Palms Agro Production Company K.S.C.P and Subsidiary

Interim Condensed Consolidated Financial Information and Independent Auditor's Review Report for the six month period ended 30 June 2018 (Unaudited)

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated financial information and independent auditor's review report (Unaudited)
For the six month period 30 June 2018

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TO THE BOARD OF DIRECTORS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P

Independent auditor's report on review of interim condensed consolidated financial information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Palms Agro Production Company K.S.C.P ("the parent company") and its subsidiary (together referred to as "the group") as at 30 June 2018 and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended, and the related statements of changes in equity and cash flows for the six month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. The parent company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

Except as explained in the following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim condensed 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's investment in Al Dhafra Irrigation Systems L.L.C "Al Dhafra", a foreign associate accounted for using the equity method, is carried at KD 367,344 on the interim condensed consolidated statement of financial position. The group's share of Al Dhafra net losses of KD 91,488, and the exchange differences arising on translation of foreign operations relating to Al Dhafra of KD 68 loss are included in the interim condensed consolidated statement of comprehensive income. We were unable to review the carrying amount of the group's investment in Al Dhafra as at 30 June 2018 and the group's share of Al Dhafra results and other comprehensive income for the period ended 30 June 2018. Had we been able to perform a review of Al Dhafra financial information for the six-month period ended 30 June 2018, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial information.

Qualified conclusion

Except for the adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting'.

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TO THE BOARD OF DIRECTORS OF PALMS AGRO PRODUCTION COMPANY K.S.C.P

Independent auditor's report on review of interim condensed consolidated financial information (Continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, nothing has come to our attention indicating that the interim condensed consolidated financial information is not in agreement with the books of accounts of the parent company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its executive bylaw during the six month period ended 30 June 2018 that might have had a material effect on the business of the group or on its financial position.

Ahmed Mohammed Abdulrahman Al-Rasheed
License No. 39 A
PricewaterhouseCoopers
(Al-Shatti & Co.)

28 August 2018

Kuwait

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated statement of income (unaudited)
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018	2017	**2018**	2017
Revenue		**802,131**	930,616	**1,756,567**	1,963,586
Cost of revenue		**(519,749)**	(627,791)	**(1,184,371)**	(1,328,810)
Gross profit		**282,382**	302,825	**572,196**	634,776
Change in fair value of biological assets		**30,857**	-	**36,380**	8,694
Selling and marketing expenses	3	**(136,466)**	(141,167)	**(273,611)**	(296,512)
General and administrative expenses	4	**(154,211)**	(126,725)	**(317,623)**	(272,639)
Other (expenses) / income		**(3,036)**	-	**2,072**	-
Operating profit		**19,526**	34,933	**19,414**	74,319
Investment income / (loss)	14	**6,752**	(8,513)	**8,245**	4,324
Share of results from investment in associate	5	**(39,378)**	(89,030)	**(91,488)**	(98,664)
Loss for the period before reversal of provisions for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labor Support Tax ("NLST") and Zakat		**(13,100)**	(62,610)	**(63,829)**	(20,021)
Contribution to KFAS		**-**	426	**-**	-
NLST		**-**	778	**-**	-
Zakat		**-**	1,571	**-**	-
Loss for the period		**(13,100)**	(59,835)	**(63,829)**	(20,021)
Basic and diluted losses per share	11	**(0.25 fils)**	(1.14 fils)	**(1.22 fils)**	(0.38 fils)

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated statement of comprehensive income (unaudited)
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
Loss for the period	**(13,100)**	(59,835)	**(63,829)**	(20,021)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations	**4,058**	3,123	**(68)**	(280)
Total other comprehensive income / (loss) for the period	**4,058**	3,123	**(68)**	(280)
Total comprehensive loss for the period	**(9,042)**	(56,712)	**(63,897)**	(20,301)

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated statement of financial position (unaudited)
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	30 June 2018	31December 2017 (audited)	30 June 2017
Assets				
Non-current assets				
Property and equipment		**892,369**	935,102	996,755
Investment in associates	5	**400,344**	491,900	772,096
Accounts receivable and prepayments	6	**1,207,156**	1,152,622	2,026,873
		2,499,869	2,579,624	3,795,724
Current assets				
Inventories		**1,306,236**	1,393,714	1,396,273
Biological assets		**460,297**	393,065	446,527
Amounts due from related parties	13	**21,172**	21,172	21,172
Accounts receivable and prepayments	6	**3,215,877**	3,337,475	2,743,576
Financial assets at fair value through profit or loss	12	**61,606**	62,586	69,671
Term deposit		**-**	252,532	-
Cash and cash equivalents	7	**1,761,696**	1,922,032	2,092,615
		6,826,884	7,382,576	6,769,834
Total assets		**9,326,753**	9,962,200	10,565,558
EQUITY AND LIABILITIES				
EQUITY				
Share capital		**5,239,900**	5,239,900	5,239,900
Share premium		**225,000**	225,000	225,000
Treasury shares	10	**(3,573)**	(3,573)	(3,573)
Statutory reserve		**1,033,497**	1,033,497	1,033,497
General reserve		**952,400**	1,033,497	1,033,497
Foreign currency translation reserve		**90,939**	91,007	98,487
Accumulated losses / retained earnings		**(63,829)**	442,061	940,762
Net equity		**7,474,334**	8,061,389	8,567,570
LIABILITIES				
Non-current liability				
Employees' end of service benefits		**570,692**	595,177	660,823
Current liabilities				
Advances on contracts		**107,552**	132,028	53,106
Accounts payable and accruals	9	**1,174,175**	1,173,606	1,284,059
		1,281,727	1,305,634	1,337,165
Total liabilities		**1,852,419**	1,900,811	1,997,988
Total equity and liabilities		**9,326,753**	9,962,200	10,565,558

Bader Hamad Al-Rabiah
Chairman

Faisal Fares Al-Fares
Vice Chairman and CEO

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated statement of changes in equity (unaudited)
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Share capital	Share premium	Treasury shares	Statutory reserve	General reserve	Foreign currency translation reserve	Retained earnings / (accumulated losses)	Total
Balance as of 1 January 2017 (audited)	5,239,900	225,000	(3,573)	1,033,497	1,033,497	98,767	1,483,941	9,111,029
Total comprehensive loss for the period	-	-	-	-	-	(280)	(20,021)	(20,301)
Dividends distributed (Note 8)	-	-	-	-	-	-	(523,158)	(523,158)
Balance as of 30 June 2017	5,239,900	225,000	(3,573)	1,033,497	1,033,497	98,487	940,762	8,567,570
Balance as of 1 January 2018 (audited)	**5,239,900**	**225,000**	**(3,573)**	**1,033,497**	**1,033,497**	**91,007**	**442,061**	**8,061,389**
Total comprehensive loss for the period	-	-	-	-	-	(68)	(63,829)	(63,897)
Dividends distributed (Note 8)	-	-	-	-	(81,097)	-	(442,061)	(523,158)
Balance as of 30 June 2018	**5,239,900**	**225,000**	**(3,573)**	**1,033,497**	**952,400**	**90,939**	**(63,829)**	**7,474,334**

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

Palms Agro Production Company K.S.C.P and Subsidiary

Interim condensed consolidated statement of cash flows (unaudited)
(All amounts are in Kuwaiti Dinars unless otherwise stated)

	Notes	Six months ended 30 June 2018	Six months ended 30 June 2017
Operating activities			
Loss for the period		**(63,829)**	(20,021)
Adjustments for:			
Depreciation		**96,386**	107,137
Murabaha income	14	**(10,725)**	(11,410)
Provision for obsolete and slow moving inventories and biological assets		**18,590**	11,650
Gain on disposal of property and equipment		**(2,000)**	-
Share of results from investment in associate	5	**91,488**	98,664
Change in fair value of financial assets at fair value through profit or loss	14	**2,480**	7,086
Employees' end of service benefits		**33,187**	40,464
Operating profits before changes in working capital		**165,577**	233,570
Accounts receivable and prepayments		**67,064**	(161,833)
Inventories		**69,645**	115,073
Biological assets		**(67,989)**	(83,144)
Accounts payables and accruals		**(49,070)**	(203,594)
Advances on contracts		**(24,476)**	(28,190)
Employees' end of service benefits paid		**(57,672)**	(59,942)
Net cash generated from / (used in) operating activities		**103,079**	(188,060)
Investing activities			
Purchase of property and equipment		**(53,653)**	(8,168)
Proceeds from disposal of property and equipment		**2,000**	-
Amounts due from related parties		**-**	164,280
Term deposits		**252,532**	-
Purchase of financial assets at fair value through profit or loss		**(1,500)**	-
Murabaha income received		**10,725**	11,410
Net cash generated from investing activities		**210,104**	167,522
Financing activity			
Cash dividends paid		**(473,519)**	(469,073)
Net cash used in financing activity		**(473,519)**	(469,073)
Decrease in cash and cash equivalents		**(160,336)**	(489,611)
Cash and cash equivalents at beginning of the period		**1,922,032**	2,582,226
Cash and cash equivalents at end of the period	7	**1,761,696**	2,092,615

The accompanying notes on pages 8 to 17 form an integral part of this interim condensed consolidated financial information.

1 GENERAL INFORMATION

Palms Agro Production Company K.S.C.P (the parent company) is a Kuwaiti shareholding company registered and incorporated in Kuwait on 25 May 1982.

According to the decision No. 69 of 2017 dated 14 May 2017 of the Capital Markets Authority, the Authority transferred the listing of parent company's shares from the main market to the parallel market on the Kuwait Stock Exchange as of 16 May 2017.

The parent company's main activities are import and export business of agricultural supplies, the execution of agricultural contracting work, establishment and management all types of nurseries and farms, reclamation and development of agricultural land, landscape gardening and ornamentation of public places and cities, utilizing of financial surplus available to the parent company through investing it in portfolios managed by specialized companies and entities, import and circulation of veterinary medicines and concluding agency agreements, inaugurating and operation of veterinary clinics and centers and practicing the professional of veterinary medicine, trading in the Kuwait stock exchange, breeding and trading of chicken and eggs and execution of construction contracts work.

The accompanying interim condensed consolidated financial information of Palms Agro Production Company K.S.C.P ("the parent company") and its subsidiary (together referred to as "the group") include the interim condensed financial information of Palms Trees Company K.S.C. (Closed) - fully owned subsidiary of the parent company which is operating in producing and packing of black honey; however the subsidiary's licence was suspended on 31 December 2006 and the subsidiary is not having any operations since then.

The parent company is a subsidiary of Bayan Holding Company (K.S.C.) ("ultimate parent company") with a percentage of 84.11%.

The registered head office of the parent company is at P.O. Box 1976, Safat 13020, Kuwait.

The accompanying interim condensed consolidated financial information was authorised for issue in accordance with a resolution of the board of directors on 14 August 2018.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with IAS 34, 'Interim financial reporting'. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017. In the opinion of management all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the six month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. For further information, refer to the annual audited consolidated financial statements for the year ended 31 December 2017.

2.2 Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information for this financial interim period are consistent with those followed in the preparation of annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards and amendments effective as of 1 January 2018.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Accounting policies (Continued)

A number of new or amended standards became applicable for the current reporting period:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2.3 below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

2.3 Changes in accounting policies

Management has assessed the effects of applying IFRS 15 Revenue from Contracts with Customers on the group's interim condensed consolidated financial information and has identified that there was no significant impact on revenue for the period. This note explains the impact of the adoption of IFRS 9 Financial Instruments on the group's interim condensed consolidated financial information.

2.3.1 IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies with no significant adjustments to the amounts recognised in the interim condensed consolidated financial information. The new accounting policies are set out in note 2.3.2 below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

Classification and measurement
On 1 January 2018 (the date of initial application of IFRS 9), the group's management has assessed which business models apply to the financial assets held by the group and has maintained its financial instruments into the appropriate IFRS 9 categories. The group had financial assets at fair value through profit or loss and maintained the same classification after adoption of IFRS 9. Other financial assets, were carried out at amortised costs continued to be measured at amortised cost.

Impairment of financial assets
The financial assets subject to IFRS 9's new expected loss models are accounts receivable and amounts due from customers for goods sold or services performed in the ordinary course of business.

The group was required to revise its impairment methodology under IFRS 9 for this class of assets. The impact of the change in impairment methodology on the group's retained earnings and equity was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

2.3.2 IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

Investments and other financial assets

Classification
From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in interim condensed consolidated statement of income, together with foreign exchange gains and losses. Impairment losses are presented in the interim condensed consolidated statement of income.

Fair Value through Other Comprehensive Income "FVOCI": Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through interim condensed consolidated statement of comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in interim condensed consolidated statement of income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to interim condensed consolidated statement of income.

Fair Value through Profit or Loss "FVPL": Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in interim condensed consolidated statement of income in the period in which it arises.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Changes in accounting policies (Continued)

2.3.2 IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

Equity instruments
The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in the statement of income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Impairment
For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.3.3 Impact of standards issued but not yet applied by the group

'IFRS 16 – Leases'
IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the interim condensed consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the group's operating leases.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

2.4 Judgements and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017.

3 SELLING AND MARKETING EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2017	2016	**2017**	2017
Salaries and related costs	**110,366**	116,708	**219,893**	237,046
Depreciation	**25,455**	26,600	**51,933**	55,184
Others	**645**	(2,141)	**1,785**	4,282
	136,466	141,167	**273,611**	296,512

4 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
Salaries and related costs	**58,985**	48,340	**118,611**	124,840
Depreciation	**16,573**	2,724	**33,210**	5,772
Rent	**7,937**	6,710	**20,463**	8,104
Maintenance and repair	**9,110**	6,878	**15,973**	16,563
Electricity and water	**7,666**	7,645	**14,925**	15,745
Insurance	**3,427**	7,641	**16,980**	8,691
Provision for obsolete and slow moving inventories and biological assets	**9,340**	5,825	**18,590**	11,650
Others	**41,173**	40,962	**78,871**	81,274
	154,211	126,725	**317,623**	272,639

5 INVESTMENT IN ASSOCIATES

The parent company has the following investment in associates:

		Equity Interest		
Name	**County of incorporation**	**30 June 2018**	31 December 2017 (Audited)	30 June 2017
Al Dhafra Irrigation Systems (L.L.C.)	United Arab Emirates	**33%**	33%	33%
Durra Al- Nakeel Real Estate Company W.L.L	Kuwait	**33%**	33%	33%

The movement in the carrying amount of investment in associates is as follows:

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Opening balances	**491,900**	871,040	871,040
Share of results of associate	**(91,488)**	(271,130)	(98,664)
Impairment charged	**-**	(100,250)	-
Foreign currency translation adjustment	**(68)**	(7,760)	(280)
Ending balances	**400,344**	491,900	772,096

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Non-current			
Retentions receivable	**1,207,156**	1,152,622	2,026,873
Current			
Trade receivables – gross	**1,692,629**	1,852,856	2,003,892
Provision for impairment of trade receivables	**(45,625)**	(45,625)	(45,625)
Trade receivables – net	**1,647,004**	1,807,231	1,958,267
Accrued income	**369,379**	355,459	527,372
Retentions receivable	**1,001,449**	1,039,937	113,981
Prepaid expenses	**45,554**	22,321	48,304
Advance payments	**122,515**	50,799	77,946
Other receivables	**29,976**	61,728	17,706
	3,215,877	3,337,475	2,743,576

There is no movement of the provision for impairment of trade receivables.

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statements of financial position and cash flows include the following:

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Bank balances	**581,531**	1,007,385	709,503
Cash on hand	**11,930**	12,370	13,144
Fixed deposits with original maturity less than 3 months	**1,159,350**	894,852	1,362,494
Cash held at portfolio	**8,885**	7,425	7,474
	1,761,696	1,922,032	2,092,615

Fixed deposits represent deposits with local financial institutions maturing within 3 months from date of placement with an average rate of profit of 1.8712 % (31 December 2017: 1.338 % and 30 June 2017: 1.1996 %).

8 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly of the parent company's shareholders held on 29 May 2018 approved the consolidated financial statements of the group for the year ended 31 December 2017 and the distribution of cash dividends of 10 fils per share for the year ended 31 December 2017 (31 December 2016: cash dividend of 10 fils per share).

9 ACCOUNTS PAYABLE AND ACCRUALS

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Trade payables	**331,705**	332,341	409,404
Retention payables	**163,549**	153,955	170,216
Other payables	**70,276**	74,513	51,377
Accrued expenses	**353,124**	406,915	410,066
Dividends payable	**255,521**	205,882	242,996
	1,174,175	1,173,606	1,284,059

10 TREASURY SHARES

	30 June 2017	31 December 2017 (Audited)	30 June 2017
Number of shares	**83,200**	83,200	83,200
Percentage of issued shares	**0.16%**	0.16%	0.16%
Cost (KD)	**3,573**	3,573	3,573
Market Value (KD)	**5,824**	4,992	8,320

11 BASIC AND DILUTED LOSSES PER SHARE

Basic and diluted losses per share are calculated by dividing the loss for the period by the weighted average number of ordinary shares outstanding during the period (excluding treasury shares) as follows:

	Three months ended 30 June		**Six months ended 30 June**	
	2018	2017	**2018**	2017
Loss for the period (KD)	**(13,100)**	(59,835)	**(63,829)**	(20,021)
Weighted average number of ordinary shares outstanding during the period (excluding treasury shares)	**52,315,800**	52,315,800	**52,315,800**	52,315,800
Basic and diluted losses per share	**(0.25 fils)**	(1.14 fils)	**(1.22 fils)**	(0.38 fils)

There are no potential dilutive shares.

12 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

1 Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the group's financial instruments that are measured at fair value on a recurring basis.

12 FAIR VALUE ESTIMATION (Continued)

	Level 1	Total
30 June 2018		
Financial assets at fair value through profit or loss		
Quoted securities	**61,606**	**61,606**
31 December 2017		
Financial assets at fair value through profit or loss		
Quoted securities	62,586	62,586
30 June 2017		
Financial assets at fair value through profit or loss		
Quoted securities	69,671	69,671

(i) Financial instruments in level 1

The fair value of financial instruments carried at fair value on recurring basis traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the last bid price.

The fair value of financial assets and liabilities measured at amortised cost approximates their carrying amounts.

13 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of the shareholders of the parent company who are represented in the board of directors, major shareholders and the companies in which any of its members is in the same time a board member in the parent company's board of directors, associated companies, directors and key management personnel of the parent company, and entities controlled, jointly controlled or significantly influenced by such parties. In the ordinary course of business, the group has carried some transactions during the period with related parties. The transactions and balances which are included in the interim condensed consolidated financial information are as follows:

	30 June 2018	31 December 2017 (Audited)	30 June 2017
Balances included in the interim condensed consolidated statement of financial position			
Amounts due from associate	**12,261**	12,261	8,911
Amounts due from the Ultimate Parent Company	**8,911**	8,911	12,261
Total	**21,172**	21,172	21,172
Financial assets at fair value through profit or loss - Al-Salbookh Trading Company K.S.C.P.	**61,606**	62,586	69,671

	Three months ended 30 June		**Six months ended 30 June**	
Key management compensation	**2018**	2017	**2018**	2017
Short-term benefits	**12,000**	12,000	**24,000**	24,000
End of service benefits	**1,730**	1,730	**3,460**	3,460
	13,730	13,730	**29,478**	27,460

14 INVESTMENT INCOME / (LOSS)

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	207
Murabaha Income	**5,690**	5,658	**10,725**	11,410
Change in fair value of financial assets at fair value through profit or loss	**1,062**	(14,171)	**(2,480)**	(7,086)
	6,752	(8,513)	**8,245**	4,324

15 SEGMENT INFORMATION

The group activities are organised in three major segments in the internal reporting system as follows:

- Commercial segment: includes the production and sale of nurseries and ornamental plants.
- Projects segment; represented in providing gardening and maintenance services.
- Investment segment.

	30 June 2018			
	Commercial segment	**Projects segment**	**Investment segment**	**Total**
Segment revenue	**1,239,007**	**556,012**	**(83,243)**	**1,711,776**
Segment expense	**1,192,151**	**583,454**	**-**	**1,775,605**
Segment profit / (loss)	**46,856**	**(27,442)**	**(83,243)**	**(63,829)**
Depreciation	**53,022**	**43,364**	**-**	**96,386**
Purchase of property and equipment	**35,701**	**17,952**	**-**	**53,653**

	30 June 2017			
	Commercial segment	Projects segment	Investment segment	Total
Segment revenue	1,110,123	862,157	(94,340)	1,877,940
Segment expense	1,080,986	816,975	-	1,897,961
Segment profit / (loss)	29,137	45,182	(94,340)	(20,021)
Depreciation	53,416	53,721	-	107,137
Purchase of property and equipment	7,291	877	-	8,168

Segmental distribution of assets and liabilities

	Commercial segment	**Projects segment**	**Investment segment**	**Total**
Total segment assets				
30 June 2018	**4,119,200**	**3,556,196**	**1,651,357**	**9,326,753**
31 December 2017	4,449,647	3,782,086	1,730,467	9,962,200
30 June 2017	3,815,403	4,517,248	2,232,907	10,565,558

	Commercial segment	**Projects segment**	**Investment segment**	**Total**
Total segment liabilities				
30 June 2018	**814,421**	**1,037,998**	**-**	**1,852,419**
31 December 2017	723,045	1,177,766	-	1,900,811
30 June 2017	1,204,906	793,082	-	1,997,988

16 CONTINGENCIES

The parent company had letters of guarantee towards foreign purchases amounting to 2,807,220 (31 December 2017: KD 2,955,728 and 30 June 2017: 3,629,294).