Al-Arabiya Real Estate Company K.S.C.P. and its Subsidiaries

Consolidated Financial Statements

For the Year Ended 31 December 2018

Deloitte.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-ARABIYA REAL ESTATE COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Al-Arabiya Real Estate 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, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated 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 Qualified Opinion

As set out in Note 10 to the consolidated financial statements, trade and other receivables include KD 7,039,955 (2017: KD 7,039,955) which represents the net carrying value of a compensation claim due to the Group. This amount has not been collected up to the reporting date due to the ongoing negotiations to increase the compensation amount. Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' 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 qualified opinion.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-ARABIYA REAL ESTATE COMPANY K.S.C.P.

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

Material Uncertainty Related To Going Concern

We draw attention to Note 2 to the consolidated financial statements, which states that the Group incurred a loss of KD 2,446,207 during the year ended 31 December 2018 (2017: KD 3,241,560) and, as of that date, the Group's current liabilities exceeded its current assets by KD 23,571,878 (2017: KD 25,190,504). These conditions, along with other matters as set forth in Notes 7 and 17 with respect to placing an unconsolidated hotel under receivership as a result of the Group's default in repaying a bank loan obtained from a regional bank in UAE amounting to KD 15,795,418 (2017: KD 14,981,497), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 year. In addition to the matter described in Basis for Qualified Opinion section and in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report. 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.

Fair value of investment properties

The Group's investment properties comprise of lands and buildings in Kuwait and other GCC countries. The total value of investment properties amounting to KD 118,728,760 representing 74% of the Group's total assets is significant to the Group's consolidated financial statements and are carried at fair value as disclosed in Note 6 to the consolidated financial statements. Management determines the fair value of its investment properties using external appraisers to support the valuation. The accounting policies of the Group relating to the estimate of fair value including critical judgements are disclosed in note 3.5 and 3.6 to the consolidated financial statements.

Investment properties are valued using either market comparable approach or income capitalization approach. Market comparable approach is based on the latest sale prices of properties within similar areas for certain investment properties. Income capitalization approach is based on estimates and assumptions such as rental income, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions for certain other properties. The disclosures relating to the assumptions are relevant, given the estimation uncertainty and sensitivity of the valuations. Considering the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we identified this as a key audit matter.

As part of our audit procedures, we have evaluated the assumptions and estimates made by the management and the external appraisers as noted above, in the valuation and assessed the appropriateness of the data supporting the fair value by reference to externally available data. Amongst others, we have considered the objectivity, independence and expertise of the external appraisers. Furthermore, we assessed the appropriateness of the disclosures as shown in Note 6 to the consolidated financial statements.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-ARABIYA REAL ESTATE COMPANY K.S.C.P.

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 auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditors' 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 auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the compensation claim amount as at 31 December 2018. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Management and 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 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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-ARABIYA REAL ESTATE COMPANY K.S.C.P.

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

Auditors' 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 auditors' 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 based on these consolidated financial statements.

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 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 auditors' 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 auditors' 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.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL-ARABIYA REAL ESTATE COMPANY K.S.C.P.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We communicate to 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 to 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.

From the matters communicated to 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 accounts 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, except for the matters described in the Basis for Qualified Opinion section of our report, 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, as amended, 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, as amended, 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, except that the Parent Company has directly invested in shares of certain companies, whose objectives are different from the Parent Company's (Note 9).

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28 March 2019
Kuwait

Al-Arabiya Real Estate Company K.S.C.P. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Assets	*Notes*	*2018 KD*	*2017 KD*
Non-current assets			
Property, plant and equipment	4	**17,839,685**	18,917,838
Properties under development	5	**-**	1,480,799
Investment properties	6	**118,728,760**	119,300,079
Net assets of unconsolidated hotel	7	**308,194**	308,194
Investment in an associate	8	**1,015,902**	928,582
Investment securities	9	**10,868,529**	10,846,214
		148,761,070	151,781,706
Current assets			
Trade and other receivables	10	**8,993,471**	9,050,677
Cash and cash equivalents	11	**3,377,451**	813,893
		12,370,922	9,864,570
Total assets		**161,131,992**	161,646,276
Equity and liabilities			
Equity			
Share capital	12	**50,984,499**	50,984,499
Share premium		**5,614,733**	5,614,733
Treasury shares	13	**(714,784)**	(714,784)
Statutory reserve	14	**4,000**	4,569,660
Voluntary reserve	15	**-**	4,569,660
Other reserves	16	**1,105,162**	1,346,439
Accumulated losses		**(721,885)**	(8,538,280)
Total equity		**56,271,725**	57,831,927
Non-current liabilities			
Employees' end of service benefits		**476,687**	430,335
Loans and bank facilities	17	**68,440,780**	68,328,940
		68,917,467	68,759,275
Current liabilities			
Trade and other payables	18	**10,061,626**	5,885,416
Loans and bank facilities	17	**25,881,174**	29,169,658
		35,942,800	35,055,074
Total liabilities		**104,860,267**	103,814,349
Total equity and liabilities		**161,131,992**	161,646,276

Dr. Emad Jawad Bukhamseen
Chairman

Dr. Anwar Ali Al Naqi
Vice Chairman

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2018

	Notes	*2018 KD*	*2017 KD*
Revenues			
Rental income		**5,073,169**	3,938,938
Income from hotels		**6,504,291**	6,464,210
Group's share in an results from associate	8	**71,726**	23,236
Dividends income		**283,310**	282,784
Realized gain from sale of financial assets available for sale		**-**	577,500
Other operating income		**658,347**	772,286
Foreign exchange gain (loss)		**132,785**	(347,619)
		12,723,628	11,711,335
Expenses			
Unrealized loss from valuation of investment properties		**203,371**	708,887
Rental expenses		**941,147**	782,654
Expenses of hotels		**4,800,755**	4,641,003
Staff costs	19	**454,180**	425,368
Depreciation and amortization		**1,675,856**	1,605,651
Other expenses	20	**1,765,094**	1,237,884
Finance costs		**5,329,432**	5,551,448
		15,169,835	14,952,895
LOSS FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOR SUPPORT TAX (NLST) AND ZAKAT		**(2,446,207)**	(3,241,560)
KFAS		**-**	-
NLST		**-**	-
Zakat		**-**	-
LOSS FOR THE YEAR		**(2,446,207)**	(3,241,560)
BASIC AND DILUTED LOSS PER SHARE	**21**	**(4.84) fils**	(6.42) fils

The attached notes 1 to 29 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	***2018*** ***KD***	*2017* *KD*
Loss for the year		**(2,446,207)**	(3,241,560)
Items that are or may be reclassified to the consolidated statement of income in subsequent periods:			
Change in fair value of financial assets available for sale	16	-	910,097
Realized gain from sale of financial assets available for sale	16	-	(577,500)
Foreign currency translation adjustment	16	**16,959**	(1,042,336)
		16,959	(709,739)
Items that will not be reclassified subsequently to the consolidated statement of income in subsequent periods:			
Change in fair value of investment securities at FVOCI	16	**1,130,662**	-
		1,130,662	-
Total other comprehensive income (loss)		**1,147,621**	(709,739)
Total other comprehensive loss for the year		**(1,298,586)**	(3,951,299)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital KD	*Share premium KD*	*Treasury Shares KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Other reserves (Note 16) KD*	*Accumulated losses KD*	*Total KD*
Balance as at 1 January 2018	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,346,439	(8,538,280)	57,831,927
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 3.3)	-	-	-	-	-	(227,318)	(34,298)	(261,616)
Restated balance as at 1 January 2018	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,119,121	(8,572,578)	57,570,311
Loss for the year	-	-	-	-	-	-	(2,446,207)	(2,446,207)
Other comprehensive income	-	-	-	-	-	1,147,621	-	1,147,621
Total comprehensive income (loss) for the year	-	-	-	-	-	1,147,621	(2,446,207)	(1,298,586)
Write off of accumulated losses (Notes 14 ,15)	-	-	-	(4,565,660)	(4,569,660)	-	9,135,320	-
Net realised gain transferred to accumulated losses on disposal of investment securities at FVOCI	-	-	-	-	-	(1,161,580)	1,161,580	-
Balance as at 31 December 2018	50,984,499	5,614,733	(714,784)	4,000	-	1,105,162	(721,885)	56,271,725
Balance as at 1 January 2017	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	2,056,178	(5,296,720)	61,783,226
Loss for the year	-	-	-	-	-	-	(3,241,560)	(3,241,560)
Other comprehensive loss	-	-	-	-	-	(709,739)	-	(709,739)
Total comprehensive loss for the year	-	-	-	-	-	(709,739)	(3,241,560)	(3,951,299)
Balance as at 31 December 2017	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,346,439	(8,538,280)	57,831,927

The attached notes 1 to 29 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 for the year before contribution KFAS, NLST and Zakat		**(2,446,207)**	(3,241,560)
Adjustments to reconcile loss for the year to net cash flow:			
Depreciation	4	**1,675,856**	1,605,651
Provisions for impairment of trade receivables	10	**5,195**	25,544
Unrealized loss from valuation of investment properties		**203,371**	708,887
Share of results of an associate	8	**(71,726)**	(23,236)
Gain from sale of financial assets available for sale		**-**	(577,500)
Provision for employees' end of service benefits		**125,632**	108,535
Dividends income		**(283,310)**	(282,784)
Finance costs		**5,329,432**	5,551,448
		4,538,243	3,874,985
Working capital adjustments:			
Trade and other receivables		**17,713**	(486,762)
Trade and other payables		**(1,823,790)**	271,659
Cash flows from operations		**2,732,166**	3,659,882
Employees' end of service benefits paid		**(79,280)**	(201,420)
Net cash flows from operating activities		**2,652,886**	3,458,462
INVESTING ACTIVITIES			
Additions to property, plant and equipment	4	**(603,450)**	(662,223)
Additions to properties under development	5	**(285,101)**	(792,788)
Additions to investments properties		**-**	(321,788)
Additions of investment securities		**(288,764)**	-
Refund of advance for purchasing investment property		**-**	15,488,747
Proceeds from sale of investment securities		**1,169,793**	577,500
Proceeds from sale of property, plant and equipment		**5,830**	-
Proceeds from sale of investment properties	6	**2,350,000**	-
Dividends received		**283,310**	282,784
Net cash flows from investing activities		**2,631,618**	14,572,232
FINANCING ACTIVITIES			
Proceeds from Loans and bank facilities		**7,934,757**	164,496,603
Loans and bank facilities repaid		**(12,041,684)**	(178,022,899)
Finance costs paid		**(4,478,108)**	(5,551,448)
Cash received from Ultimate Parent Company		**6,000,000**	-
Net cash flows used in financing activities		**(2,585,035)**	(19,077,744)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**2,699,469**	(1,047,050)
Foreign currency translation adjustments		**(135,911)**	549,965
Cash and cash equivalents at the beginning of the year	11	**813,893**	1,310,978
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	**3,377,451**	813,893

The attached notes 1 to 29 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Al-Arabiya Real Estate Company K.S.C.P. the "Parent Company" was established in the State of Kuwait on 21 September 1976 and is listed in Boursa Kuwait.

The head office of the Parent Company is located at Sharq, Ahmed Al-Jaber St., Emad Commercial Center, State of Kuwait. The main objectives of the Parent Company are:

- Carrying out various real estate commercial activities including procurement, sale of investments in lands and properties, managing properties for others, undertaking contracting activities and trading in all materials related to construction or required for it.
- Setting up commercial markets, tourism, sport and entertainment facilities.
- Constructing, acquiring and managing hotels and its tourism activities.
- Managing real estate portfolios for the Parent Company only and investment in the shares and projects of other companies whose activities are similar to the Parent Company's activities, establish and manage real estate investment funds only, and use the available financial surplus of the Parent Company for investment in financial and real estate portfolios managed by specialized companies.

The Parent Company's Board of Directors on 21 March 2019 approved this consolidated financial statements as at 31 December 2018 for issuance. The general assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

2 GOING CONCERN BASIS OF ACCOUNTING

The Group has incurred a loss of KD 2,446,207 for the year ended 31 December 2018 (31 December 2017: loss of KD 3,241,560) and, as at that date, current liabilities exceed current assets by KD 23,571,878 (31 December 2017: KD 25,190,504).

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that loan repayments will be met out of operating cash flows or sale properties at their market values. Further, the main shareholders of the Parent Company continue to provide and arrange financial support (as necessary) to enable the Group to meet its financial obligations as they fall due.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to restructure its debt with the banks and meet the mandatory repayment terms of the banking facilities as disclosed in Note 17 to the consolidated financial statements. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realize its assets and discharge its liabilities in the normal course of business at the amounts stated in the consolidated financial statements but the Group is confident of the successful outcome of negotiations with the banks.

Notwithstanding with the above facts, the consolidated financial statements have been prepared on a going concern basis as the Parent Company's Board of Directors, representing the major shareholders, are confident to meet the Group's liabilities as and when they become due. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

3.1 BASIS OF PREPARATION

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

Basis of preparation
These consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation at fair value of investment securities at FVOCI and investment properties.

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

3.2 BASIS OF CONSOLIDATION

The consolidated financial statement include the financial information of the Parent Company and its owned subsidiaries and Hotels (together referred to as the "Group") as follows:

	Incorporation country	*Activity*	*Legal entity*	***Ownership (%) 31 December 2018***	*Ownership (%) 31 December 2017*
Holiday Inn Hotel	Kuwait	Services	Hotel	**100**	100
Rotana Al Sharja Hotel (Note 7)	UAE	Services	Hotel	**100**	100
AREC Properties Company Limited	UAE	Real estate	L.L.C.	**100**	100

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (i.e. investees that it controls) as at 31 December 2018. 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, and
- The ability to use its power over the investee to affect its returns

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 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 statement of financial position and consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent 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 into 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.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, recognized gains and losses resulting from intra-group transactions and dividends are eliminated in full. Total comprehensive income/loss within a subsidiary is attributed to the Parent Company and non-controlling interest even if that results in a deficit balance.

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 assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of income
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3.3 CHANGES IN ACCOUNTING POLICIES

New standards and amendments effective from 1 January 2018
The accounting policies adopted in the preparation of the consolidated financial statement are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 9 Financial Instruments:

The Group has adopted IFRS 9: Financial Instruments issued in July 2014, with a date of initial application of I January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 brings fundamental changes to the accounting for financial instruments: classification and measurement, impairment and hedge accounting and certain aspects of the accounting for financial liabilities. Except for hedge accounting, retrospective application is required but restating comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group's accounting policies on financial instruments resulting from the adoption of IFRS 9 are summarized in Note 3.5.

Impact on adoption of the IFRS 9 - Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied with effect from 1 January 2018, using the modified retrospective method and accordingly the comparative periods have not been restated. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 9 are recognised in opening equity as at 1 January 2018.

Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable.

Investment securities classified as available for sale (AFS) under IAS 39 represent investments that the Group intends to hold for a long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. There was no impact of this designation on quoted securities as these were carried at fair value through other comprehensive income under IAS 39. The impact of this change in accounting policy relating to classification and measurement of financial assets as at 1 January 2018 is as follows:

	Other reserves KD	*Accumulated losses KD*
Closing balance under IAS 39 as at 31 December 2017 (as originally stated)	1,346,439	(8,538,280)
Impact on reclassification and remeasurement:		
Change in fair value of equity securities reclassified from financial assets available for sale- previously carried at cost less impairment – to investment securities at FVOCI	(227,318)	-
Allowance for impairment of trade receivables based on Expected Credit losses (ECL)	-	(34,298)
Opening balance under IFRS 9 on date of initial application of 1 January 2018 (restated)	1,119,121	(8,572,578)

No significant impact were noted in financial liabilities as the Group classified all its financial liabilities at amortised cost under IAS 39 and the same classification has been carried forward under IFRS 9 based on their business model.

3.3 CHANGES IN ACCOUNTING POLICIES (continued)

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39:

1 January 2018:	*Original measurement under IAS 39*	*New measurement under IFRS 9*	*Original carrying amount under IAS 39* *KD*	*Other reserves* *KD*	*Accumulated losses* *KD*	*New carrying amount under IFRS 9* *KD*
Financial assets:						
Cash and cash equivalents	*Amortised cost*	*Amortised cost*	813,893	-	-	813,893
Trade and other receivables	*Amortised cost*	*Amortised cost*	9,050,677	-	(34,298)	9,016,379
Equity securities	*Financial assets available for sale*	*Investment securities at FVOCI**	10,846,214	(227,318)	-	10,618,896
Total financial assets			20,710,784	(227,318)	(34,298)	20,449,168

* Based on facts and circumstances that existed at the date of initial application, management determined that investment in equity securities were not held for purposes of trading and were held for medium to long term strategic purposes. Accordingly, management have elected to designate these investments in equity securities as investment securities at FVOCI as they believe that recognising short term fluctuations in the fair value of investments in profit or loss would not be consistent with the Group's strategy of holding these investments for medium to long purposes and realising their performance potential in the long run.

IFRS 15 Revenue from Contracts with Customers:
IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. It established a new five-step model that will apply to revenue arising from contracts with customers as follows:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group adopted IFRS 15 'Revenue from Contracts with Customers' resulting in no change in the revenue recognition policy of the Group in relation to its contracts with customers. Further, adoption of IFRS 15 had no material impact on this consolidated financial statements of the Group.

3.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 16: Leases
In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17.

3.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

The Group is continuing to analyse the impact of the changes and its impact will be disclosed in the first interim financial statements as of 31 March 2019 that includes the effects of it application from the effective date.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue recognition policy applied from 1 January 2018
Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer. The Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

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

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or receivable, if any, in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue recognition policy applied up to 31 December 2017
Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received, or receivable taking into account contractually defined terms of payment and excluding discounts and rebates.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns and other allowances or similar deductions.

Gains and losses from the sale of financial investments and real estate
Gains and losses resulted from the sale of financial investments, and real estate are recognised in consolidated statement of income when sale is completed. Sale is completed when the risks and rewards related to the assets sold are transferred to the buyer.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Revenue recognition policy applied up to 31 December 2017 (continued)

Rental income
Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income.

Dividends received
Dividends income are recognised when the right to receive the payment is established which is generally when partners approve the dividends.

Interest income
Interest income is recognised as the interest accrues, using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

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

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007.

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Properties under development
Capital cost incurred during construction stage of as property, plant and equipment, investment property, or trading properties are accounted as properties under development until construction or production of these assets is complete, at which time it is reclassified as property, plant and equipment, investment property, or trading properties. The cost includes all direct costs and other costs attributable on a reasonable basis.

Properties under development which are intended to be used as investment properties, considered as investment properties and are recognized at cost and then re-measured at fair value through accredited independent valuers where the lower valuation is adopted. In case there is no reliable method for measuring the fair value of such land under development, the properties are recognized at cost till the date of completion of developing the property or the date of reliably determining their fair value, whichever occurs first.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost of an item of equipment comprises of its acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Hotels' buildings	20
Furniture and fixtures	3-10
Vehicles	3

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of income.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets are written down to their recoverable amounts and the impairment loss is recognised in the consolidated statement of income.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal 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 consolidated statement of income when the asset is derecognised.

Investment properties
Investment properties comprise properties under development and developed properties that are held to earn rentals or for capital appreciation or both. Properties held under a lease are classified as investment properties when they are held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include professional fees for legal services, commissions and other costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

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 the profit or loss in the year in which they arise.

Transfers are made to or from investment properties 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 transfer. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the investment property would result in either gains or losses on the retirement or disposal of the investment property. Any gains or losses are recognised in the consolidated statement of income in the period of derecognition.

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 such 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 cash-generating unit's (CGU) fair value less costs to sell and its value in use. 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 or CGU.

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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or CGUs 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 assets 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 consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase in other comprehensive income.

Leases
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.

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

Group as a lessee
Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the 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 separate income statement.

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. Operating lease payments are recognised as an operating expense in the consolidated statement of income 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 benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating 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.

Financial instruments

Financial instruments accounting policies applied from 1 January 2018

Recognition and derecognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

All regular way purchase and sale of financial assets are recognized using trade date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

All recognized financial assets are subsequently measured in their entirety either at amortised cost or fair value, depending on the classification of the financial assets. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial instruments accounting policies applied from 1 January 2018 (continued)

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. If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

A financial liability is derecognized when the Group's obligation specified in the contract is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

From 1 January 2018 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Classification and measurement of financial assets and financial liabilities
The Group determines classification and measurement category of financial assets, except equity instruments and derivatives, based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment & Solely Payments of Principal and Interest test ("SPPI test")

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows met the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial instruments accounting policies applied from 1 January 2018 (continued)

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial assets
The Group classifies financial assets upon initial recognition of IFRS 9 into following categories:

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair Value Through Profit and Loss (FVTPL)

Amortised cost (AC)
The Group classifies financial assets at AC if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Fair value through other comprehensive income (FVOCI)

Debt instruments at FVOCI
The Group classifies debt instruments at FVOCI if it meets both of the following conditions:-

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in consolidated statement of income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated statement of income.

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at FVOCI if they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition, cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial instruments accounting policies applied from 1 January 2018 (continued)

Fair Value Through Profit and Loss (FVTPL)
Financial assets whose business model is to acquire and sell, or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified as FVTPL.

In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated statement of income. Interest income and dividends are recognised in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Financial liabilities
The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an Group's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. Accordingly, the Group applies the new impairment model for its financial assets. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group recognises ECL for financial assets using the general approach except in case of trade receivables where the Group is using simplified approach.

General approach

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition, or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired. When determining whether the credit risk on a financial instrument has increased significantly, management considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial instruments accounting policies applied from 1 January 2018 (continued)

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Objective evidence that debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Group assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group applies the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

The Group has designated all investments in equity instruments that are not held for trading as at FVOCI on initial application of IFRS 9 (Note 3.3).

Credit-impaired financial assets at amortised cost
A financial asset is credit-impaired when one or more events, constituting an event of default for internal credit risk management purposes as historical experience indicates, that have a detrimental impact on the estimated future cash flows of that financial asset have occurred that meet below criteria. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off of financial assets at amortised cost
The Group writes off a financial asset at amortised cost when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of income.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial instruments accounting policies applied up to 31 December 2017

Financial instruments
Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or financial assets available-for-sale, or derivatives as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction cost except, in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include financial assets available for sale, trade and other receivables and cash and cash equivalents.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Trade and other receivables
Trade and other receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Financial assets available for sale
Financial assets available for sale are non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, financial assets held-to-maturity or loans and receivables.

After initial measurement, financial assets available for sale are subsequently measured at fair value with unrealised gains or losses being recognised as other comprehensive income in the available for sale reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in the consolidated statement of income.

Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial instruments accounting policies applied up to 31 December 2017 (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
An assessment is made at each reporting date to determine 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 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 (or events) 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 debtor or a group of debtors 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 when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and bank facilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Loans and bank facilities
After initial recognition, interest bearing loans and bank facilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of income.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial instruments accounting policies applied up to 31 December 2017 (continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 cash-generating unit's (CGU) fair value less costs of disposal and its value in use. 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a 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.

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 recognized in the consolidated statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Business combinations
Business combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except for deferred tax assets and liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRSs. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in the consolidated statement of income as gains.

Non-controlling interests may be measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value of such share. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the consolidated statement of income where such treatment would be appropriate if that interest were disposed off.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill
Goodwill, arising from an acquisition of subsidiaries, is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of any of the cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in an associate
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.

Investment in an associate is 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 in the consolidated statement of financial position 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 neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of the associate's operations. Where there is a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income. In addition, when there is 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 Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income 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 and in case of different reporting date of associate, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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 and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Details of the Group's associate are set out below:

Name of company	*Country of incorporation*	*Effective interest in equity %* *2018*	*2017*	*Principal Activities*
Sharm Dreams for Real Estate Development Company S.A.E.	Egypt	**21.88 %**	21.88 %	Real Estate

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances and bank deposits.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits
The Group provides end of service benefits to all 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. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which 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.

Treasury shares
Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled till the date of the consolidated financial statements. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "treasury shares reserve". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

Foreign currencies translation
The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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 retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying amount of foreign associate are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken to the consolidated statement of comprehensive income as foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Finance costs
Finance costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other finance costs are recognised as expenses in the period in which they are incurred.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies
Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

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

Segment 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, which is subject to risks and rewards that are different from those of other segments.

The preparation of the consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in future periods.

3.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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 discussed below:

Useful lives of property, plant and equipments
The management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Fair value measurement and valuation techniques
Certain assets and liabilities of the Group are measured at fair value for preparing the consolidated financial statements. The Group's management determines the appropriate key methods and inputs required for the fair value's measurement. Upon determining the fair value of assets and liabilities, the management uses an observable market data. In case no market observable data is available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about the evaluation methods and necessary inputs, which are used to determine the fair value of assets and liabilities, has been disclosed in Note 6 and Note 28.

Impairment of an associate
Estimation for impairment losses of an associate is made when there is an indication for such impairment. Determination of the impairment is made for the full book value of the Group's investment in an associate including goodwill and therefore, the impairment of goodwill is not separately determined. The impact of such impairment on these consolidated financial statements is disclosed in Note 8.

Expected credit loss (ECL) measurement
The Group always recognises lifetime ECL for trade receivables which generally do not have a significant financing component. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a trade receivables.

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. No impairment loss is recognised for equity instruments that are classified as investment securities at FVOCI. The amount of expected credit losses is updated at each reporting date.

3.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgement

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Properties classification

Management takes the decision on the acquisition of property whether it should be classified as held for trading, property under development or investment property. Such provisions on acquisition will determine later whether these properties will be measured subsequently at the lower of cost less impairment, at cost or realizable value, or at fair value, and whether changes in the fair value of these properties will be recorded in the consolidated statements of income or other comprehensive income. The Group classifies the properties as follows:

- Property held for trading: if it is acquired principally for sale in the ordinary business activity.
- Property under development: if it is acquired with the intention of development.
- Investment property: if it is acquired for rental income, for capital appreciation, or for undetermined future use.

Classification of investments

Classification of investments is based on management's intention at acquisition and requires considerable judgment.

4 PROPERTY, PLANT AND EQUIPMENT

	Hotel Lands KD	***Hotels' buildings KD***	***Furniture and Fixtures KD***	***Vehicles KD***	***Total KD***
Cost					
As at 1 January 2018	2,639,460	28,991,187	1,527,817	167,465	33,325,929
Additions	-	-	517,800	85,650	603,450
Disposals	-	-	-	(151,870)	(151,870)
Foreign Exchange differences	-	-	(801)	-	(801)
As at 31 December 2018	**2,639,460**	**28,991,187**	**2,044,816**	**101,245**	**33,776,708**
Accumulated Depreciation					
As at 1 January 2018	-	13,833,022	429,578	145,491	14,408,091
Depreciation for the year	-	1,449,560	196,927	29,369	1,675,856
Related to disposals	-	-	-	(146,040)	(146,040)
Foreign exchange differences	-	-	(884)	-	(884)
As at 31 December 2018	**-**	**15,282,582**	**625,621**	**28,820**	**15,937,023**
Net Book value as at 31 December 2018	**2,639,460**	**13,708,605**	**1,419,195**	**72,425**	**17,839,685**

	Hotel Lands KD	*Hotels' buildings KD*	*Furniture and Fixtures KD*	*Vehicles KD*	*Total KD*
Cost					
As at 1 January 2017	2,639,460	28,856,187	1,001,742	167,465	32,664,854
Additions	-	135,000	527,223	-	662,223
Foreign Exchange differences	-	-	(1,148)	-	(1,148)
As at 31 December 2017	2,639,460	28,991,187	1,527,817	167,465	33,325,929
Accumulated Depreciation					
As at 1 January 2017	-	12,387,400	290,518	125,086	12,803,004
Depreciation for the year	-	1,445,622	139,624	20,405	1,605,651
Foreign exchange differences	-	-	(564)	-	(564)
As at 31 December 2017	-	13,833,022	429,578	145,491	14,408,091
Net Book value as at 31 December 2017	2,639,460	15,158,165	1,098,239	21,974	18,917,838

Hotel lands and hotel building amounting to KD 16,348,065 (2017: KD 17,797,625) are pledged against loans and bank facilities (Note 17).

5 PROPERTIES UNDER DEVELOPMENT

	2018 *KD*	*2017* *KD*
Balance as at 1 January	**1,480,799**	688,011
Additions	**285,101**	792,788
Transferred to investment properties	**(1,765,900)**	-
Balance as at 31 December	**-**	1,480,799

During the year, property under development of KD 1,765,900 was transferred to investment properties (Note 6)

6 INVESTMENT PROPERTIES

	2018 *KD*	*2017* *KD*
Properties inside Kuwait	**76,630,000**	76,833,000
Properties outside Kuwait	**42,098,760**	42,467,079
	118,728,760	119,300,079

Investment properties amounting to KD 76,630,000 (2017: KD 76,833,000) are pledged against loans and bank facilities granted to the Group (Note 17).

As at 31 December 2018, the fair value of investment properties in Kuwait of KD 76,630,000 (2017: KD 76,833,000) has been determined based on valuations obtained from two professional real estate valuers, who are specialised in valuing such type of investment properties. One of these valuers is a local bank and the other is a local reputable accredited valuer. For accounting purpose, the Group has selected the lower of these two valuations (2017: the lower of two valuations) as required by the Capital Markets Authority (CMA).

The valuators have used income capitalisation approach, which is used for valuating developed properties generating rental income assuming full capacity of the property.

The significant assumptions used in the valuations are set out below:

	2018 *Kuwait*	*2017* *Kuwait*
Average monthly rent (per sqm) (KD)	**100.59**	92.30
Capitalization rate	**8.21%**	8.02%
Occupancy rate	**100%**	100%

Sensitivity analysis
The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment properties.

	Changes in valuation assumptions	*2018* *Kuwait* *KD*	*2017* *Kuwait* *KD*
Average rent	+/- 5%	**3,831,500**	3,841,650
Capitalization rate	+/- 5%	**3,649,048**	3,658,714
Occupancy rate	- 5%	**(3,831,500)**	(3,841,650)

6 INVESTMENT PROPERTIES (CONTINUED)

The fair value of investment property outside Kuwait has been determined based on valuation performed by an independent professional real estate valuation experts who are specialized in valuing such type of properties as required by the Capital Markets Authority (CMA).

The valuators have used the market comparable approach, due to high volume of transaction involving comparable properties in the area during the year. Under the market comparable approach, a property fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle substitution under which a potential buyer will not pay more for the property than it will cost to buy comparable substitute property. The unit of comparison applied by the Group is the price per square meter.

The following is fair value hierarchy disclosures for classes of investment properties is as at 31 December:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total KD***
2018	**-**	**42,098,760**	**76,630,000**	**118,728,760**
2017	-	42,467,079	76,833,000	119,300,079

There were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

The movement in Level 3 fair value hierarchy during the year is given below:

	As at 1 January KD	***Transfer from properties under development KD***	***Disposal KD***	***Gain recorded in consolidated statement of income KD***	***As at 31 December KD***
Investment properties					
2018	**76,833,000**	**1,765,900**	**(2,350,000)**	**381,100**	**76,630,000**
2017	75,379,000	-	-	1,454,000	76,833,000

7 NET ASSETS OF UNCONSOLIDATED HOTEL

During the year ended 31 December 2015, the Group lost control over the operations of Rotana Al Sharja Hotel (a Hotel fully owned by the Group) as a result of it being under receivership (Note 17). Accordingly, the Group has ceased to consolidate the financial statements of the Hotel.

However, the net value of the land and building of Rotana Al Sharja Hotel amounting to KD 823,963 as at 31 December 2018 (31 December 2017: KD 982,074) have been included under property, plant and equipment in the consolidated statement of financial position due to the fact that the Group has the legal ownership of these land and building.

8 INVESTMENT IN AN ASSOCIATE

Company Name	*Country of Incorporation*	*Percentage of Ownership (%)* **2018**	*2017*	**2018 KD**	*2017 KD*
Sharm Dreams for Real Estate Development Company (S.A.E)	Egypt	**21.88 %**	21.88 %	**1,015,902**	928,582

Following is the movement of the investment in associates during the year ended 31 December 2018:

	2018 KD	*2017 KD*
Balance as at 1 January	**928,582**	1,867,127
Group's share of the result of an associate	**71,726**	23,236
Foreign currency translation differences	**15,594**	(961,781)
Balance as at 31 December	**1,015,902**	928,582

The Group's share of results of Sharm Dreams for Real Estate Development Company (S.A.E.) was recognized based on the audited financial statements for the year ended 31 December 2017 and 31 December 2018.

The following table illustrates the summarised information of the associate:

Summarised statement of financial position:

	2018 KD	*2017 KD*
Assets	**8,092,763**	6,842,022
Liabilities	**3,449,707**	2,598,046
Equity	**4,643,056**	4,243,976
Carrying amount of the investment	**1,015,902**	928,582

Summarised statement of income:

	2018 KD	*2017 KD*
Revenues	**313,134**	213,433
Profit for the year	**203,545**	124,270
Group's share of profit for the year	**44,536**	27,190

9 INVESTMENT SECURITIES

	2018	*2017*
Investment securities at FVOCI	***KD***	*KD*
Quoted shares	**9,931,195**	-
Unquoted shares	**937,334**	-
	10,868,529	-

	2018	*2017*
Financial assets available for sale (AFS)	***KD***	*KD*
Quoted shares	-	9,446,211
Unquoted shares	-	1,400,003
	-	10,846,214

On 1 January 2018, on initial application of IFRS 9, the Group's management classified its financial assets available for sale at a carrying value of KD 10,846,214 as investment securities at FVOCI. The effects resulting from the adoption of IFRS 9 have been disclosed in Note 3.3.

Investment securities at FVOCI represents shares in other companies whose activities are not similar to the Parent Company's activities amounting to KD 10,868,529 (2017: Financial assets available for sale of KD 10,846,214).

Investment securities at FVOCI amounting to KD 7,245,450 (2017: Financial assets available for sale of KD 6,229,988) are pledged against loans and bank facilities (Note 17).

Certain investment securities at FVOCI amounting to KD 55,061 (2017: Financial assets available for sale of KD 47,345) are registered in the name of nominee on behalf of the Group. The nominees have confirmed in writing that the Group is the beneficial owner of the investments.

10 TRADE AND OTHER RECEIVABLES

	2018	*2017*
	KD	*KD*
Compensation receivable	**10,057,080**	10,057,080
Provision for impairment	**(3,017,125)**	(3,017,125)
	7,039,955	7,039,955
Trade Receivables	**1,391,414**	976,990
Advance payment for purchasing of investment properties	**626,545**	626,545
Prepaid expenses	**29,063**	153,171
Advance payments to contractors	**6,236**	265,357
Staff receivables	**25,905**	25,375
Due from related parties (Note 24)	**121,160**	311,085
Other	**629,978**	489,491
	9,870,256	9,887,969
Provision for impairment of receivables (other than compensation receivables)	**(876,785)**	(837,292)
	8,993,471	9,050,677

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Compensation receivable represents the compensation due to the Group for a land in Ajman Emirate (UAE) whose ownership was expropriated for public benefit in 1996. The total amount due to the Parent Company as per the letter received from the Municipal Council of Ajman Emirate amounted to AED 220 million (approximately KD 16.76 million) (in kind or cash). However, based on a letter from the Group's consultant, the Group has recorded an estimated cost of AED 88 million (approximately KD 6.70 million) for meeting the costs and expenses necessary to finalize the claim and collection procedures. Furthermore, the Group has also estimated an impairment of KD 3.01 million based on management's estimates for the collectable amounts. Accordingly the net receivable is estimated to be KD 7.03 million.

The Group does not hold any collateral as security, for trade and other receivables.

Following is the movement in provision for impairment:

	2018 ***KD***	*2017* *KD*
Balance as at 1 January	**3,854,417**	3,828,873
Opening balance adjustment based on lifetime ECL (Note 3.3)	**34,298**	-
Charge for the year	**5,195**	25,544
Balance as at 31 December	**3,893,910**	3,854,417

11 CASH AND CASH EQUIVALENTS

	2018 ***KD***	*2017* *KD*
Cash on hand	**20,052**	19,965
Bank balances	**257,399**	793,928
Bank deposits	**3,100,000**	-
	3,377,451	813,893

12 SHARE CAPITAL

At 31 December 2018, the authorised, issued and fully paid share capital in cash of the Parent Company comprised of 509,844,986 shares of 100 fils each (2017: 509,844,986 shares of 100 fils each).

13 TREASURY SHARES

	31 December 2018	*31 December 2017*
Number of shares (share)	**4,619,962**	4,619,962
Percentage to issued shares (%)	**0.91**	0.91
Market value	**129,359**	137,675

A part of reserves, comprising distribution of net profits, carried over profits , which equals the cost of treasury shares, shall be frozen and shall be deemed un-distributable during the period of holding such shares.

14 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 for the year before contribution to KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. 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 to statutory reserve since the Group has incurred losses for the year. In accordance with the Articles of Association of the Parent Company, the Parent Company's board of directors decided to use the statutory reserve of KD 4,565,660 to extinguish the accumulated losses of KD 9,135,320, which is subject to Annual General Assembly meeting approval.

15 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year contribution to KFAS, NLST, Zakat and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. No transfers were made to voluntary reserve since the Group has incurred losses for the year. In accordance with the Articles of Association of the Parent Company, the Parent Company's board of directors decided to use the voluntary reserve of KD 4,569,660 to extinguish the accumulated losses of KD 9,135,320, which is subject to Annual General Assembly meeting approval.

16 OTHER RESERVES

	Treasury shares reserve KD	*Cumulative change in fair values reserve KD*	*Foreign currency translation reserve KD*	*Total KD*
Balance as at 1 January 2018	1,098,372	1,560,361	(1,312,294)	1,346,439
Opening Balance adjustment upon implementation of IFRS 9	-	(227,318)	-	(227,318)
Change in fair value of investment securities at FVOCI	-	1,130,662	-	1,130,662
Realized gain from sale of investment securities at FVOCI	-	(1,161,580)	-	(1,161,580)
Foreign currency translation adjustment	-	-	16,959	16,959
Balance as at 31 December 2018	**1,098,372**	**1,302,125**	**(1,295,335)**	**1,105,162**
Balance as at 1 January 2017	1,098,372	1,227,764	(269,958)	2,056,178
Change in fair value of financial assets available for sale	-	910,097	-	910,097
Realized gain from sale of financial assets available for sale	-	(577,500)	-	(577,500)
Foreign currency translation adjustment	-	-	(1,042,336)	(1,042,336)
Balance as at 31 December 2017	1,098,372	1,560,361	(1,312,294)	1,346,439

17 LOANS AND BANK FACILITIES

	2018 *KD*	*2017* *KD*
Current Portion		
Bank overdraft	**7,893,072**	-
Term loan from a commercial bank in Kuwait	**1,888,160**	13,888,160
Loan from an Islamic bank in Kuwait	**304,524**	300,000
Term loan from a bank in UAE	**15,795,418**	14,981,498
Non - current Portion		
Term loan from a commercial bank in Kuwait	**68,440,780**	68,328,940
	94,321,954	97,498,598

Bank overdraft is obtained from a commercial bank in Kuwait with interest rate from 2.5% over the Central Bank of Kuwait discount rate.

Term loan from a commercial bank in Kuwait is with interest rate from 2.25% to 3% over the Central Bank of Kuwait discount rate. In January 2018, the Group defaulted in the settlement of loan installment of KD 12 million out of a total loan of KD 83 million to a local bank. During the year, the Group partially settled an amount of KD 6 million through support obtained from the Ultimate Parent Company. Furthermore, the Group settled the remaining KD 6 million through bank overdraft obtained from the same local bank. Subsequently, the Group partially settled bank overdraft of KD 4.5 million. Furthermore, the bank agreed to reschedule the remaining overdraft balance as part of the loan until 30 June 2019.

Loan from an Islamic bank in Kuwait are with annual interest rate from 2.25% to 3% over the Central Bank of Kuwait discount rate.

Term loan from a bank in UAE is with annual interest rate of 2.5% over EIBOR. The loan installments and related finance costs of KD 15,795,418 (2017: KD 14,981,497) were past due and unpaid to a regional bank in UAE. The Group is currently taking the necessary procedures to settle or restructure such balance. The bank filed a legal case against the Group during year ended 31 December 2015. Furthermore, a court judgment was issued, by virtue of which Rotana Al Sharja Hotel (unconsolidated subsidiary) was placed under receivership and the creditor bank was appointed as the receiver until the current dispute between the Group and the bank is settled (Note 7). In April 2018, the Court of First Instance issued a decision whereby the Group was instructed to pay an amount of AED 48 million (approximately KD 4 million) which is already covered by the existing accruals in the books and transfer the title deed of hotel to the creditor bank. The Group filed an appeal on 7 May 2018 against this decision and awaiting for the next hearing on 3 April 2019.

These loans are granted against pledge of the following assets:

	2018 *KD*	*2017* *KD*
Property, plant and equipment (Note 4)	**16,348,065**	17,797,625
Properties under development (Note 5)	-	1,480,799
Investment properties (Note 6)	**76,630,000**	76,833,000
Investment securities at FVOCI (Note 9)	**7,245,450**	-
Financial assets available for sale (Note 9)	-	6,229,988
	100,223,515	102,341,412

18 TRADE AND OTHER PAYABLES

	2018 *KD*	*2017* *KD*
Trade payables	**455,768**	914,362
Due to related parties (Note 24)	**5,441,616**	579,954
Dividends payables	**993,969**	993,969
Accrued expenses and leaves	**444,082**	364,047
Refundable deposits	**1,039,040**	1,296,565
Kuwait Foundation for the Advancement of Science	**39,344**	39,344
National Labor Support Tax	**51,412**	140,682
Zakat payable	**51,109**	104,038
Provision for claims	**1,191,565**	1,073,528
Other payables	**353,721**	378,927
	10,061,626	5,885,416

19 STAFF COSTS

	2018 *KD*	*2017* *KD*
Salaries, wages and bonuses	**292,082**	275,492
End of service benefits and leaves	**76,881**	85,335
Others	**85,217**	64,541
	454,180	425,368

20 OTHER EXPENSES

	2018 *KD*	*2017* *KD*
Professional fees and consulting	**768,929**	496,449
Legal expenses	**152,394**	4,977
Water and electricity	**356,336**	295,246
Rent	**40,800**	40,800
Insurance	**8,460**	12,371
Maintenance	**66,981**	156,755
Subscriptions	**42,707**	42,645
Donations	**11,250**	1,215
Others	**317,237**	187,426
	1,765,094	1,237,884

21 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share are calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 31 December 2018.

21 BASIC AND DILUTED LOSS PER SHARE (continued)

The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2018 *KD*	*2017* *KD*
Loss for the year	**(2,446,207)**	(3,241,560)
Weighted average number of ordinary outstanding shares (share)	**505,225,024**	505,225,024
Loss per share attributable to the Parent Company's shareholders	**(4.84) fils**	(6.42) fils

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

22 SEGMENT INFORMATION

The main activity of the Group represents the real estate commercial activities such as purchase and sale of lands and properties and investing them and acquiring and managing hotels and its tourism activities. In addition, the Group invests its financial surpluses by investing directly in the share capital of the companies and financial portfolios.

The activities segments of the Group, which are presented to the management, are represented in the following:

- Real estate segment: which represents all activities related to real estate including investment properties.
- Hotels segment: which represents all activities related to establishment, acquiring and managing hotels.
- Investment segment: which represents all activities related to investing in shares and share capital of the companies.

The following table presents the information about net revenues, costs, (loss) profits, assets and liabilities for each segment:

31 December 2018	*Real estate segment KD*	*Hotels Segment KD*	*Investment Segment KD*	*Unallocated items KD*	*Total KD*
Revenues	**5,073,168**	**6,504,291**	**355,036**	**791,133**	**12,723,628**
Costs	**(1,595,518)**	**(6,500,038)**	**-**	**(1,744,847)**	**(9,840,403)**
Finance costs	**(4,358,223)**	**(734,961)**	**(12,000)**	**(224,248)**	**(5,329,432)**
Profit (loss)	**(880,573)**	**(730,708)**	343,036	(1,177,962)	**(2,446,207)**
Assets	119,277,985	19,180,201	12,286,900	10,386,906	161,131,992
Liabilities	**79,650,650**	**16,833,572**	**1,677,922**	**6,698,123**	**104,860,267**

31 December 2017	*Real estate segment KD*	*Hotels Segment KD*	*Investment Segment KD*	*Unallocated items KD*	*Total KD*
Revenues	3,938,938	6,464,210	883,520	424,667	11,711,335
Costs	(1,907,205)	(6,254,760)	-	(1,239,482)	(9,401,447)
Finance costs	(4,781,537)	(736,278)	(33,633)	-	(5,551,448)
Profit (loss)	(2,749,804)	(526,828)	849,887	(814,815)	(3,241,560)
Assets	121,143,122	20,648,406	12,065,264	7,789,484	161,646,276
Liabilities	83,482,589	16,146,140	1,749,595	2,436,025	103,814,349

22 SEGMENT INFORMATION (continued)

Geographical distribution of revenues and assets is:

	2018		*2017*	
	Revenues KD	***Assets KD***	*Revenues KD*	*Assets KD*
State of Kuwait	**11,787,871**	**119,401,770**	12,248,837	83,297,446
United Arab Emirates	**864,031**	**40,714,320**	(560,738)	77,420,248
Arab Republic of Egypt	**71,726**	**1,015,902**	23,236	928,582
	12,723,628	**161,131,992**	11,711,335	161,646,276

23 EXTINGUISHMENT OF ACCUMLATED LOSSES

In accordance with the Articles of Association of the Parent Company, the Parent Company's board of directors decided to use the statutory reserve of KD 4,565,660 and voluntary reserve of 4,569,660 to extinguish the accumulated losses of KD 9,135,320, which is subject to Annual General Assembly meeting approval (Note 14, 15).

24 TRANSACTIONS WITH RELATED PARTIES

These represent transactions with certain parties (major shareholders, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence) entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Group's management, and board of directors.

The following is the statement of such transactions and balances:

	Entities under common control	***Other related parties***	***2018 KD***
Transactions			
Dividends income	-	**274,880**	**274,880**
Rental expenses	**40,800**	-	**40,800**
Finance costs	**236,245**	-	**236,245**
Marketing contribution - Included in expenses of hotel	-	**42,649**	**42,649**
Management fees - Included in expenses of hotel	-	**132,783**	**132,783**
Reservation contribution - Included in expenses of hotel	-	**21,325**	**21,325**
Royalty Fees - Included in expenses of hotel	**24,971**	-	**24,971**
Consultation fee - Included in expenses of hotel	**42,000**	-	**42,000**
General and administrative expense - Included in expenses of hotel	**96,000**	-	**96,000**
Holidex fees - Included in expenses of hotel	-	**8,751**	**8,751**
Commission expenses	-	**36,566**	**36,566**
Assets management fees	-	**104,129**	**104,129**

24 TRANSACTIONS WITH RELATED PARTIES (continued)

	Entities under common control	*Other related parties*	*2017 KD*
Transactions			
Dividends income	-	274,449	274,449
Rental expenses	40,800	-	40,800
Finance costs	-	952,465	952,465
Marketing contribution - Included in expenses of hotel	-	45,305	45,305
Management fees - Included in expenses of hotel	-	141,614	141,614
Reservation contribution - Included in expenses of hotel	-	22,635	22,635
Royalty Fees - Included in expenses of hotel	26,265	-	26,265
Consultation fee - Included in expenses of hotel	42,000	-	42,000
General and administrative expense - Included in expenses of hotel	96,000	-	96,000
Holidex fees - Included in expenses of hotel	-	8,609	8,609
Commission expenses	-	17,747	17,747
Assets management fees	-	91,019	91,019

Balances with related parties included in the consolidated statement of financial position are as follows:

	Ultimate parent company	***Entities under common control***	***Other related parties***	***2018 KD***
Balances				
Due from related parties (Note 10)	-	**121,160**	-	**121,160**
Due to related parties (Note 18) *	**4,789,826**	**633,900**	**17,890**	**5,441,616**
Investment securities at FVOCI (Note 9)	-	**1,021,897**	**9,846,632**	**10,868,529**
Loans and facilities (Note 17)	-	-	**304,524**	**304,524**

* Due to related parties includes an amount due to Ultimate Parent Company KD 4,789,826 which carries an interest of 2.5% over the Central Bank of Kuwait discount rate.

	Ultimate parent company	*Entities under common control*	*Other related parties*	*2017 KD*
Balances				
Due from related parties (Note 10)	309,353	-	1,732	311,085
Due to related parties (Note 18)	-	521,603	58,351	579,954
Financial assets available for sale (Note 9)	-	1,485,430	9,360,784	10,846,214
Loans and facilities (Note 17)	-	-	300,000	300,000

Compensation of key management personnel

The remuneration of members of key management during the year were as follows:

	2018 KD	*2017 KD*
Salaries and remunerations	**244,000**	236,000
Employees' end of service benefits	**15,577**	13,846

25 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

	2018 ***KD***	*2017* *KD*
Letters of Guarantee	**24,191**	24,191

26 RISK MANAGEMENT

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 continuing 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. Market risk is 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 Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

26.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

The Group seeks to limit its credit risk with respect to tenants of its investment properties by monitoring outstanding receivables. The Group limits credit risk with regard to its bank balances by only dealing with reputable banks.

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The following table details the risk profile of trade and other receivables based on the Group's provision risk matrix. As the Group's historical credit loss experience does not show significantly different loss patterns from different customers segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

	31 December 2018			1 January 2018 (Restated)		
Aging brackets of trade and other receivables	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	Kuwait Dinar	%	Kuwait Dinar	Kuwait Dinar	%	Kuwait Dinar
Up to 30 days	399,030	0%	609	268,766	0%	690
31 to 90 days	270,297	0%	412	179,848	0%	461
Above 90 days	12,182,755	32%	3,892,889	12,037,952	31%	3,887,564
	12,852,082		**3,893,910**	**12,486,566**		**3,888,715**

ECL allowance of the receivables other than cash & bank balances are collectively assessed.

Maximum exposure to credit risk

The Group's exposure to credit risk from bank balances, cash with a portfolio manager, fixed deposits and accounts receivable arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The maximum exposure is the carrying amount as described in the consolidated statement of financial position:

26 RISK MANAGEMENT (continued)

	2018 *KD*	*2017* *KD*
Cash and cash equivalents (excluding cash in hand)	**3,357,399**	793,928
Trade and other receivable	**8,368,336**	8,005,604
	11,725,735	8,799,532

26.2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents, and readily marketable securities.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The table below summarizes the maturity profile of the Group's undiscounted financial liabilities as at 31 December based on contractual undiscounted repayment obligations:

	Within One Year KD	*From One to two years KD*	*From Two to five years KD*	*More than five years KD*	*Total KD*
2018					
Loans and bank facilities	**25,611,789**	**5,440,000**	**12,810,000**	**76,647,500**	**120,509,289**
Accounts payables and accruals	**9,022,586**	-	-	-	**9,022,586**
Total	**34,634,375**	**5,440,000**	**12,810,000**	**76,647,500**	**129,531,875**
2017					
Loans and bank facilities	25,564,102	3,315,000	12,705,000	75,686,250	117,270,352
Accounts payables and accruals	4,588,851	-	-	-	4,588,851
Total	30,152,953	3,315,000	12,705,000	75,686,250	121,859,203

The Group is currently preparing detailed studies to set the plans required to provide the liquidity needed to fulfil its financial liabilities.

26.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market 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.

26.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its term loan.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant:

26 RISK MANAGEMENT (continued)

26.3 Market risk (continued)
26.3.1 Interest rate risk (continued)

	Increase in basis points	*Effect on results for the year before taxes KD*
2018	**+100**	**943,220**
2017	+100	974,986

26.3.2 Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the Parent Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rates movements. The Group does not engage in foreign exchange trading and does not use derivative financial instruments. Where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

The Group had the following significant exposures denominated in foreign currencies as of 31 December:

	***2018* KD**	*2017 KD*
AED	**15,795,418**	14,981,497
EGP	**1,015,902**	928,582
USD	**2,546,121**	3,083,452

The following table demonstrates the sensitivity to a reasonably possible change in the AED, EGP and USD exchange rate against Kuwaiti dinar, with all other variables held constant, on the Group's loss and other comprehensive loss.

	2018			2017		
Currency	***Change in currency rate %***	***Effect on loss KD***	***Effect on equity KD***	*Change in currency rate %*	*Effect on loss KD*	*Effect on equity KD*
AED	**5%**	**789,771**		5%	749,075	-
EGP	**5%**		**50,795**	5%	-	46,429
USD	**5%**		**127,306**	5%	-	154,173

26.4 Equity price risk
Equity price risk arises from changes in the fair values of equity financial assets. Equity price risk is managed by the management of the Group. The quoted equity price risk exposure arises from the Group's financial assets available for sale.

The effect on other comprehensive income (as a result of a change in the fair value of financial assets available for sale) on due to a reasonably possible change in market indices, with all other variables held constant is as follow:

	31 December 2018		*31 December 2017*	
Market indices	***Change in equity price %***	***Effect on other comprehensive loss KD***	*Change in equity price %*	*Effect on other comprehensive loss KD*
Kuwait	**±5**	**360,304**	±5	355,694
Others	**±5**	**127,306**	±5	154,173

27 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

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

Capital comprises share capital, share premium, treasury shares, statutory reserve, voluntary reserve, other reserve and accumulated losses and is measured at KD 56,271,725 as at 31 December 2018 (2017: KD 57,831,927).

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt The Group includes within net debt, loans and bank facilities, trade and other payable, less cash and cash equivalents. Total equity includes share capital, share premium, treasury shares, statutory reserve, voluntary reserve, other reserves and accumulated losses.

The gearing ratio as at 31 December was as follows:

	31 December 2018 KD	*31 December 2017 KD*
Loans and banks facilities (Note 17)	**94,321,954**	97,498,598
Trade and other payables (Note 18)	**10,061,626**	5,885,416
Less : cash and cash equivalents (Note 11)	**(3,377,451)**	(813,893)
Net debt	**101,006,129**	102,570,121
Total equity	**56,271,725**	57,831,927
Total equity and net debt	**157,277,854**	160,402,048
Gearing ratio (%)	**64%**	64%

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities as defined in Note 3.5.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- 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

28 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2018	***Level 1 KD***	***Level 3 KD***	***Total KD***
Investment Securities at FVOCI:			
Quoted securities	**9,931,195**	**-**	**9,931,195**
Unquoted securities	**-**	**937,334**	**937,334**
	9,931,195	**937,334**	**10,868,529**

31 December 2017	*Level 1 KD*	*Level 3 KD*	*Total KD*
Financial assets available for sale:			
Quoted securities	9,446,211	-	9,446,211
	9,446,211	-	9,446,211

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29 COMPARATIVES

Certain prior year amounts have been reclassified to conform to the current year presentation. There is no effect of these reclassifications on the previously reported equity as at 31 December 2017 and loss for the year then ended. Such reclassification have been made to improve the quality of information presented.