting" - is the responsibility of the Company's management. Our responsibility is to express the outcome of our review of this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagement no. 2410, "Review of the Interim Financial Information by the Independent Auditor of the Entity". The review of the interim financial information includes, in principle, query to employees responsible for financial and accounting information and the application of analytical procedures and other review procedures. The scope of the actual review is less than that applied in the audit process in accordance with International Standards on Auditing. Therefore, it can't enable us to confirm that we are aware of all significant events that may be identified during the audit process and, accordingly, we do not express an audit opinion.

Reason for our qualified result:

1-The attached interim information includes available-for-sale investments carried at a book value of KD 3,862,130 (31 December 2017: KD 3,862,130 - 30 June 2017: KD 7,866,877) (note 4), which the Company has not assessed to be included with its fair value as on that date. If the Company had assessed these assets to determine its fair value, the book value of these investments could have been adversely or positively affected either as a result of decrease or an increase in its value. However, it was not possible to determine the effects resulting from not conducting this assessment by the company regarding the Interim Financial Information.

2. The legal proceedings filed against the Company include a lawsuit filed by a local bank due to the non-payment of a loan amounting to KD 34,500,000 which was due on 1 June 2016, as well as financing charges of KD 5,951,846 included under "other credit balances". Till date of this interim financial information, The case remains pending and the outcome of this case cannot yet be determined on the attached interim financial information (note 9, 10, 15). We have not been able to verify the existence and completeness of these balances due to the lack of bank confirmation.

Review Report for Interim Condensed Financial Information

**Members of the Board of Directors
Kuwait Remal Real Estate Company K.P.S.C.
Kuwait (Continued)**

Qualified outcome

Based on our review, and with the exception of the implications of the provisions stated in the reason for our qualified result, nothing has come to our attention that causes us to believe that the attached interim financial information is not prepared, from all the material aspects, in accordance with IAS 34.

Emphasizing some points:

- We would like to refer to (note 13) regarding the interim financial information showing that the accumulated losses amounted to KD 12,724,014 (31 December 2017: KD 12,733,502 - 30 June 2017: KD 748,433). Moreover, the current liabilities of the Company exceeded its current assets by 18,045,037 (31 December 2017: KD 32,508,295 - 30 June 2017: KD 30,369,527) In addition, as stated in notes 9 & 13, the term loans and financing charges amounting to KD 30,369,527 have not been paid at their due date, and the creditor bank has taken legal action against the company, and the company filed cross-legal proceedings. The legal proceedings are still ongoing between the parties. These circumstances may indicate a material degree of uncertainty which leads to doubts on the company's ability to continue.

- We would like to refer to (note 15), as the company is a party to legal proceedings and lawsuits regarding real estate transactions and such legal proceedings are still ongoing. The end result of these matters cannot be determined at present.

Our conclusion is unqualified about the above.

Other matter:

The financial statements for the year ended 31 December 2017 have been audited by another auditor who issued a qualified opinion on the financial statements as of 1 July 2018.

Review Report for Interim Condensed Financial Information

Members of the Board of Directors
Kuwait Remal Real Estate Company K.P.S.C.
Kuwait (Continued)

Report on other legal and regulatory requirements

In addition, based on our review, the interim financial information is consistent with the Company's books, except as stated in the reason for our qualified result. According to our knowledge and belief, during the three months ended 30 June 2018, no violations of the provisions of the Companies law No. 1 of 2016, as amended, and its executive regulations, nor of the Company's memorandum and articles of association, as amended, have occurred that might have had a material effect on the business or the financial position of the Company.



Khaled H. Al Ahmad - CPA
License No. 173 - A/Kuwait
AL-Soor Certified Public Accountants
GGI Independent Member-Switzerland

Kuwait: 16 August 2018

Kuwait Remal Real Estate Company K.P.S.C
State of Kuwait

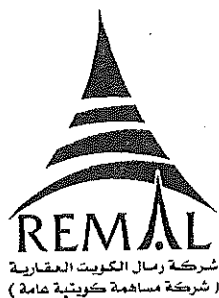
Interim condensed statement of financial position (Unaudited)
As at 30 June 2018

		30 June 2018	31 December 2017 (Audited)	30 June 2017
	Note	K.D	K.D	K.D
Assets:				
Non-current assets				
Property, plant and equipment		2,982	3,432	5,381
Investment properties	3	38,683,000	53,133,000	60,778,000
Available for sale investment	4	3,862,130	3,862,130	7,866,877
		<u>42,548,112</u>	<u>56,998,562</u>	<u>68,650,258</u>
Current assets				
Account receivables and other debit balances	5	15,246,446	10,290,351	9,673,236
Cash and bank balances	6	2,429	24,493	798
		<u>15,248,875</u>	<u>10,314,844</u>	<u>9,674,034</u>
Total assets		<u>57,796,987</u>	<u>67,313,406</u>	<u>78,324,292</u>
Equity and liabilities:				
Equity				
Share capital	7	30,613,000	30,613,000	30,613,000
Statutory reserve		3,049,347	3,049,347	3,049,347
Voluntary reserve		3,494,027	3,494,027	3,494,027
Accumulated losses		(12,724,014)	(12,733,502)	(748,433)
Total equity		<u>24,432,360</u>	<u>24,422,872</u>	<u>36,407,941</u>
Liabilities				
Non-current liabilities				
Provision for end of service indemnity		70,715	67,395	64,075
Current liabilities				
Murabaha - Short Term	8	-	-	60,000
Loans and bank facilities	9	26,000,007	36,082,915	36,133,086
Other credit balances	10	7,293,905	6,740,224	5,659,190
		<u>33,293,912</u>	<u>42,823,139</u>	<u>41,852,276</u>
Total liabilities		<u>33,364,627</u>	<u>42,890,534</u>	<u>41,916,351</u>
Total equity and liabilities		<u>57,796,987</u>	<u>67,313,406</u>	<u>78,324,292</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.



Khalifa Abdullah Ali Al-Nassar
Chairman



Kuwait Remal Real Estate Company K.P.S.C
State of Kuwait

Interim condensed statement of profit or loss and other comprehensive income (Unaudited)
For the six months ended 30 June 2018

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2018 K.D	2017 K.D	2018 K.D	2017 K.D
Rent Revenue		600,000	600,000	1,200,000	1,200,000
Rent Costs		(75,830)	(59,148)	(117,004)	(102,449)
Gross profit		524,170	540,852	1,082,996	1,097,551
Realized gain from sale of investment	3	-	-	400,000	-
		<u>524,170</u>	<u>540,852</u>	<u>1,482,996</u>	<u>1,097,551</u>
Expenses and other charges					
Staff cost		(42,450)	(26,185)	(72,245)	(54,664)
Others expenses	11	(8,748)	(13,197)	(22,373)	(156,438)
Depreciation		(225)	(1,725)	(450)	(3,694)
Finance costs		(702,242)	(723,985)	(1,378,440)	(1,419,263)
Total of expenses and other charges		<u>(753,665)</u>	<u>(765,092)</u>	<u>(1,473,508)</u>	<u>(1,634,059)</u>
Profit for the year before contributions to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat		<u>(229,495)</u>	<u>(224,240)</u>	<u>9,488</u>	<u>(536,508)</u>
Net profit / (loss) for the year		<u>(229,495)</u>	<u>(224,240)</u>	<u>9,488</u>	<u>(536,508)</u>
Other comprehensive income items:					
Other comprehensive income the period		-	-	-	-
Total comprehensive income / (loss) for the period		<u>(229,495)</u>	<u>(224,240)</u>	<u>9,488</u>	<u>(536,508)</u>
Profit / (loss) per share (fils)	12	<u>(0.75)</u>	<u>(0.73)</u>	<u>0.03</u>	<u>(1.75)</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

Kuwait Remal Real Estate Company K.P.S.C
State of Kuwait

Interim condensed statement of changes in equity (Unaudited)
For the six months ended 30 June 2018

	Share capital	Statutory	Voluntary	Accumulated	Total
	K.D	reserve	reserve	losses	K.D
	K.D	K.D	K.D	K.D	K.D
As at 1 January 2017	30,613,000	3,049,347	3,494,027	(211,925)	36,944,449
Changes in equity for the six months ended 30 June 2017					
Total comprehensive loss for the period	-	-	-	(536,508)	(536,508)
Balance at 30 June 2017	30,613,000	3,049,347	3,494,027	(748,433)	36,407,941
As at 1 January 2018	30,613,000	3,049,347	3,494,027	(12,733,502)	24,422,872
Changes in equity for the six months ended 30 June 2018					
Total comprehensive profit for the period	-	-	-	9,488	9,488
Balance at 30 June 2018	30,613,000	3,049,347	3,494,027	(12,724,014)	24,432,360

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

Kuwait Remal Real Estate Company K.P.S.C
State of Kuwait

Interim condensed statement of cash flows (Unaudited)
For the six months ended 30 June 2018

	Note	For the three months ended 30 June	
		2018 K.D	2017 K.D
Operating activities			
Profit / (loss) for the period		9,488	(536,508)
<i>Adjustments for:</i>			
Depreciation		450	3,694
Provision for end of service indemnity		3,320	3,086
Finance costs		1,378,440	1,419,263
		<u>1,391,698</u>	<u>889,535</u>
<i>Movements in working capital:</i>			
Account receivables and other debit balances		(4,956,095)	(663,690)
Other credit balances		(764,164)	115,103
Net cash from / (used in) operating activities		<u>(4,328,561)</u>	<u>340,948</u>
Investing activities			
Purchase of property, plant and equipment		-	(3,050)
Proceed from sale of Investment properties	3	14,450,000	-
Net cash from / (used in) investing activities		<u>14,450,000</u>	<u>(3,050)</u>
Financing activities			
Loans and bank facilities		(10,082,908)	(4,514)
Murabaha - Short Term		-	(150,000)
Finance costs paid		(60,595)	(186,995)
Net cash from / (used in) financing activities		<u>(10,143,503)</u>	<u>(341,509)</u>
Net decrease in cash and bank balances			
Cash and bank balances at the beginning of the period		24,493	4,409
Cash and bank balances at the end of the period	6	<u>2,429</u>	<u>798</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

Kuwait Remal Real Estate Company K.P.S.C
State of Kuwait

Notes to the interim condensed financial information (Unaudited)

For the six months ended 30 June 2018

1 Incorporation and activities

Kuwait Remal Real Estate Company - K.P.S.C. was incorporated and the transfer of legal entity documented at Ministry of Justice - real estate registration department - under No. 1349 Vol. 1 dated 3 March 2007. and its subsequent amendments of which the last was subject to mark in the commercial register No. 480 dated 9 July 2014.

The main purposes of the incorporation of the company are as follows:

- Owning, selling, Buying and developing real-estates to the company account inside and outside the State of Kuwait.
- Managing others properties in Kuwait and outside and owning, selling and buying shares and bonds of real-estate companies to the company account only.
- Preparing studies and presenting consultancies in the field of real-estate.
- Performing maintenance works related to buildings and real-estates owned by the company and by others.
- Organizing real-estate exhibitions related to the company real-estate projects and setting real-estate auctions.
- Possessing commercial facilities and residential compounds and managing them.
- Exploiting the available financial surplus of the company by investing it in financial portfolios managed by specialized companies and parties
- Direct contribution to lay the basic infrastructure to areas and residential, commercial and Industrial projects with "Build Operate and Transfer" system (BOT) and managing real-estate facilities with (BOT) System.

The company's registered postal address is P.O. Box 28682, Al-Safat 13147, State of Kuwait.

The approval for the issuance of these Interim condensed financial information were issued by the board of directors on 16 August 2018.

2 Basis of the presentations

This interim condensed financial information has been prepared in accordance with IAS 34. The accounting policies used in the preparation of this interim financial information for the period are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2017.

The interim condensed financial information does not include all the information and disclosures required for full financial statements in accordance with International Financial Reporting Standards. In the opinion of the management, all the amendments that are necessary for fair presentation have been included. The results for the financial period ended 30 June 2018 are not necessarily indicative of the results of operations that can be expected for the financial year ended 31 December 2018. For notes information, refer to the financial statements and their related notes for the year ended 31 December 2017.

Kuwait Remal Real Estate Company K.P.S.C
State of Kuwait

Notes to the interim condensed financial information (Unaudited)
For the six months ended 30 June 2018

3 Investment properties

Description	30 June 2018	31 December 2017	30 June 2017
	K.D	(Audited) K.D	K.D
Balance at the beginning period / year	53,133,000	60,778,000	60,778,000
Disposals	(14,450,000)	-	-
Changes in Fair Value	-	(7,645,000)	-
Balance at the ending period / year	38,683,000	53,133,000	60,778,000

Investment properties amounting to KD 38,683,000 (31 December 2017: KD 53,133,000 - 30 June 2017: KD 60,778,000) are pledged against loans obtained from a local bank (note 9).

The Company has sold the property located in Al Mahboula Block 6 Building 310 to Kuwait Capital Investment Company In the amount of KD 4,850,000 And collected KD 850,000 by check. The sale of the property resulted in an realized profit of KD 400,000.

As of 17 June 2018, the Company has sold the property located in Salmiya, Block 153, Building 57, to Kuwait Capital Investment Company In the amount of KD 10,000,000.

4 Available for sale investment

Available for sale investment is represented in unquoted local shares.

It was not possible to measure the fair value for unquoted financial assets of an amount KD 3,862,130 (31 December 2017: KD 3,862,130 - 30 June 2017: KD 7,866,877) due to non-availability of reliable method to estimate the fair value of these financial assets and thus it was recorded at cost.

5 Accounts receivables and other debit balances

Description	30 June 2018	31 December 2017	30 June 2017
	K.D	(Audited) K.D	K.D
Trade receivables	10,545,202	5,581,366	4,965,931
provision for doubtful debts	(1,700,000)	(1,700,000)	(1,700,000)
	8,845,202	3,881,366	3,265,931
Due from related party	6,399,700	6,399,700	6,400,177
Prepaid expenses	544	8,285	-
Refundable deposits	1,000	1,000	-
Other debit balances	-	-	7,128
	15,246,446	10,290,351	9,673,236

In the opinion of the Company's management, the balance of trade receivable and balances due from a related party described above are fully recoverable.

Trade receivables consist of KD 6,545,246 balance from rental income due and KD 4,000,000 due from Kuwait Capital Investment Company - KSC. Result from the sale of the property located in the area (Al Mahboula Block 6 Building 310) Note (3).

Kuwait Remal Real Estate Company K.P.S.C
State of Kuwait

Notes to the interim condensed financial information (Unaudited)

For the six months ended 30 June 2018

5 Accounts receivables and other debit balances (Continued)

Balances due from a related party are in the amount of KD 6,399,700 (31 December 2017: KD 6,399,700 - 30 June 2017: 6,400,177) in amounts paid to related parties for the purpose of investing in joint ventures projects. The company's management expects these projects to be completed during the current year.

6 Cash and bank balances

Description	30 June 2018	31 December 2017	30 June 2017
	K.D	(Audited) K.D	K.D
Cash on hand	637	-	630
Bank balances	1,792	24,493	168
	<u>2,429</u>	<u>24,493</u>	<u>798</u>

7 Share capital

The Company's authorized, issued, and fully paid capital is consist of 306,130,000 shares as at 30 June 2018 (31 December 2017: 306,130,000 shares - 30 June 2017: 306,130,000 shares) with a par value of 100 Kuwaiti fils per share and all shares are cash.

8 Murabaha

Murabaha - Short Term	30 June 2018	31 December 2017	30 June 2017
	K.D	(Audited) K.D	K.D
	-	-	60,000

9 Loans and bank facilities

Loans and bank facilities	30 June 2018	31 December 2017	30 June 2017
	K.D	(Audited) K.D	K.D
	<u>26,000,007</u>	<u>36,082,915</u>	<u>36,133,086</u>

Loans and bank facilities amounting to KD 26,000,007 (31 December 2017: KD 36,082,915 - 30 June 2017: KD 36,136,200) are loans granted to the Company by local banks in the State of Kuwait.

The effective interest rate on loans and bank facilities was 2.75% to 4% per annum (31 December 2017: from 2.75% to 4% - 30 June 2017: from 2.75% to 4% per annum) above the discount rate declared by the Central Bank of Kuwait and payable on different dates from 1 June 2016 to 28 February 2018 and are secured by a mortgage on investment properties (note 3).

A term loan of KD 34,500,000 was due on 1 June 2016 and there are legal claims in respect there of (Notes 15,13). The financing charges and bank charges payable on this loan amounted to KD 5,951,846 (Notes 15,10) as at 30 June 2018.

A term loan that there are legal claims in respect at 30 June 2018 was KD 24,417,681.

We have not been able to obtain sufficient and appropriate audit evidence to verify the existence and completeness of such balances, or the potential liabilities, mortgages or other matters related to such bank accounts as we have not been able to obtain bank confirmations as at 30 June 2018.

Kuwait Remal Real Estate Company K.P.S.C
State of Kuwait

Notes to the interim condensed financial information (Unaudited)
For the six months ended 30 June 2018

10 Other credit balances

<u>Description</u>	30 June 2018	31 December 2017	30 June 2017
	K.D	(Audited) K.D	K.D
Due finance charges	5,974,808	4,656,963	3,344,352
Provisions for legal claims	-	1,068,969	1,211,555
Due to national labor support tax	357,085	357,085	442,151
Due to related party	546,462	245,176	245,176
Zakat payable	215,804	215,804	215,804
Contribution to KFAS	134,186	134,186	134,186
Staff leave payable	50,038	46,166	42,671
Accrued expenses	15,522	15,875	23,295
	<u>7,293,905</u>	<u>6,740,224</u>	<u>5,659,190</u>

As at 30 June 2018, a financing charge of KD 5,951,846 was due on a loan due on 1 June 2016 (note 9).

11 Others expenses

<u>Description</u>	For the three months ended		For the six months ended 30	
	30 June		June	
	2018	2017	2018	2017
	K.D	K.D	K.D	K.D
Insurance	814	1,545	6,083	2,029
Fees and subscriptions	-	2,238	150	19,041
Bank charges	92	100	201	354
Valet parking expenses	2,650	2,650	6,625	7,950
Consultancy expenses	4,170	-	7,970	114,555
Stock exchange fees	-	3,826	-	8,623
Commissions	-	1,500	-	2,000
Others	1,022	1,338	1,344	1,886
	<u>8,748</u>	<u>13,197</u>	<u>22,373</u>	<u>156,438</u>

12 Share Loss

There are no dilutive ordinary shares expected to be issued. The information necessary to calculate the basic loss per share based on the weighted average number of shares outstanding during the year is as follows:

<u>Description</u>	For the three months ended		For the six months ended 30	
	2018	2017	2018	2017
	K.D	K.D	K.D	K.D
Profit / (loss) for the period	(229,495)	(224,240)	9,488	(536,508)
	<u>(229,495)</u>	<u>(224,240)</u>	<u>9,488</u>	<u>(536,508)</u>
	Shares	Shares	Shares	Shares
Weighted average number of shares outstanding	306,130,000	306,130,000	306,130,000	306,130,000
Profit / (loss) per share (fils)	(0.75)	(0.73)	0.03	(1.75)

Kuwait Remal Real Estate Company K.P.S.C
State of Kuwait

Notes to the interim condensed financial information (Unaudited)

For the six months ended 30 June 2018

13 Accounting Principle, Company Continuity and Working Capital

The interim financial information was prepared in accordance with the principle of continuity, which assumes that the Company is able to realize its assets and settle its liabilities through its normal activities. The interim financial information does not include any amendments that may result from the uncertainty of the Company's continuity.

As of 30 June 2018, the Company's accumulated losses amounted to KD 12,724,014 (31 December 2017: KD 12,733,502 - 30 June 2017: KD 748,433) and the Company's current liabilities exceeded its current assets by KD 18,045,037 (31 December 2017: KD 32,508,295 - 30 June 2017: KD 32,178,242) as a result of classification of loans in the interim statement of financial position as current loans because the Company's major financing arrangements were due at 1st June 2016 amounted to KD 34,500,000 (note 9) and the financing charges and bank fees payable in respect there of are KD 5,951,846 (note 10).

In view of the non-payment of the outstanding balance of the loans referred to above, the principal creditor bank "the Bank" has taken legal action against the company and the company has taken corresponding legal action (note 9,15). The company's management is currently studying the legal options available by holding consultation with the company's legal advisors. In addition, the company's management simultaneously negotiates with other banks for alternative financing facilities and considers opportunities to sell certain assets owned by the company to meet the loans obligations, taking into account that the value of the company's investment properties mortgaged to the bank exceeds the value of the loans and the bank facilities payable by the company. The company's management believes that it will settle the loans and facilities due successfully during the coming period.

The company's continuity depends on its ability to generate profits, enhance its future cash flows, reschedule and renew its credit facilities, as well as getting the support and finance from major shareholders.

The management expects that any payments required will be settled from the cash flows generated by the operating activities, in addition to getting an alternative bank financing, sale of certain assets or obtaining support from shareholders. The management is confident that the company has sufficient resources to continue operating in the foreseeable future.

If, for any reason, the Company is unable to continue its business as a continued entity, it may have an impact on its ability to sell its assets and meet its obligations within the normal activity in accordance with the amounts included in the interim financial information.

14 General Assembly

The Board of Directors of the company, held on 19 July 2018, has proposed no distribution of cash dividends, bonus shares or remuneration to directors for the financial year ended 31 December 2017.

The General Assembly of the shareholders of the Company held on 19 July 2018 agreed not to distribute cash dividends and not to pay remuneration for directors for the financial year ended 31 December 2017.

15 Legal Suits

(A) Legal and judicial procedures for settling an account with a local bank:

The company's principal financing arrangements for term loans amounting to KD 34,500,000 were due in June 1, 2016, and the financing charges and bank fees due thereon amounted to KD 5,951,846 as on 30 June 2018 (note 9, 10, 13). In view of the non-payment of the outstanding balance of bank loans and facilities referred to above, the main creditor bank took legal action against the company and the company announced on 2 November 2016 the executor clause for the seizure of the encumbered properties in favor of the bank under the bank facility contract. The company has put in place forms to stop implementation procedures.

On 16 March 2017, the complaint filed by the company was rejected. A hearing was scheduled on 10 October 2017, which was adjourned for several sessions, the last of which was set on 4 June 2018 (discussion expert hearing) and 18 September 2018 (supreme court Hearing) was held in case No. 3704 for the year 2017 in order to consider the liquidation of the existing account with the bank.

On 24 July 2017, the company also filed a lawsuit no.2063 of year 2017 before the Supreme Court to claim nullity of the execution procedures for the lack of executive bond. On 27 August 2017, the lawsuit was adjourned. On 24 September 2017, the Court of First Instance issued a decision dismissing the case and charging the company with expenses and legal fees. On 9 October 2017 The company appealed the first instance court ruling demanding the cancellation of the ruling and the elimination of nullification of the procedures of implementation. A hearing was set on 6 December 2017 to consider the case and on 20 December 2017 a ruling was issued dismissing the lawsuit and obligating the company to pay the expenses and legal fees.

(B) Legal action on cancellation of a sale of an investment property:

At its meeting held on 28 October 2014, the board of directors decided to sell one of the listed investment properties with a book value of KD 12,728,000 as of December 31, 2014. The Company received an offer to sell the property to a third party "Buyer" for KD 13,000,000. The company signed an initial sale agreement with the buyer and received an advance payment of KD 1,000,000. Accordingly, the property was classified as investment property held for sale as at 31 December 2014.

The agreement and its appendix include the terms and conditions of the sale and the obligations of the company and the buyer to complete the steps of the sale. The management of the company considers that the buyer has not fulfilled its obligations to complete the sale. Accordingly, the sale process has been suspended without any liability on the company, with the approval of the company's Bboard of directors at its meeting held on 26 May 2015. The classification of the property referred to as investment property held for sale as of this date was cancelled according to the IFRS 5 "Non-current assets held for sale and discontinued operations", and no additional gain or loss is recognized as a result of classifying the property as investment property held for sale.

During the year 2015, the buyer applied to the court demanding that the company be obliged to refund the amount of the advance payment and the same. At the hearing of 17 December 2015, the court of First Instance in case no. 3697 of 2015 civil commercial government /16 issued a sentence to cancel the contract for the sale of the property referred to above and consider it as if never occurred.

Kuwait Remal Real Estate Company K.P.S.C
State of Kuwait

Notes to the interim condensed financial information (Unaudited)
For the six months ended 30 June 2018

15 Legal Suits (Continued)

(B) Legal action on cancellation of a sale of an investment property (continued):

in addition to obligating the company to pay to the buyer an amount of KD 1,000,000 as well as 100,000 KD in compensation for the moral damages suffered by the buyer and also obligating it to pay the expenses and legal fees. On 17 January 2016, the company appealed the judgment of the court of first Instance demanding that the judgment be canceled and the case filed by the buyer to be.

The buyer also appealed the first instance court ruling demanding that the company refunds KD 2,000,000 which is the advance payment plus a similar amount as a remedying compensation for the material damages, in addition to amending the value of the moral damage by increasing it from KD 100,000 awarded by the court of first instance to KD 500,000 KD and obligate the company to pay all expenses and legal fees. On July 19, 2016, the court of Appeal dismissed the two appeals filed by the company. It also ruled to support the appealed sentence and obligated each appellant to pay his appeal expenses and ordered a set-off in the legal fees. On 18 August 2016, the company appealed the judgment of the court of Appeal and requested a stay of execution. On 17 October 2016, a court order was issued to suspend the execution of the judgment of the court of Appeal until the appeal of the court of cassation was settled. In the hearing dated on 27 of March 2017 the court decided to withhold the case till issuing a verdict in the hearing to be held on 3 April 2017 before the court of cassation. At the hearing held on 3 April 2017 before the court of cassation, the court of cassation ruled that the appeals were accepted in form and in the merits, it ruled to increasing the amount of compensation to be KD 200,000, in addition to a refund of KD 1,000,000 which is the amount paid as an advance payment for the purchase.

According to the legal opinion of the company's legal advisors, based on these final judgments, the company has become indebted to the buyer in the amount of KD 1,200,000 payable. In order to implement the judgment of the Execution court, the buyer has taken a number of actions in the execution file. The buyer also filed a lawsuit no. 201 of 2017 before the court of first instance (Sales1) demanding the seizure of the company's properties and selling it by public auction to pay the amounts claimed by the buyer. A hearing was scheduled on 16 October 2017, which was postponed to 25 December 2017 to consider the case and on 21 May 2018 a decision was issued to write off the case for a reconciliation agreement between the parties. The company filed across- lawsuit no. 2054 for the year 2017 before the court to lift the seizure of the property of the company and to consider it as it never occurred and the ruling of the nullity of that seizure. A hearing has been set on 27 November 2017 to consider the case, and on 23 April 2018 a ruling was issued to consider the case as if never occurred, In addition, the company has also filed a lawsuit against the court of Law No. 2999 for the year 2017 to lift the seizure of shares listed within the financial assets available for sale. A hearing was set on 21 November 2017. On 20 March 2018, A sentence was issued with the incompetency of the court to consider the case, subsequently, the company has excluded the reserved shares since they were sold in a public auction during the fiscal year ended on 31st of December 2017 (note 4).

The amount of the advance payment received by the company from the buyer of KD 1,000,000 plus a provision for compensation stated in the judgment of the court of cassation of KD 211,555 was included in other credit balances less the amount paid through the sale of shares of financial assets available for sale amounting to KD 142,586 (note 4, 10).

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15 Legal Suits (Continued)

(C) Legal proceedings on a real estate project in the United Arab Emirates:

On 24 September 2012, the company entered into a commercial lease agreement under which the company leased a property in the United Arab Emirates. The lease is valid for a period of fifteen years from the date of the leasing agreement with the lessor on 24 September 2012, including a grace period of two years from the date of concluding the contract. Upon the conclusion of the contract, the company paid an advance payment of AED 18,500,000 (equivalent to 1,420,000 KD). The full lease payment was completed on 24 March 2016. Based on the legal advice of the company's legal advisors, the company deferred the calculation and payment of the rental value for the period from 25 March 2016 to 31 December 2017 amounting to AED 32,742,466 (2,694,705) KD, because the Lessor didn't complete the infrastructure of the project and failing to transfer the right of possession and operation of the property from the Lessor to the company. On 19 April 2017, the lessor issued a legal warning to the company claiming that he had delivered the property to the company and notified it of the cancellation of the contract and demanded that the property be returned to the lessor and the rent paid by the company until the date the property is actually returned to the lessor. In keeping with its legal position, the company has issued a corresponding warning to the lessor demanding that he fulfill its obligations. Based on the legal advice of the company's legal advisors, the company's management believes that there will be no adverse effect of these legal proceedings on the financial statements of the company. In addition, the company has also filed a lawsuit no. 13791 of 2017 before the court and the case is still not set for a hearing before the experts.

16 Fair Value Evaluation

All assets and liabilities that are calculated or disclosed are stated in their fair value in the interim financial information at a level of sequential measurement based on the lowest material inputs level relative to the fair value measurement as follows:

Level 1: Includes active (unfair) declared market prices of similar assets and liabilities.

Level 2: Includes the basis for valuation where the lowest level of material inputs relative to fair value measurement is available either directly or indirectly.

Level 3: Includes the assessment bases where the lowest level of material inputs relative to the fair value measurement is not available.

No transfers were made between levels 1, 2 and 3 during the period.