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

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

EY
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mashaer Holding Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Impairment of investment in associates

The Group has investment in associates with a carrying value of KD 8,904,801 as at 31 December 2018 (2017: KD 9,588,762). Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment provisions.

Impairment of investment in associates is significant to our audit as the management uses judgments and estimates to assess these investments for impairment. Accordingly, we have considered this as a key audit matter.

As part of our audit procedures, we assessed whether the management has identified any indications of impairment in its investees, including significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investees business also considering any changes in the investee's financial condition. We further assessed management's assumptions, including the comparison of relevant assumptions to industry benchmarks and economic forecasts to establish whether there are any indicators of impairment.

Additionally, we have also assessed the adequacy of the disclosures relating to Group's investment in associates in Note 10 to the consolidated financial statements.

b) Fair valuation of investment properties

Investment properties represent a significant part of the total assets of the Group and are measured at fair value of KD 15,673,094 as at 31 December 2018 (2017: KD 19,603,350).

The fair value of Group's investment properties have been determined by external real estate appraiser. The determination of fair value of investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. Given the size and complexity of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, we have considered this as a key audit matter.

We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraiser's valuations. We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis. Further, we have considered the objectivity, independence and competence of the external real estate appraiser. We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 9 to the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2018 Annual Report

Management is responsible for the other information. Other information consists of the information included in the group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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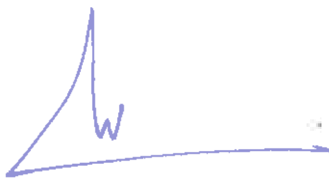
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. AND ITS SUBSIDIARIES (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Parent Company or on its financial position.



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

31 March 2019
Kuwait

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	***2018*** ***KD***	*2017* *KD*
INCOME			
Net real estate loss	4	**(1,262,952)**	(1,267,651)
Net investment income	5	**54,035**	44,055
Share of results of associates	10	**270,748**	(2,024,691)
Net foreign exchange differences		**1,878**	(14,453)
Other income		**110,721**	265,071
		(825,570)	(2,997,669)
EXPENSES			
Staff costs		**(638,265)**	(786,476)
General and administrative expenses		**(292,793)**	(305,759)
Finance costs		**(312,660)**	(480,561)
Depreciation		**(4,881)**	(7,140)
Impairment losses and other provisions	6	**(1,010,355)**	(1,463,607)
		(2,258,954)	(3,043,543)
LOSS BEFORE TAX		**(3,084,524)**	(6,041,212)
Tax claim provision	7	**(1,027,845)**	(1,030,769)
Taxation of overseas subsidiaries		**-**	(47,270)
LOSS FOR THE YEAR		**(4,112,369)**	(7,119,251)
Attributable to:			
Equity holders of the Parent Company		**(4,095,277)**	(7,078,461)
Non-controlling interests		**(17,092)**	(40,790)
		(4,112,369)	(7,119,251)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	8	**(22.83) Fils**	(39.46) Fils

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

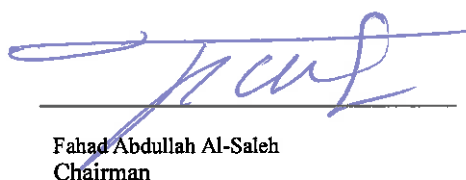
	2018 *KD*	*2017* *KD*
Loss for the year	**(4,112,369)**	(7,119,251)
Other comprehensive income (loss)		
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(161,937)**	247,248
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(161,937)**	247,248
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Net loss on equity instruments designated at fair value through other comprehensive income	**(343,735)**	-
	(343,735)	-
Total other comprehensive (loss) income for the year	**(505,672)**	247,248
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(4,618,041)**	(6,872,003)
Attributable to:		
Equity holders of the Parent Company	**(4,598,068)**	(6,831,561)
Non-controlling interests	**(19,973)**	(40,442)
	(4,618,041)	(6,872,003)

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 KD	2017 KD
ASSETS			
Non-current assets			
Furniture and equipment		**6,986**	7,622
Investment properties	9	**15,673,094**	19,603,350
Investment in associates	10	**8,904,801**	9,588,762
Financial assets at fair value through comprehensive income	11	**1,155,685**	-
Available-for-sale financial assets	11	**-**	1,763,906
Accounts receivable and other assets	12	**787,000**	-
		26,527,566	30,963,640
Current assets			
Amounts due from related parties	19	**337,012**	428,683
Accounts receivable and other assets	12	**2,036,971**	3,579,371
Investment deposits	13	**804,000**	685,708
Cash and bank balances		**406,889**	512,072
		3,584,872	5,205,834
TOTAL ASSETS		**30,112,438**	36,169,474
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**17,942,989**	17,942,989
Share premium	14	**14,334,621**	20,154,456
Statutory reserve	15	**-**	443,293
Foreign currency translation reserve		**(6,479,721)**	(6,317,896)
Treasury shares	16	**(13,008)**	(13,008)
Treasury shares reserve		**2,761**	2,761
Fair value reserve		**(605,452)**	-
Accumulated losses		**(4,095,277)**	(6,263,128)
Equity attributable to the equity holders of the Parent Company		**21,086,913**	25,949,467
Non-controlling interests		**347,799**	367,772
Total equity		**21,434,712**	26,317,239
Liabilities			
Non-current liabilities			
Tawarruq and Murabaha facilities	17	**1,376,866**	3,575,632
Employees' end of service benefits		**281,864**	306,844
		1,658,730	3,882,476
Current liabilities			
Tawarruq and Murabaha facilities	17	**1,499,733**	2,176,456
Amounts due to related parties	19	**216,937**	235,445
Accounts payable and other liabilities	18	**5,302,326**	3,557,858
		7,018,996	5,969,759
Total liabilities		**8,677,726**	9,852,235
TOTAL EQUITY AND LIABILITIES		**30,112,438**	36,169,474



Fahad Abdullah Al-Saleh
Chairman

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Equity attributable to the equity holders of the Parent Company										
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Foreign currency translation reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Fair value reserve KD*	*Accumulated losses) / Retained earnings KD*	*Sub-Total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2018 before the adoption of IFRS 9 (Audited)	17,942,989	20,154,456	443,293	(6,317,896)	(13,008)	2,761	-	(6,263,128)	25,949,467	367,772	26,317,239
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 3.2)	-	-	-	-	-	-	(264,486)	-	(264,486)	-	(264,486)
As at 1 January 2018	17,942,989	20,154,456	443,293	(6,317,896)	(13,008)	2,761	(264,486)	(6,263,128)	25,684,981	367,772	26,052,753
Loss for the year	-	-	-	-	-	-	-	(4,095,277)	(4,095,277)	(17,092)	(4,112,369)
Other comprehensive loss for the year	-	-	-	(161,825)	-	-	(340,966)	-	(502,791)	(2,881)	(505,672)
Total comprehensive income (loss) for the year	-	-	-	(161,825)	-	-	(340,966)	(4,095,277)	(4,598,068)	(19,973)	(4,618,041)
Extinguishment of accumulated losses (Note 14, 15)	-	(5,819,835)	(443,293)	-	-	-	-	6,263,128	-	-	-
As at 31 December 2018	**17,942,989**	**14,334,621**	-	**(6,479,721)**	**(13,008)**	**2,761**	**(605,452)**	**(4,095,277)**	**21,086,913**	**347,799**	**21,434,712**
As at 1 January 2017	17,942,989	20,154,456	443,293	(6,564,796)	(13,008)	2,761	-	2,160,660	34,126,355	408,214	34,534,569
Loss for the year	-	-	-	-	-	-	-	(7,078,461)	(7,078,461)	(40,790)	(7,119,251)
Other comprehensive loss for the year	-	-	-	246,900	-	-	-	-	246,900	348	247,248
Total comprehensive income (loss) for the year	-	-	-	246,900	-	-	-	(7,078,461)	(6,831,561)	(40,442)	(6,872,003)
Cash dividends (Note 20)	-	-	-	-	-	-	-	(1,345,327)	(1,345,327)	-	(1,345,327)
As at 31 December 2017	17,942,989	20,154,456	443,293	(6,317,896)	(13,008)	2,761	-	(6,263,128)	25,949,467	367,772	26,317,239

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	*2018* *KD*	*2017* *KD*
OPERATING ACTIVITIES			
Loss before tax		**(4,112,369)**	(7,071,981)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation		**4,881**	7,140
Provision for employees' end of service benefits		**98,713**	166,603
Amortisation of lease prepayments	4	**164,579**	164,579
Share of results of associates	10	**(270,748)**	2,024,691
Net investment income		**(54,035)**	(44,055)
Impairment loss on investments in associates	10	**16,840**	1,368,000
Net foreign exchange differences		**(1,878)**	14,453
Finance costs		**312,660**	480,561
Gain on sale of investment properties	4	**(129,377)**	(121,210)
Unrealised loss on revaluation of investment properties	4	**3,715,445**	3,645,599
Allowance for expected credit losses on trade receivables (2017: Provision for impairment of trade receivables)	6	**24,230**	95,607
Provision for legal claims	6	**969,285**	-
		738,226	729,987
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**566,591**	2,134,908
Accounts payable and other liabilities		**777,061**	49,680
Amounts due from related parties		**91,671**	198,280
Amounts due to related parties		**(18,508)**	(96,317)
Cash flows from operations		**2,155,041**	3,016,538
Employees' end of service benefits paid		**(123,693)**	(31,791)
Net cash flows from operating activities		**2,031,348**	2,984,747
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(4,245)**	(800)
Purchase of investment properties	9	**-**	(2,420)
Proceeds from sale of investment properties	9	**344,188**	362,776
Proceeds from disposal of furniture and equipment		**-**	14,764
Net movement in investment deposits		**(118,292)**	(285,708)
Dividends received from associates	10	**786,558**	933,100
Redemption of available-for-sale financial assets		**-**	52,000
Income from investment deposit and dividend received		**54,035**	44,055
Net cash flows from investing activities		**1,062,244**	1,117,767
FINANCING ACTIVITIES			
Finance costs paid		**(312,660)**	(480,561)
Net repayment Tawarruq and Murabaha facilities		**(2,875,489)**	(2,886,379)
Dividends paid	20	**-**	(1,345,327)
Net cash flows used in financing activities		**(3,188,149)**	(4,712,267)
Net decrease in cash and bank balances		**(94,557)**	(609,753)
Foreign currency translation adjustments		**(10,626)**	(57,027)
Cash and bank balances at beginning of the year		**512,072**	1,178,852
Cash and bank balances at end of the year		**406,889**	512,072

1. CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

Mashaer Holding Company K.S.C.P. (the "Parent Company") is a Kuwaiti public shareholding company incorporated and domiciled in the State of Kuwait and whose shares are publicly traded on Boursa Kuwait.

The Parent Company major shareholder is A'ayan Leasing and Investment Company K.S.C.P, a shareholding company incorporated and domiciled in the State of Kuwait and whose shares are publicly traded.

The consolidated financial statements of the Parent Company and subsidiaries (collectively the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 31 March 2019 and the shareholders at the Annual General meeting (AGM) have the power to amend these consolidated financial statements.

The registered address of the Parent Company is located at Gravity Tower, Ahmad Al Jaber street, Sharq, Kuwait and its postal address is P.O. Box 23110, Safat 13092, State of Kuwait.

The Parent Company is principally engaged in establishing companies in Kuwait and abroad, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialised financial institutions.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 19.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries for the year ended 31 December 2018. Details of the subsidiaries included in the consolidated financial statements are as follows:

Name	*Country of incorporation*	*% equity interest*		*Principal activity*
		2018	*2017*	
Masa'a Real Estate Company – K.S.C. (Closed)	Kuwait	**98.96**	98.96	Real estate
Hajj & Umrah Services Consortium – Mashaer K.S.C. (Closed)*	Kuwait	**97**	97	Hajj & Umrah services
Masa'a Real Estate Egypt E.S.C.*	Egypt	**98**	98	Real estate
Dar Al-Masa'a Real Estate S.S.C.*	K.S.A.	**97**	97	Real estate
Mashaer Kuwait Umra Trip organizing Company W.LL. *	Kuwait	**100**	100	Umra Services

* The Group effective interest in the subsidiaries is 100%. The Group directly holds the shares in the respective subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiary.

a) Associates

Set out below are the associates of the Group as at 31 December. For more details, refer to Note 10.

Name	*Country of incorporation*	*% equity interest*		*Principal activity*
		2018	*2017*	
Hajar Tower Real Estate Company – K.S.C. (Closed) *	Kuwait	**16**	16	Real estate
Rawahel Holding Company K.S.C. (Closed) *	Kuwait	**18.53**	18.53	Transport services
Qiblah Travel & Tourism Company K.S.C. (Closed)	Kuwait	**40.46**	40.46	Travel and tour services
The Spot Real Estate Company – E.S.C. (Closed) **	Egypt	**65**	65	Real estate

* The Group owns less than 20% of the voting rights of the investee, however the Group determined that it has significant influence because it has meaningful representation on the board of the investee.

**Although the Group owns half of the investee's equity interest, the management determined it does not control the investee because the other vote holders had a dominant voting interest to direct the relevant activities of the entity, therefore no control was established over the investee. However, the Group has the power to exercise significant influence and accordingly the investment is treated as an associate.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The consolidated financial statements has been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities.

The Group incurred a loss of KD 4,112,369 (2017: KD 7119,251) during the year ended 31 December 2018, and as at that date, the Group has net current liabilities of KD 3,434,124 (2017: KD 763,925). The current liabilities include Tawarruq and murabaha payables of KD 1,499,733, which are contractually due within 12 months from the end of the reporting period.

Notwithstanding the above, management does not consider that these conditions indicate the existence of a material uncertainty regarding the Group's ability to continue as going concern. Accordingly, the consolidated financial statements has been prepared on a going concern basis taking into consideration the following assumptions:

- Operating cash flows will be sufficient to meet the repayment terms as they fall due;
- Repayments required will be met out of operating cash flows or from anticipated asset sales; and
- The Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

As described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and financial assets at fair value thorough other comprehensive income which have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the Parent Company's functional and presentation currency.

3.2 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 9 - *Financial Instruments*
The Group adopted IFRS 9 *Financial Instruments* on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 - Financial Instruments (continued)

a) Classification and measurement
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification of the Group's financial assets:

- With respect to receivables, the Group analysed the contractual cash flow characteristics of those instruments and concluded that based on their business model which is to hold the financial asset to collect the contractual cash flows which meets the SPPI criterion, these instruments shall be classified as at amortised cost under IFRS 9. Therefore, reclassification for these instruments is not required on initial adoption of IFRS 9.

- Equity securities that the Group intends to hold for the long term for strategic purposes have been irrevocably designated at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

The IFRS 9 impact of required or elected reclassifications as at 1 January 2018 is disclosed in Note 3.2.

(b) Impairment
IFRS 9 requires the Group to record ECLs on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. Given the limited exposure of the fund to credit risk, this amendment has not had a material impact on the consolidated financial statements. The Group only holds trade receivables with limited financing component and which have maturities of less than 12 months at amortised cost and therefore has adopted an approach similar to the simplified approach to ECLs.

(c) Hedge accounting
At the date of initial application, the Group had no existing hedging relationships and therefore the new general hedge accounting model in IFRS 9 has no impact on the Group.

IFRS 15 - *Revenue from Contracts with Customers*
The Group adopted IFRS 15 *Revenue from Contracts with Customers* on its effective date of 1 January 2018. IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

IFRS 15 did not have a significant impact on the Group's accounting policies as revenue streams mainly comprise of rental income and management fees.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to IAS 40 - Transfers of Investment Property
The amendment is applied prospectively, however, retrospective application in accordance with IAS 8 is permitted if possible without the use of hindsight. The amendment clarifies when an entity should transfer property, including property under construction or development into, or out of, investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. This is effective for accounting periods beginning on or after 1 January 2018. There has been no change in use of any of the Group's investment property.

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

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

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

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

Classification of financial assets on the date of initial application of IFRS 9
The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, however, the Group has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following table shows reconciliation of original measurement categories and carrying amount in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial instruments as at 1 January 2018.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Transitional provisions (continued)

Classification of financial assets on the date of initial application of IFRS 9

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39 KD*	*Re-measurement KD*	*New carrying amount under IFRS 9 KD*
Financial assets					
Cash and balances with banks	Loans and receivables	Amortised cost	512,072	-	512,072
Investment deposits	Loans and receivables	Amortised cost	685,708	-	685,708
Accounts receivable and other assets (excluding prepayments)	Loans and receivables	Amortised cost	2,731,154	-	2,731,154
Amounts due from related parties	Loans and receivable	Amortised cost	428,683	-	428,683
Investment securities					
– Unquoted equity securities	AFS	FVOCI	1,763,906	(264,486)	1,499,420
Total financial assets			**6,121,523**	**(264,486)**	**5,857,037**

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

The application of the ECL model under IFRS 9 has not resulted in any changes to the carrying amounts of the Group's amortised cost financial assets.

3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 16 - *Leases*
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 – *Leases (continued)*
IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Amendments to IAS 28: *Long-term interests in associates and joint ventures*
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures.*

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

3.4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest in investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)
NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

Zakat
Contribution to Zakat is calculated at 1% of the profit for the year attributable to Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Furniture and equipment
Furniture and equipment are stated at cost less accumulated depreciation and impairment in value. Depreciation is calculated using the straight line to write down the cost of furniture and equipment to their residual values over their estimate useful lives as follows:

Office equipment & computers	3 years
Furniture & fixtures	5 years

An item of furniture and equipment are derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of furniture and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation of these assets commences when the assets are ready for their intended use.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)
Group as a lessee (continued)
A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under furniture and equipment up to the date of change in use.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Financial instruments
In the current period the Group has adopted IFRS 9 *Financial Instruments*. See section 2.2 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

a) Recognition and initial measurement
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

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

b) Classification and subsequent measurement

Financial assets - Policy effective from 1 January 2018 (IFRS 9)
On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- 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 FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- 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.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement (continued)
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 OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise

Financial assets – Business model assessment: Policy applicable from 1 January 2018
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

► Financial assets at FVTPL	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 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 recognised in profit or loss.
► Debt investments at FVOCI	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 arerecognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018

► Equity investments at FVOCI	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 OCI and are never reclassified to profit or loss.
► Financial assets at fair value through profit or loss	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
► Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
► Loans and receivables	Measured at amortised cost using the effective interest method.
► Available-for-sale financial assets (AFS)	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

c) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

c) Derecognition (continued)

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

d) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets
Policy applicable from 1 January 2018
The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For bank balances, trade receivables and other receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the balances and the Group's economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Policy applicable before 1 January 2018
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement
Fair value is 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Investment deposits
Investment deposits represent deposits with banks due within three months or more from the placement date and earn profit.

Employees end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares
The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Earnings per share (EPS)
Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Dividend distribution
The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the Shareholders at the annual general assembly. A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Revenue recognition
Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from services
Revenue from the rendering of services is recognised evenly over the period of the related contract.

Gain or loss arising on disposal of investments
Gain or loss arising on disposal of investments is calculated as the difference between the net disposal proceeds and the carrying amount of the investments and included in the consolidated statement of profit or loss, in the year in which the investment is disposed. Gain or loss on disposal of investments is recognised when the significant risks and rewards of ownership of the investments have passed to the buyer.

Rental income
The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms.

Income from investment deposits
Income from investment deposits is recognised on a time proportionate basis.

Dividends
Income from dividends is recognised when the right to receive payment is established.

Finance costs
Finance cost are calculated and recognised on a time proportionate basis taking into account the principal finance balance outstanding and the cost rate applicable. Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. Capitalisation of financing cost ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies
Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Segmental information
A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments. The Group presents the segmental information based on its business segments and geographical locations of its operations.

3.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of real estate properties
Management decides on acquisition of a real estate property, whether it should be classified as trading or investment property. The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Classification of financial assets
Effective from 1 January 2018 (IFRS 9)
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Classification of financial assets
Effective before 1 January 2018 (IAS 39)
Management has to decide on acquisition of financial assets whether it should be classified as available-for-sale, held to maturity, investments at fair value through profit or loss or as loans and receivables. In making the judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report performance.

Impairment of available for sale financial assets
Effective before 1 January 2018 (IAS 39)
The Group treats the available for sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group considered a decline of 30% to be significant and a period of 12 months to be prolonged.

Lease classification - Group as a lessor
The Group has entered into leasing arrangements with customers. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the asset and the present value of the minimum lease payments not amounting to substantially all of the fair value of the vehicles, that it retains all the significant risks and rewards of ownership of these vehicles and accounts for the contracts as operating leases.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Taxes
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxes. Given the range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Assessment of control in subsidiaries and associates
The management concluded that The Spot Real Estate Company E.S.C. not a subsidiary of the Group even though the Group has 65% ownership interests in the entity. An assessment of control was performed based on whether the Group has the practical ability to direct the relevant activities unilaterally. In making this judgement, the contractual arrangements with other vote holders were considered. After the assessment, the Group concluded that the other vote holders had a dominant voting interest to direct the relevant activities of the entity, therefore no control was established over the entity. However, the Group has the power to exercise significant influence and accordingly the investment is treated as an associate.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of associates
Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of financial assets at amortised cost

Effective before 1 January 2018 (IAS 39)
An estimate of the collectible amount of accounts receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Effective from 1 January 2018 (IFRS 9)
The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

3.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Valuation of investment properties
The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement.*

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 9.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4 NET REAL ESTATE LOSS

	2018 *KD*	*2017* *KD*
Rental income	**3,096,225**	2,961,187
Rental and real estate related expenses	**(608,530)**	(539,870)
Amortisation of lease prepayments	**(164,579)**	(164,579)
Net rental income	**2,323,116**	2,256,738
Gain on sale of investment properties	**129,377**	121,210
Revaluation loss of investment properties (Note 9)	**(3,715,445)**	(3,645,599)
	(1,262,952)	(1,267,651)

5 INVESTMENT INCOME

	2018 *KD*	*2017* *KD*
Dividend income	**-**	5,500
Income from investment deposits and others	**54,035**	38,555
	54,035	44,055

6 IMPAIRMENT LOSSES AND OTHER PROVISIONS

	2018 *KD*	*2017* *KD*
Impairment losses on investment in associates (Note 10)	**16,840**	1,368,000
Allowance for expected credit losses on trade receivables (2017: Impairment on trade receivable) (Note 12)	**24,230**	95,607
Provision for legal claims [1, 2]	**969,285**	-
	1,010,355	1,463,607

[1] During 2010, the Group sold 3 units in Hajar tower to Mr. Essa Abulwahab Al Essa ("buyer") for KD 780,000. However, the buyer refused to take custody of the units and filed a lawsuit in February 2016 claiming that the units were sold at an inflated price. On 21 March 2018, based on court instructions, the Group paid KD 45,980 to the buyer representing rental income earned from units for the period from 1 December 2010 to 21 February 2016.

In 2017, the buyer filed another lawsuit for the cancelation of the sale contract and reimbursement of the original amount paid. On December 2018, the buyer passed away and the claim is expected to be passed onto the heirs of the deceased.

6 IMPAIRMENT LOSSES AND OTHER PROVISIONS (continued)

[2] Qortuba Real Estate Development Company Egypt ("Qortuba") provided portfolio management services to the Group from 2007 to 2009. In 2018, Qortuba filed a lawsuit against the Group claiming an amount of KD 189,285. This claim represented a commission of 1.5%in relation to the portfolio under management amounting to KD 89,561, in addition to 10% incentive fee of KD 99,724.

Based on management's assessment, it is possible that an outflow of resources will be required to settle the obligation. Accordingly, Group recorded 100% provision for the legal claim actioned against the Group.

7 TAX CLAIM PROVISION

Tax claim provision represents capital gain tax and related penalties ("tax claim") based on the demand notice received by the Group from the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia during 2017. In addition, GAZT also claimed penalties at the rate of 1% for every thirty days delay on the settlement of capital gain tax calculated as of the due date and till the payment date. The tax claim covers the sale transaction of a property partly owned by the Group.

In 2017, the management of the Parent Company believed that the tax claim did not reflect the correct application of tax laws in the Kingdom of Saudi Arabia and accordingly filed an objection against the tax assessment. However, in 2018, GAZT rejected the management's objection and upheld the tax claim. The management appointed a new tax consultant to review the tax claim and filed an appeal against the objection. Further, management revised the tax claim liability and recorded an additional provision of KD 1,027,845 (2017: KD 1,030,769) calculated based on the original demand notice received by the Parent Company from GAZT.

As at the authorisation date of this consolidated financial statements, the outcome of the tax claim is still in pregress. The provision recorded in the consolidated financial statements for the year ended 31 December 2018 represents the managements best estimate of tax liability that may arise from the tax claim.

8 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2018	*2017*
Loss for the year attributable to equity holders of the Parent Company (KD)	**(4,095,277)**	(7,078,461)
Weighted average number of shares outstanding during the year (excluding treasury shares)	**179,376,890**	179,376,890
Basic and diluted EPS (fils)	**(22.83)**	(39.46)

9 INVESTMENT PROPERTIES

The movement in the Group's investment properties during the year is as follows:

	2018 KD	*2017 KD*
At 1 January	**19,603,350**	23,411,313
Capital expenditure	**-**	2,420
Disposals[1]	**(214,811)**	(241,566)
Foreign currency translation adjustment	**-**	76,782
Changes in fair value [2] (Note 4)	**(3,715,445)**	(3,645,599)
At 31 December	**15,673,094**	19,603,350

9 INVESTMENT PROPERTIES (continued)

The Group's investment properties are located in the following geographical locations:

	2018 *KD*	*2017* *KD*
Kuwait	**9,750,000**	10,585,000
Other MENA countries	**5,923,094**	9,018,350
	15,673,094	19,603,350

Investment properties amounting to KD 9,750,000 (2017: KD 10,585,000) are pledged as security to fulfill collateral requirements of certain bank borrowings. (Note 17).

[1] During the year ended 31 December 2018, the Group sold certain investment properties with an aggregate carrying value of KD 214,811 (2017: KD 241,566) for a total consideration of KD 344,188 (2017: 362,776 KD) resulting in a realised gain on disposal of KD 129,377 (2017: KD 121,210).

[2] The valuation of the investment properties of KD 12,336,439 (2017: KD 14,536,674), comprising of residential properties KD 10,411,840 (2017: KD 11,755,018) and hotel properties KD 1,924,599 (2017: KD 2,781,656) were performed by two independent valuers with recognised and relevant professional qualification and recent experience of the location and category of investment properties being valued. Fair value of the investment properties is arrived at by using the market comparable approach using observable market inputs. Further details are provided in Note 25.2.

Investment properties include an amount of KD 3,336,655 (2017: KD 5,066,676) representing the cost of construction of one hotel located in the Kingdom of Saudi Arabia which is leased in the ordinary course of business.

During the year, this property was revalued by two independent valuers resulting in revaluation loss of KD 1,730,021 (2017: KD 1,726,666). The fair value is determined based on a discounted cash flow method, using contractually fixed cash flows for 3 years and discount rate of 12.34%. This property is classified in level 3 of fair value hierarchy.

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy, together with the quantitative sensitivity analysis at 31 December 2018 and 2017 are disclosed in Note 25.2

10 INVESTMENT IN ASSOCIATES

Details of the Group's associates are as follows:

	2018 *KD*	*2017* *KD*
Hajer Tower Real Estate Company – K.S.C. (Closed)	**2,273,262**	2,668,950
Rawahel Holding Company K.S.C. (Closed)	**3,388,222**	3,499,820
Qiblah Travel & Tourism Company K.S.C. (Closed)	**-**	132,583
The Spot Real Estate Company – E.S.C. (Closed)	**3,243,317**	3,287,409
	8,904,801	9,588,762

The above associates are private entities that are not listed on any stock exchange; therefore, no quoted market prices are available for its shares.

Shares of investment in associate with carrying value of KD 2,055,838 (2017: KD 2,413,681) are pledged as a security to fulfill collateral requirements of bank borrowings (Note 17).

The associates had no contingent liabilities or capital commitments as at 31 December 2017 or 2018.

Impairment of associates
During the year, the Group has recorded impairment losses amounting to KD 16,840 (2017: KD 1,368,000) (Note 6) on investment in associates.

10 INVESTMENT IN ASSOCIATES

Impairment of associates (continued)
The management has carried out the assessment of Group's investment in associates to identify any indicators of impairment. The management has considered factors such as changes in the investee's financial condition, any significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investees business. The management has not identified any indicators of further impairment on the Group's investment in associates, accordingly, no further impairment were recognised in the consolidated financial statements at the reporting date.

10 INVESTMENT IN ASSOCIATES (continued)

The following table illustrates summarised financial information of the Group's investments in associates individually:

2018	*Hajer Tower Real Estate Company K.S.C. (Closed) KD*	*Rawahel Holding Company K.S.C. (Closed) KD*	*The Spot Real Estate Company E.S.C. KD*	*Qiblah Travel and Tourism Company K.S.C. (Closed) KD*	*Total 2018 KD*	*Total 2017 KD*
Current assets	20,893,956	5,379,556	5,145,580	250,006	31,669,098	32,332,506
Non-current assets	35,977,148	29,404,642	337,383	197,351	65,897,458	67,443,789
Current liabilities	(29,195,349)	(809,688)	(493,244)	(251,408)	(30,749,689)	(33,599,606)
Non-current liabilities	(13,467,860)	(15,686,413)	-	(154,327)	(29,308,600)	(25,220,047)
Equity	14,207,895	18,288,097	4,989,719	41,622	37,527,333	40,956,642
Group's ownership	16.0%	18.53%	65.0%	40.46%	-	-
Group's share in the equity	2,273,262	3,388,222	3,243,317	16,840	8,921,641	9,588,762
Goodwill	-	-	-	-	-	1,368,000
Impairment losses	-	-	-	(16,840)	(16,840)	(1,368,000)
Group's carrying amount	2,273,262	3,388,222	3,243,317	-	8,904,801	9,588,762
Income	15,720,695	10,253,981	142,632	534,863	26,652,171	29,930,980
Expenses	(14,180,946)	(9,260,549)	(210,203)	(820,940)	(24,472,638)	(46,245,167)
Profit (loss) for the year	1,539,749	993,432	(67,571)	(286,077)	2,179,533	(16,314,187)
Other comprehensive income for the year	-	(151,140)	-	-	(151,140)	227,493
Dividends received from associates	642,048	144,510	-	-	786,558	933,100
Group's share of profit (loss) for the year	246,360	184,052	(43,921)	(115,743)	270,748	(2,024,691)
Reconciliation to carrying amounts:						
Opening net assets 1 January	2,668,950	3,499,820	3,287,409	132,583	9,588,762	13,908,060
Profit (loss) for the year	246,360	184,052	(43,921)	(115,743)	270,748	(2,024,691)
Other comprehensive income	-	(151,140)	-	-	(151,140)	227,493
Return of capital	-	-	-	-	-	(221,000)
Dividends received	(642,048)	(144,510)	-	-	(786,558)	(933,100)
Impairment losses	-	-	-	(16,840)	(16,840)	(1,368,000)
Foreign currency	-	-	(171)	-	(171)	-
Closing net assets 31 December	2,273,262	3,388,222	3,243,317	-	8,904,801	9,588,762

11 FINANCIAL INVESTMENTS

	2018 *KD*	*2017* *KD*
Financial assets at fair value through other comprehensive income (IFRS 9):		
Local unquoted equity investments	**122,249**	-
Foreign unquoted equity investments	**1,033,436**	-
Available-for-sale investments (under IAS 39)		
Local unquoted equity investments	-	270,218
Foreign unquoted equity investments	-	1,493,688
	1,155,685	1,763,906

At 31 December 2017, certain unquoted equity investments do not have a quoted price in active market and whose fair value cannot be measured reliably were accounted at cost (in accordance with IAS 39). These instruments have been measured at fair value at the date of initial application of IFRS 9. Any difference between the previous carrying amount and the fair value is recognised in the opening retained earnings or OCI, as appropriate (Note 3.2).

The hierarchy for determining and disclosing the fair values of financial investments by valuation techniques is presented in Note 25.1.

12 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2018 *KD*	*2017* *KD*
Financial assets		
Trade receivables	**592,252**	509,939
Other receivables *	**1,608,098**	2,221,304
	2,200,350	2,731,243
Non-financial assets		
Prepayments	**623,621**	848,128
	2,823,971	3,579,371

The net carrying value of trade receivables is considered reasonable approximation of fair value.

Note 23.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

Movements in the impairment allowance for trade receivables are as follows:

	2018 *KD*	*2017* *KD*
Opening provision for impairment of trade receivables	**674,555**	578,948
Allowance recognised in profit or loss during the year	**24,230**	95,607
At 31 December	**698,785**	674,555

The maximum exposure to credit risk exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

* Other receivables include an amount of KD 1,587,000 (2017: KD 2,190,125) placed by the Group with a third party related to the purchase of a property. On 29 February 2012, the Group entered into an agreement with the counterparty to receive fixed rental income of KD 516,000 over a period of 42 months and the principal would be repaid at maturity on 31 August 2015. The terms of the agreement provided the third party with an option to repurchase the property by making early repayments at any point of time during the tenure of the agreement. On 1 September 2015, the third party repurchased the property and thereby extended the tenor of the repayment (i.e. KD 2,450,000) over the next two years.

12 ACCOUNTS RECEIVABLE AND OTHER ASSETS (continued)

On 29 November 2018, the Group renewed the repurchase agreement and extended the tenor of the remaining repayment amount of KD 1,587,000 payable in monthly instalment of KD 50,000 over the remaining period of 30 months with a final maturity on July 2021. Accordingly, the Group classified amount of KD 800,000 (2017: KD 2,190,125) as current and KD 787,000 (2017: KD Nil) as non-current.

13 INVESTMENT DEPOSITS

These represent deposits placed with local banks having original maturity period of more than three months. Investment deposits carry an average rate of return of 2.5% (2017: 2.5 %) per annum.

14 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2018	*2017*	***2018 KD***	*2017 KD*
Shares of 100 fils each (paid in cash)	**179,429,890**	179,429,890	**17,942,989**	17,942,989

(b) Share premium
The Share premium is not available for distribution.

The shareholders of the Parent company at the AGM held on 2 May 2018 resolved to extinguish accumulated losses of KD 6,263,128 through share premium and statutory reserve of KD 5,819,835 and KD 443,293 respectively.

15 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit attributable to the equity holders of the Parent Company for the year, before contribution to KFAS, NLST, Zakat and directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. No transfers were made during the year as the Parent Company has incurred losses for the current year.

The shareholders of the Parent Company at the AGM held on 2 May 2018 resolved to extinguish accumulated losses of KD 6,263,128 through share premium and statutory reserve of KD 5,819,835 and KD 443,293 respectively

16 TREASURY SHARES

	2018	*2017*
Number of treasury shares	**53,000**	53,000
Percentage of treasury shares (%)	**0.03%**	0.03%
Cost of treasury shares (KD)	**13,008**	13,008
Market value of treasury shares (KD)	**4,452**	3,286
Weighted average market value per treasury share (fils)	**84**	62

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

17 TAWARRUQ AND MURABAHA FACILITIES

	2018 *KD*	*2017* *KD*
Tawarruq and Murabaha facilities	**2,928,935**	5,846,861
Less: deferred finance costs	**(52,336)**	(94,773)
	2,876,599	5,752,088
Current	**1,499,733**	2,176,456
Non-current	**1,376,866**	3,575,632
	2,876,599	5,752,088

Tawarruq and Murabaha facilities aggregating to KD 2,876,600 (2017: KD 5,752,088) are secured against shares of the subsidiaries, an associate (Note 10) and investment properties (Note 9).

Tawarruq and Murabaha facilities are all denominated in KD and carry an effective profit rate in the range of 5.75 % to 6.26% (2017: 5.75 % to 6.26%).

18 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2018 *KD*	*2017* *KD*
Accounts payable	**73,488**	106,898
Accrued expenses	**3,433,629**	1,504,034
Dividend payable	**151,184**	173,637
Unearned revenue	**1,644,025**	1,773,289
	5,302,326	3,557,858

19 RELATED PARTY DISCLOSURES

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

The following table shows the aggregate value of transactions and outstanding balances with related parties:

	2018 *KD*	*2017* *KD*
Consolidated statement of financial position:		
Amounts due from related parties		
Associates	**337,012**	428,683
Amounts due to related parties		
Associates	**208,837**	225,475
Other related parties	**8,100**	9,970
	216,937	235,445

Transactions with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows:

19 RELATED PARTY DISCLOSURES (continued)

Transactions with key management personnel (continued)

	2018 *KD*	*2017* *KD*
Key management compensation:		
Salaries and short term benefits	183,193	189,758
Employees' end of service benefits	32,490	88,924
	215,683	278,682

Terms and conditions of transactions with related parties

Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. outstanding balances at the year-end are unsecured, interest free and repayable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the Group has not recorded any impairment of receivables relating to amounts due from related parties (2017: KD Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

20 DISTRIBUTIONS MADE AND PROPOSED

	2018 *KD*	*2017* *KD*
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2017: Nil fils per share (2016: 7.50 fils per share)	-	1,345,327
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2018: Nil fils per share (2017: Nil fils per share)	-	-

Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December.

21 SEGMENT INFORMATION

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

- *Real estate activities* – Investments in real estate properties either by way of purchase, sale, development and renting of residential and commercial properties (including land and land development) in various geographical locations.
- *Haj and Umrah services – Ticketing, travel and logistic services relating to Haj and Umrah.*
- *Investment activities - Establishing companies in Kuwait and aboard, lending to subsidiaries and associates and* investing excess cash flows in investments managed by specialized financial institutions.

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

	Real estate activities *KD*	*Hajj & Umrah services* *KD*	*Investment activities* *KD*	*Total* *KD*
31 December 2018				
Segment revenue	3,389,058	(928)	274,853	3,662,983
Segment expenses	(6,097,655)	(6,318)	(1,671,379)	(7,775,352)
Segment results	(2,708,597)	(7,246)	(1,396,526)	(4,112,369)
Segment assets	19,857,712	13,332	10,241,394	30,112,438
Segment liabilities	4,295,221	47,944	4,334,561	8,677,726

21 SEGMENT INFORMATION (continued)

	Real estate KD	*Hajj & Umrah KD*	*Investment KD*	*KD*
31 December 2017				
Segment revenue	3,374,124	10,570	6,830	3,391,524
Segment expenses	(4,761,174)	(111,430)	(5,638,171)	(10,510,775)
Segment results	(1,387,050)	(100,860)	(5,631,341)	(7,119,251)
Segment assets	24,427,185	25,060	11,717,229	36,169,474
Segment liabilities	3,362,787	55,385	6,434,063	9,852,235

Information relating to the business segments is detailed below:

	Real estate activities KD	***Hajj & Umrah services KD***	***Investment activities KD***	***Total KD***
31 December 2018				
Finance cost	**42,437**	**-**	**270,223**	**312,660**
Change in fair value of investment properties	**(3,715,445)**	**-**	**-**	**(3,715,445)**
Share of results of associates	**-**	**-**	**270,748**	**270,748**

	Real estate activities KD	*Hajj & Umrah services KD*	*Investment activities KD*	*Total KD*
31 December 2017				
Finance cost	53,742	-	426,819	480,561
Change in fair value of investment properties	(3,645,599)	-	-	(3,645,599)
Share of results of associates	-	-	(2,024,691)	(2,024,691)

The Group operates in two geographical markets: Domestic and International, which is considered its secondary segment. The geographical segment details is as follows:

	Domestic KD	***International KD***	***Total KD***
31 December 2018			
Segment revenue	**1,289,446**	**2,373,537**	**3,662,983**
Total assets	**18,267,660**	**11,844,778**	**30,112,438**
31 December 2017			
Segment revenue	45,650	3,345,874	3,391,524
Total assets	18,544,660	17,624,814	36,169,474

During the year 2016, the Shareholders of Hajj & Umrah Services Consortium – Mashaer K.S.C. (Closed), a subsidiary, decided to temporarily suspend the business operations, until the market condition of Hajj & Umrah Services become favourable.

22 COMMITMENTS AND CONTINGENCIES

Capital commitments
The Group has commitments in respect of uncalled capital contribution amounting to KD 688,800 (2017: KD 1,033,200).

Operating lease commitments – Group as a lessee
The Group has entered into an operating lease for rental space, with a rental term of five years. The Group has the option to lease the asset for a similar term.

22 COMMITMENTS AND CONTINGENCIES (continued)

Future minimum rentals payable under operating leases as at 31 December are, as follows:

	2018 ***KD***	*2017* *KD*
Within one year	**344,400**	344,400
After one year, but not more than five years	**344,400**	688,800
	688,800	1,033,200

Legal claim contingency
The Group operates in the real estate industry and is subject to legal disputes with tenants in the normal course of business. Management does not believe that such proceedings will have a material effect on its results and financial position.

23 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's achieving profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The Group's risk management focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance and analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group is exposed to are described below.

23.1 Market risk
Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as foreign exchange rates, interest rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

a) Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements.

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the Saudi Riyal (SAR) and Egyptian Pound (EGP), with all other variables held constant, on the consolidated statement of profit or loss (due to the fair value of currency sensitive assets and liabilities).

23 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.1 Market risk (continued)

a) Foreign currency risk (continued)

	Increase/decrease in SAR rate to the KD	*Effect on profit (loss) KD*
2018	+5%	**(168,812)**
	-5%	**168,812**
2017	+5%	(117,068)
	-5%	117,068

	Increase/decrease In EGP rate to the KD	*Effect on profit (loss) KD*
2018	+5%	**55,541**
	-5%	**(55,541)**
2017	+5%	79,170
	-5%	(79,170)

b) Profit rate risk

Profit rate risk arises from the possibility that profit rate risk since its and investment deposits are from Islamic financial institutions at fixed profit rates. Changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to significant

c) Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) (Note 11). The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Senior Management reviews and approves all major equity investment decisions.

At the reporting date, the exposure to unquoted equity investments at fair value was KD 1,155,685. Sensitivity analyses of these investments have been provided in Note 25.2.

23.2 Credit risk

Credit risk is the risk that one counter-party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group is exposed to credit risk on its bank balances and investment deposits, amounts due from related parties and trade and other receivables.

Assessment of expected credit losses

Bank balances and investment deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on bank balances and investment deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

23 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 Credit risk (continued)

Amounts due from related parties
With respect to amounts due from related parties, the Group has assessed its related parties to have low credit risk based on its strong liquidity position to meet its contractual cash flow obligations in the near term. Accordingly, the Group does not expect to incur any significant credit losses on the amounts due from its related parties.

Account and other receivables
The Group's policy is to closely monitor the creditworthiness of the counterparties. In relation to rental income receivable, management assesses the tenants according to Group's criteria prior to entering into lease arrangements.

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts.

Maximum exposure to credit risk
The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarised below:

	2018	*2017*
	KD	*KD*
Accounts receivable and other assets	**2,200,350**	2,731,243
Amounts due from related parties	**337,012**	428,683
Investment deposits	**804,000**	685,708
Bank balances	**406,889**	512,072
	3,748,251	4,357,706

The maximum credit exposure to a single counter-party as of 31 December was KD 1,587,000 (2017: KD 2,190,125), which is secured by an investment property registered in the name of the Group and can be called upon if the counterparty is in default under the terms of the agreement.

Information on other significant concentrations of credit risk is as follows:

	Domestic	***International***	***Total***
	KD	***KD***	***KD***
At 31 December 2018			
Accounts receivable and other assets	**1,619,267**	**581,083**	**2,200,350**
Amounts due from related parties	**29,000**	**308,012**	**337,012**
Investment deposits	**600,000**	**204,000**	**804,000**
Bank balances	**375,815**	**31,074**	**406,889**
	2,624,082	**1,124,169**	**3,748,251**
At 31 December 2017			
Accounts receivable and other assets	2,256,991	474,252	2,731,243
Amount due from related parties	6,337	422,346	428,683
Investment deposits	10,000	675,708	685,708
Bank balances	453,021	59,051	512,072
	2,726,349	1,631,357	4,357,706

23 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.3 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by the senior management of the Parent Company. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

	Up to 1 month KD	*1-3 months KD*	*3-12 months KD*	*Over 1 year KD*	*Total KD*
As at 31 December 2018					
Accounts payable and other liabilities	**259,971**	**497,652**	**4,544,703**	**-**	**5,302,326**
Amounts due to related parties	**8,970**	**1,000**	**206,967**	**-**	**216,937**
Tawarruq and Murabaha facilities	**19,096**	**38,192**	**1,472,692**	**1,398,956**	**2,928,936**
Total undiscounted liabilities	**288,037**	**536,844**	**6,224,362**	**1,398,956**	**8,448,199**
As at 31 December 2017					
Accounts payable and other liabilities	291,523	747,559	2,518,776	-	3,557,858
Amounts due to related parties	8,970	1,000	225,475	-	235,445
Tawarruq and Murabaha facilities	19,096	38,192	2,161,465	3,628,108	5,846,861
Total undiscounted liabilities	319,589	786,751	4,905,716	3,628,108	9,640,164

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

24 CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder wealth.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital on the basis of the gearing ratio, and is calculated as net debt by total capital plus net debt. The Group includes within net debt, Tawarruq and Murabaha payables less cash and bank balances and investment deposits.

	***2018* KD**	*2017 KD*
Tawarruq and Murabaha payables	**2,876,599**	5,752,088
Less: Cash and bank balances	**(406,889)**	(512,072)
Less: Investment deposits	**(804,000)**	(685,708)
Net debt	**1,665,710**	4,554,308
Total capital	**21,434,712**	26,317,239
Capital and net debt	**23,100,422**	30,871,547
Gearing ratio	**7 %**	15 %

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

25 FAIR VALUE MEASUREMENT

Fair value hierarchy
All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

25.1 Financial instruments

The fair value of unquoted investments at fair value through other comprehensive income at 31 December 2018 amounting to KD 1,155,685 is categorised within level 3 of the fair value hierarchy.

At 31 December 2017, fair value of these unquoted investments could not be measured reliably as they did not have a quoted price in an active market and were therefore accounted at cost (in accordance with IAS 39).

There were no transfers between any levels of the fair value hierarchy during 2018 or 2017.

Valuation techniques
The Group invests in equity of companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for these positions. This approach utilises price multiples of relevant sectors. The discounted multiple is applied to the corresponding relevant measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as level 3.

For all other financial assets and liabilities, management assessed that the carrying value is a reasonable approximation of fair value.

Reconciliation of Level 3 fair values
The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

31 December 2018	*At 1 January KD*	*IFRS 9 transition adjustment KD*	*Re-measurement recognised in OCI KD*	*Net (sales) and purchases KD*	*At 31 December KD*
FVOCI:					
Unquoted equity securities	-	**1,499,420**	**(343,735)**	-	**1,155,685**

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

	Valuation technique	*Significant unobservable inputs*	*Range (weighted average)*	*Sensitivity of the input to fair value*
FVOCI				
Unquoted securities	Market approach	Sector PBV multiple	0.66 - 0.99 (0.74)	10% increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD (115,568)
		DLOM	30%	10% increase / (decrease) in the DLOM would result in an (decrease) / increase in fair value by KD 165,098

* Discount for lack of marketability ("DLOM") represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

25 FAIR VALUE MEASUREMENT

25.2 Non-financial instruments

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) KD	*Significant observable inputs (Level 2) KD*	*Significant unobservable inputs (Level 3) KD*	*Total KD*
2018				
Investment properties	-	**12,336,439**	**3,336,655**	**15,673,094**
2017				
Investment properties	-	14,536,674	5,066,676	19,603,350

Valuation techniques
Investment properties
The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 '*Fair Value Measurement*' and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment property using the income capitalization method included within Level 3.

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

	At 1 January KD	*Loss recorded in profit or loss KD*	*At 31 December KD*
31 December 2018			
Investment properties	**5,066,676**	**(1,730,021)**	**3,336,655**
31 December 2017			
Investment properties	6,793,342	(1,726,666)	5,066,676

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

Level 3 hierarchy
The fair value of the investment property under the Level 3 hierarchy was determined using the income approach. The fair value is determined based on discounted cash flow method, using contractually fixed cash flows for 3 years and discount rate of 12.34%.

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

Based on 5% sensitivity in the significant unobservable inputs used in valuation of certain investment property, the resulting impact of change in fair value of investment properties in the consolidated statement of profit or loss would be KD 166,833 (2017: KD 253,334).