

Consolidated financial statements and independent auditor's report

Al Mal Investment Company – KPSC and subsidiaries

Kuwait

31 December 2018

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Independent auditor's report

To the shareholders of
Al Mal Investment Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Al Mal Investment Company – KPSC (the “Parent Company”) and its subsidiaries, (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 effects of the matter referred to 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), as adopted for use by the State of Kuwait.

Basis for Qualified Opinion

The Group's investment in Zone Advanced General Trading Company, an associate, is carried at KD2,957,674 on the consolidated statement of financial position as at 31 December 2018, and the Group's share of result of KD5,707 is included in the Group's loss for the year then ended, based on management accounts of the associate. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in Zone Advanced General Trading Company as at 31 December 2018, and the Group's share of result for the year then ended, as the last available audited financial statements for this associate were for the year ended 31 December 2017. Consequently, we were unable 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 6 to the consolidated financial statements, which indicates that the Group incurred a loss of KD3,125,196 for the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by KD1,708,417. As stated in note 6, these events or conditions 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.

Independent Auditor's Report to the shareholders of Al Mal Investment Company - KPSC (continued)

Emphasis of Matter

We draw attention to Note 13 to the consolidated financial statements which describes the legal dispute for recovery of the refundable development expenses and the related provision using the guidelines of the Central Bank of Kuwait. 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. 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.

Valuation investment at fair value through profit or loss

The Group's investments at fair value through profit or loss (FVTPL) include significant unquoted investments. Due to their unique structure and terms, the valuation of these instruments is determined through the application of valuation techniques that involve the exercise of management's judgements and the use of assumptions and estimates. Therefore, there are significant measurement uncertainties involved in valuations. As a result, the valuations of these instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its investments at FVTPL are included in Notes 12 and 23.2 to the consolidated financial statements.

Our audit procedures included agreeing carrying values of the unquoted investments to the Group's valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

Valuation of investment properties

The Group's investment properties comprise of land and buildings in Kuwait, GCC and Middle East countries. The total value of investment properties is significant to the Group's consolidated financial statements and are carried at fair value. Management determines the fair value of its investment properties on a periodic basis using external appraisers to support the valuations.

Investment properties are valued using market comparison approach which is based on the latest sale prices of properties within similar areas for certain investment properties, and income capitalization approach which is based on estimates and assumptions such as rental values, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions for certain other properties. Given the size and complexity of the valuation of investment properties and that the valuations are highly dependent on estimates and assumptions, we identified this as a key audit matter.

Our audit procedures included, among others, reviewing the valuation reports of the external independent appraisers and compared individually to the carrying value of the investment properties. We also considered the objectivity, independence, expertise of the external independent valuers as well as evaluating the accuracy of the data inputs used in their valuations. We further assessed the appropriateness of the disclosures concerning investment properties in notes 15 and 23.3 to the consolidated financial statements.

Other information

Management is responsible for the other information. Other information consists of the report of the Parent Company's board of directors, other than the consolidated financial statements and our auditor's report thereon.

Independent Auditor's Report to the shareholders of Al Mal Investment Company - KPSC (continued)

Other information (continued)

Our opinion on the consolidated financial statements does not cover the other accompanying information and we do 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 have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and 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, as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



Independent Auditor's Report to the shareholders of Al Mal Investment Company - KPSC (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, 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 and its Executive Regulations, 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 or financial position of the Parent Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2018 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of the banking business, and its related regulations during the year ended 31 December 2018 that might have had a material effect on the business or financial position of the Parent Company.

Anwar Y. Al-Qatami, F.C.C.A.

(Licence No. 50-A)

of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait

31 March 2019

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Income			
Revenue from contracts with customers		207,595	213,166
Rental income		818,356	641,646
Other (losses)/gains on financial assets	8	(1,406,310)	17,319
Gain on liquidation of a subsidiary		-	111,489
Share of results of associates	14	(4,578)	(186,212)
Loss on liquidation of an associate	14	(142,708)	-
Change in fair value of investment properties	15	(292,424)	(402,768)
Other income	9	216,076	595,598
Foreign exchange gain/(loss)		5,893	(93,747)
		(598,100)	896,491
Expenses and other charges			
Staff costs		(1,127,879)	(1,211,770)
General, administrative and other expenses		(740,756)	(1,110,241)
Finance costs		(197,092)	(198,059)
Impairment of financial assets		(305,432)	(72,317)
Impairment of non-financial assets		(106,520)	-
Write off receivables and other assets		(49,417)	(83,861)
		(2,527,096)	(2,676,248)
Loss for the year		(3,125,196)	(1,779,757)
Attributable to :			
Owners of the Parent Company		(3,073,835)	(1,621,612)
Non-controlling interests		(51,361)	(158,145)
		(3,125,196)	(1,779,757)
Basic and diluted loss per share attributable to the owners of the Parent Company	10	(9.91) Fils	(5.23) Fils

The notes set out on pages 11 to 53 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Loss for the year	(3,125,196)	(1,779,757)
Other comprehensive income/(loss):		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Reclassification of foreign currency translation reserve on liquidation of an associate	283,540	-
Reclassification of foreign currency translation on liquidation of a subsidiary	-	(111,489)
Exchange differences on translation of foreign operations	(50,843)	280,141
Available for sale investments:		
- Net changes in fair value arising during the year	-	372,914
- Transferred to consolidated statement of profit or loss on disposal	-	45,110
Share of other comprehensive loss of associates	-	(128,960)
Total other comprehensive income for the year	232,697	457,716
Total comprehensive loss for the year	(2,892,499)	(1,322,041)
Total comprehensive loss attributable to:		
Owners of the Parent Company	(2,842,474)	(1,169,670)
Non-controlling interests	(50,025)	(152,371)
	(2,892,499)	(1,322,041)

The notes set out on pages 11 to 53 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2018 KD	31 Dec. 2017 KD
Assets			
Cash and cash equivalents	11	849,245	2,488,937
Investments at fair value through profit or loss	12	4,262,226	1,488,323
Accounts receivable and other assets	13	3,718,794	3,874,517
Available for sale investments	3.1	-	4,668,087
Investment in bonds		99,000	100,000
Financing receivables		-	183,811
Investment in associates	14	3,482,172	4,948,756
Investment properties	15	11,991,471	12,185,134
Property and equipment		50,315	97,037
Total assets		24,453,223	30,034,602
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	16	6,520,579	9,007,574
Murabaha payables	17	3,118,103	3,202,976
Bonds	18	900,000	900,000
Employees' end of service indemnity		451,101	408,038
Total liabilities		10,989,783	13,518,588
Equity			
Share capital	19	31,024,591	31,024,591
Foreign currency translation reserve		(1,837,185)	(2,068,546)
Cumulative changes in fair value	3.1	-	420,197
Accumulated losses		(18,362,384)	(13,597,612)
Equity attributable to owners of the Parent Company		10,825,022	15,778,630
Non-controlling interests		2,638,418	737,384
Total equity		13,463,440	16,516,014
Total liabilities and equity		24,453,223	30,034,602


 Ayman Ahmed Sheet
 Vice Chairman

The notes set out on pages 11 to 53 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company						Non-controlling interests		Total
	Share capital	Foreign currency translation reserve	Cumulative changes in fair value	Accumulated losses	Sub-total	Non-controlling interests			
						KD	KD	KD	
Balance as at 1 January 2018	31,024,591	(2,068,546)	420,197	(13,597,612)	15,778,630	737,384		16,516,014	
Adjustment arising on adoption of IFRS 9 (note 3.1)	-	-	(420,197)	260,122	(160,075)	-		(160,075)	
Balance as at 1 January 2018 (restated)	31,024,591	(2,068,546)	-	(13,337,490)	15,618,555	737,384		16,355,939	
Reallocation to non-controlling interests (note 7.2.1)	-	-	-	(1,951,059)	(1,951,059)	1,951,059		-	
Transactions with owners	-	-	-	(1,951,059)	(1,951,059)	1,951,059		-	
Loss for the year	-	-	-	(3,073,835)	(3,073,835)	(51,361)		(3,125,196)	
Other comprehensive income for the year	-	231,361	-	-	231,361	1,336		232,697	
Total comprehensive income/(loss) for the year	-	231,361	-	(3,073,835)	(2,842,474)	(50,025)		(2,892,499)	
Balance as at 31 December 2018	31,024,591	(1,837,185)	-	(18,362,384)	10,825,022	2,638,418		13,463,440	

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company						Non-controlling interests		<u>Total</u>
	Share capital	Foreign currency translation reserve		Cumulative changes in fair value	Accumulated losses	Sub-total	controlling interests		
		KD	KD				KD	KD	
Balance as at 1 January 2017	66,954,351	(2,107,989)	7,698	(47,905,760)	16,948,300	1,018,845	17,967,145		
Accumulated losses written off (note 19)	(35,929,760)	-	-	35,929,760	-	-	-		
Decrease in non-controlling interests on liquidation of a subsidiary	-	-	-	-	-	(129,090)	(129,090)		
Transactions with owners	(35,929,760)	-	-	35,929,760	-	(129,090)	(129,090)		
Loss for the year	-	-	-	(1,621,612)	(1,621,612)	(158,145)	(1,779,757)		
Other comprehensive income for the year	-	39,443	412,499	-	451,942	5,774	457,716		
Total comprehensive income/(loss) for the year	-	39,443	412,499	(1,621,612)	(1,169,670)	(152,371)	(1,322,041)		
Balance as at 31 December 2017	31,024,591	(2,068,546)	420,197	(13,597,612)	15,778,630	737,384	16,516,014		

The notes set out on pages 11 to 53 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
OPERATING ACTIVITIES			
Loss for the year		(3,125,196)	(1,779,757)
Adjustments:			
Impairment loss on financial assets		305,432	72,317
Impairment of non-financial assets		106,520	-
Write-off receivables and other assets		49,417	83,861
Change in fair value of investment properties		292,424	402,768
Loss on disposal of property and equipment		2,642	4,400
Loss on disposal of available for sale investments		-	98,722
Dividend income		(119,141)	(118,176)
Gain on liquidation of a subsidiary		-	(111,489)
Share of results of associates		4,578	186,212
Loss on liquidation of an associate		142,708	-
Depreciation		81,305	34,432
Provision for employees' end of service benefits		111,066	134,903
Interest income		(15,515)	(26,352)
Finance costs		197,092	198,059
		(1,966,668)	(820,100)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		1,894,184	52,151
Accounts receivable and other assets		(335,703)	1,056,812
Financing receivables		69,389	(185,651)
Accounts payable and other liabilities		(925,943)	(1,104,030)
Cash used in operations		(1,264,741)	(1,000,818)
Employees' end of service benefits paid		(68,003)	(90,823)
Net cash used in operating activities		(1,332,744)	(1,091,641)
INVESTING ACTIVITIES			
Proceeds from sale/redemption of available for sale investments		-	225,530
Additions to available for sale investments		-	(365,281)
Additions to property and equipment		(47,225)	(2,560)
Additions to investment properties		(91,635)	(77,254)
Proceeds from sale of property and equipment		10,000	10,000
Dividend received from associates		-	8,385
Dividend income received		119,141	118,176
Interest income received		15,515	26,352
Net cash from/(used in) investing activities		5,796	(56,652)
FINANCING ACTIVITIES			
Repayment of murabaha payables		(115,829)	(403,895)
Finance costs paid		(196,915)	(198,926)
Net cash used in financing activities		(312,744)	(602,821)
Net decrease in cash and cash equivalents		(1,639,692)	(1,751,114)
Cash and cash equivalents at beginning of the year		2,488,937	4,240,051
Cash and cash equivalents at end of the year	11	849,245	2,488,937
Non-cash transactions:			
Investment in associates		(1,532,890)	-
Accounts payable and other liabilities		(1,532,890)	-

The notes set out on pages 11 to 53 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Al Mal Investment Company – KPSC, (“the Parent Company”), is a Kuwaiti Public Shareholding Company established on 2 January 1980 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is regulated by the Central Bank of Kuwait and the Capital Market Authority as an investment company and its shares are listed on the Kuwait Stock Exchange. The Parent Company and its subsidiaries (listed in note 7) are together referred to as “the Group”.

The principal objectives of the Parent Company are as follows:

- Investment in various economic sectors through participating in establishing specialised companies or purchasing securities or shares in those companies;
- Act as investment trustees and manage different investment portfolios for others; and
- Act as intermediary in borrowing operations in return for commission;

Further, the Parent Company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the Parent Company’s registered office is Arabian Gulf Street, Ahmed Tower, Floor 22, PO Box 26308, Safat 13124, State of Kuwait.

The Board of Directors of the Parent Company authorised these consolidated financial statements for issue on 31 March 2019. The general assembly of the Parent Company’s shareholders has the power to amend these consolidated financial statements after issuance.

2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait (“CBK”). The modification requires adoption of all IFRSs for such institutions except for the IFRS 9 requirement for measurement of estimated credit losses (“ECL”) for credit facilities. The CBK requires to measure the provision for credit losses at the higher of provision calculated under IFRS 9 in accordance with the CBK guidelines, and the provision required by the prudential regulations of the CBK.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the Group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IAS 40 Investment Property – Amendments	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of impact are as follows:

- the classification and measurement of the financial assets are based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment is recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value are presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements are presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and Fair value through profit or loss (FVTPL). The standard eliminated IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVTOCI) are now recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVTOCI are now recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets continues to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 1 January 2018 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the consolidated financial statements as follows:

Classification and measurement:

All equity investments are to be measured at FVTPL.

Accounts receivable, investment in bonds and financing receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	IAS 39		IFRS 9	
	Classification	Carrying amount KD	Classification	Carrying amount KD
Financial assets				
Cash and cash equivalents	Loans and receivables	2,488,937	Amortised cost	2,488,937
Accounts receivable and other assets	Loans and receivables	2,696,305	Amortised cost	2,536,230
Financing receivables	Loans and receivables	183,811	Amortised cost	183,811
Investment in bonds	Held to maturity	100,000	Amortised cost	100,000
Equity securities – quoted shares	FVTPL	774,476	FVTPL	774,476
Mutual funds	FVTPL	149,688	FVTPL	149,688
Equity securities – unquoted shares	FVTPL	564,159	FVTPL	564,159
Equity securities – unquoted shares	Available for sale	2,475,056	FVTPL	2,475,056
Private equity funds	Available for sale	552,976	FVTPL	552,976
Direct equity funds	Available for sale	681,396	FVTPL	681,396
Portfolios managed by others	Available for sale	958,659	FVTPL	958,659
Total financial assets		11,625,463		11,465,388

As a result of the above re-classification of available for sale investments to financial assets at fair value through profit or loss, the Group reclassified unrealised gain of KD420,197 from the cumulative changes in fair value account to the accumulated losses.

There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

Impairment:

IFRS 9 requires the Group to record expected credit losses (ECL) on all of its financial assets measured at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Under IFRS 9, the Group measures ECL as follows:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Group has applied simplified approach to impairment for financial assets at amortised costs as required or permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowances as follows:

	Provision as at 31 Dec. 2017 KD	Adjustments KD	Provision as at 1 Jan. 2018 KD
Accounts receivable and other assets	16,040,318	160,075	16,200,393
	16,040,318	160,075	16,200,393

Summary of impact on application of IFRS 9:

As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement, and including impairment requirements. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in the accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for the comparative periods does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

Adjustments to the opening statement of financial position are detailed below:

	31 Dec. 2017 KD	Adjustments/ reclassification KD	1 Jan. 2018 KD
Assets			
Accounts receivable and other assets	2,696,305	(160,075)	2,536,230
Equity			
Cumulative changes in fair value	420,197	(420,197)	-
Accumulated losses	(13,597,612)	260,122	(13,337,490)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenues – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard includes important guidance, such as:

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
 - non-cash consideration and asset exchanges
 - contract costs
 - rights of return and other customer options
 - supplier repurchase options
 - warranties
 - principal versus agent
 - licensing
 - breakage
 - non-refundable upfront fees, and
 - consignment and bill-and-hold arrangements.

The implementation of IFRS 15 on 1 January 2018 did not have a significant impact on the Group's consolidated financial statements.

IFRS 40 Investment Property - Amendments

The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements are provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 16 Leases	1 January 2019
IAS 28 - Amendments	1 January 2019
IFRS 3 - Amendments	1 January 2020
IAS 1 and IAS 8 - Amendments	1 January 2020

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use asset
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRS 3 – Amendments

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group’s consolidated financial statements.

4 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

4.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement of investments at fair value through profit or loss and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars (KD).

The Group has elected to present the “statement of comprehensive income” in two statements: the “statement of profit or loss” and a “statement of profit or loss and other comprehensive income”.

4.2 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary’s profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.2 Basis of consolidation (continued)

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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate as would be required if the Group has directly disposed of the related assets or liabilities.

4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within other comprehensive income.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.4 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates of the associates and the Group is not more than three months. 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. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of an associate' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

4.5 Segment reporting

The Group has three operating segments: Investment, real estate and finance segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.6 Revenue recognition

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 service to a customer.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.6 Revenue recognition (continued)

The Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

4.6.1 Asset management services

Asset management fees is variable consideration based on the net assets value of portfolios at pre-agreed rates in accordance with the respective contracts with customers for the supervision and managing portfolios' assets, safe custody of the assets and conducting buy/sell transactions for the customers.

4.6.2 Fees from advisory services

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

4.7 Rental income

Rental income is recognised on straight line basis over the term of lease. The Group earns rental income from operating leases of its investment properties.

4.8 Interest income on financial assets

Interest income are recognised using effective interest method.

4.9 Dividend income

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

4.10 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.12 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its property and equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

4.13 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised 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. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

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

Gain or loss from sale of investment properties is recognised on completion of sale contract and after transferring the risk and rewards associated with the real estate to the purchaser and the amount of revenue can be reliably measured.

4.14 Impairment testing of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effect of future reorganisations and assets enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.15 Financial instruments

4.15.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

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

- rights to receive cash flows from the assets 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 risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

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, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

4.15.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

4.15.3 Subsequent measurement of financial assets

a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.15 Financial instruments (continued)

4.15.3 Subsequent measurement of financial assets (continued)

a) Financial assets at amortised cost (continued)

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

- Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- Accounts receivable and other assets

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. Bad debts are written off as incurred.

Receivables which are not categorised under any of the above are classified as "other assets".

b) Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise investment in equity shares and funds.

4.15.4 Impairment of financial assets

All financial assets except for those at FVTPL and equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward - looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.15 Financial instruments

4.15.4 Impairment of financial assets (continued)

The Group always recognises lifetime ECL for accounts receivable and other assets. 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 financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4.15.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include accounts payable and other liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

- **Financial liabilities at amortised cost**

These are stated using effective interest rate method. Accounts payable and other liabilities are classified as financial liabilities other than at FVTPL.

- **Accounts payables and other financial liabilities**

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "accounts payable and other liabilities"

- **Murabaha payables**

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- **Bonds issued**

Bonds are carried on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

All interest-related charges are included within finance costs or interest income.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.16 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.17 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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.

4.18 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

4.19 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the Parent Company's articles of association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD

Accumulated losses include all current and prior period losses. All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

4.20 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.20 Provisions, contingent assets and contingent liabilities (continued)

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

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.

4.21 Foreign currency translation

4.21.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Parent Company. 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.

4.21.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, “fair value through profit or loss” is reported as part of the fair value gain or loss in the consolidated statement of profit or loss.

4.21.3 Foreign operations

In the Group’s consolidated financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

4.22 End of service indemnity

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

With respect to its Kuwaiti national employees, in addition to the end of service benefits, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees’ salaries.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.23 Taxation

4.23.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

4.23.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries, and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

4.23.3 Zakat

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

For the year ended 31 December 2018 and 2017, the Parent Company has no liability towards NLST, KFAS and Zakat due to tax losses incurred. Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

4.24 Fiduciary assets

Assets held in a trust or fiduciary capacity are not treated as assets of the Group and, accordingly, they are not included in these consolidated financial statements.

5 Significant management judgements and estimation uncertainty

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

5.1 Significant management judgments

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

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.15). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Judgements in determining the timing of satisfaction of performance obligations

The determination of the whether or not performance obligation criterial set out in IFRS 15 relating to transfer of control of goods to customers has been satisfied requires significant judgement.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Significant management judgments (continued)

5.1.3 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

5.1.4 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

5.1.5 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

5.2 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

5.2.1 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

5.2.2 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Estimation uncertainty (continued)

5.2.3 Revaluation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment property may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5.2.4 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

5.2.5 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

6 Fundamental accounting concept

The Group incurred loss of KD3,125,196 for the year ended 31 December 2018, and as of that date, the Group's total current assets amounted KD8,830,265 and its total current liabilities amounted to KD10,538,682 (total current liabilities exceeded total current assets by KD1,708,417). However, the Group's total assets exceeded its total liabilities by KD13,463,440. Current liabilities include KD3,053,466 (2017: KD4,667,695) due to related parties (note 16) and KD2,667,049 (2017: KD2,654,838) related to the project referred to in note 16.1. Further, the Parent Company's management is also evaluating various strategies to improve the operating performance, financial position and adequacy of financial resources of the Group to enable to meet its future obligations on due dates. Therefore, the Parent Company's management believes the Group has adequate resources to meet its short-term obligations and accordingly, these consolidated financial statements have been prepared under a going concern basis.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts or to the amount of liabilities to reflect the fact that the Group may be required to realize its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in these consolidated financial statements.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

7.1 Details of the Group's consolidated subsidiaries at the end of the reporting period are as follows:

Name of the subsidiary	Country of registration & place of business	Proportion of ownership interest held by the Group		Nature of business
		2018	2017	
Tarasul Telecom Co. K.S.C (Closed)	Kuwait	96.69%	96.69%	Communication services
Diyar Al-Kuwait Real Estate Company – KSC (Closed)	Kuwait	60.25%	60.25%	Real estate development
Al Mal International for Project Management Co.- WLL	Kuwait	80%	80%	Real estate project management
Al Mal Qatari Holding Company – KSC (Closed) *	Kuwait	97.5%*	97.5%*	Real estate project management
Saudi Al Mal Co. – WLL	Kingdom of Saudi Arabia	100%	100%	Investment activities
Quick Facilities Management – LLC	United Arab Emirates	100%	100%	Facilities management services
Takharoj Financial and Administrative Consulting Co. – KSC (Closed)	Kuwait	99%	99%	Consulting services
First Al-Mal Real Estate – KSC (Closed) (Through Al-Mal Qatar Holding Company and Diyar Al-Kuwait Real Estate Company)	Kuwait	90.7%	90.7%	Real estate development

* The remaining 2.5% of the above subsidiary is held by Parent Company through letter of assignments. Certain other subsidiaries shares are held through letter of assignments in favour of the Parent Company.

7.2 Subsidiaries with material non-controlling interests

The Group includes one subsidiary, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Loss allocated to NCI		Accumulated NCI	
	31 Dec. 2018	31 Dec. 2017	31 Dec. 2018 KD	31 Dec. 2017 KD	31 Dec. 2018 KD	31 Dec. 2017 KD
Diyar Al-Kuwait Real Estate Company KSC (Closed)	39.75%	39.75%	(49,850)	(155,476)	2,623,135	722,590
Individually immaterial subsidiaries with non-controlling interests			(1,511)	(2,669)	13,283	14,794
			(51,361)	(158,145)	2,638,418	737,384

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for the above subsidiary, before intragroup eliminations, is set out below:

7.2.1 Diyar Al-Kuwait Real Estate Company - KSCC

	31 Dec. 2018 KD	31 Dec. 2017 KD
Non-current assets	12,322,390	12,931,028
Current assets	841,994	1,718,646
Total assets	13,164,384	14,649,674
Non-current liabilities	114,551	2,916,261
Current liabilities	3,551,562	926,635
Total liabilities	3,666,113	3,842,896
Equity attributable to the shareholders of the Parent Company	5,637,511	6,441,024
Non-controlling interest	3,860,760	4,365,754

During the year, the Group reallocated an amount of KD1,951,059 to non-controlling interests of the subsidiary which represents accumulated impact of the non-controlling interests share of profit in previous years. This mainly arose from the full elimination of intergroup losses that the subsidiary recognised on waiving off an amount due from another partially owned subsidiary of the Group.

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Loss for the year attributable to the shareholders of the Parent Company	(112,729)	(268,637)
Loss for the year attributable to NCI	(49,850)	(155,476)
Loss for the year	(162,579)	(424,113)
Other comprehensive income for the year attributable to the shareholders of the Parent Company	1,178	22,758
Other comprehensive income for the year attributable to NCI	1,379	13,755
Total other comprehensive income for the year	2,557	36,513
Total comprehensive loss for the year attributable to the shareholders of the Parent Company	(111,551)	(245,879)
Total comprehensive loss for the year attributable to NCI	(48,471)	(141,721)
Total comprehensive loss for the year	(160,022)	(387,600)

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Net cash flow from operating activities	299,000	704,028
Net cash (used in)/from investing activities	(84,397)	74,466
Net cash flow used in financing activities	(300,000)	(600,000)
Net cash (outflow)/inflow	(85,397)	178,494

Notes to the consolidated financial statements (continued)

8 Other (losses)/gains on financial assets

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Change in fair value of investments at fair value through profit or loss	(1,331,134)	62,416
(Loss)/gain on disposal of investments at fair value through profit or loss	(75,176)	53,625
Loss on disposal of available for sale investments	-	(98,722)
	(1,406,310)	17,319

9 Other income

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Dividend income (9.1)	119,141	118,176
Interest on financial assets held at amortised cost	15,515	26,352
Gain on settlement of accounts payable	-	448,458
Reversal of provision no longer required	78,590	-
Others	2,830	2,612
	216,076	595,598

9.1 Dividend income

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Dividend income from investments at FVTPL	119,141	34,265
Dividend income from available for sale investments	-	83,911
	119,141	118,176

10 Basic and diluted loss per share

Basic and diluted loss per share is calculated by dividing the loss for the year attributable to the owners of the Parent Company by the weighted average number of ordinary shares outstanding during the year as follows:

	Year ended 31 Dec. 2018	Year ended 31 Dec. 2017
Loss for the year attributable to the owners of the Parent Company (KD)	(3,073,835)	(1,621,612)
Weighted average number of ordinary shares outstanding during the year	310,245,910	310,245,910
Basic and diluted loss per share (Fils)	(9.91)	(5.23)

Notes to the consolidated financial statements (continued)

11 Cash and cash equivalents

	31 Dec. 2018 KD	31 Dec. 2017 KD
Cash and bank balances	839,344	2,463,277
Cash balances with portfolio managers	9,901	25,660
Cash and cash equivalents as per consolidated statement of cash flow	849,245	2,488,937

12 Investments at fair value through profit or loss

	31 Dec. 2018 KD	31 Dec. 2017 KD
Quoted shares	810,729	774,476
Mutual funds	1,379,678	149,688
Investments in portfolios managed by others	640,654	-
Unquoted shares	1,431,165	564,159
	4,262,226	1,488,323

During the year, the Group sold certain investments for a total consideration of KD794,434 (2017: KD522,191) realising a net loss of KD75,176 (2017: net gain of KD53,625).

As at 1 January 2018, as a result of adoption of IFRS (9) the Group reclassified available for sale investments to investments at fair value through profit or loss amounting to KD4,668,087 (Note 3.1).

13 Accounts receivable and other assets

	31 Dec. 2018 KD	31 Dec. 2017 KD
Financial assets:		
Refundable development expenses (13.1)	17,808,246	17,853,209
Advance payments for purchase of financial assets	226,969	213,305
Due from related parties (note 22)	431,427	282,842
Trade receivables	224,570	239,155
Accrued income & dividend receivables	153,645	95,184
Refundable deposits	11,608	11,608
Others	195,202	41,320
	19,051,667	18,736,623
Less: provision for doubtful debts (13.2)	(16,311,118)	(16,040,318)
	2,740,549	2,696,305
Non-financial assets:		
Advance payments for purchase non-financial assets	1,023,170	1,107,496
Prepaid expenses	52,208	54,624
Others	9,387	16,092
	1,084,765	1,178,212
Less: Provision for doubtful debts	(106,520)	-
	978,245	1,178,212
	3,718,794	3,874,517

Notes to the consolidated financial statements (continued)

13 Accounts receivable and other assets (continued)

13.1 Refundable development expenses

Refundable development expenses represent development cost incurred for an economic city in the Kingdom of Saudi Arabia jointly with the Saudi authorities. The Parent Company was the main developer for this project.

During 2014, Knowledge Economic City (KEC) - Kingdom of Saudi Arabia (the relevant Saudi authority), announced through different media channels the termination of Al-Mal Investment's Contract (Developer of Prince Faisal Abdul Aziz Bin Musaed economic city – located in Hael) and assigning the development to Governmental parties. Management of the Parent Company contacted KEC to inquire about this action, since based on the development contract, all contractual and formal procedures must be completed to rectify any breach (if any), before terminating the development contract.

Further, during 2016, the Group filed a legal case against Knowledge Economic City to recover the refundable development expenses. The legal case was filed under the administrative court which is yet to pronounce its decision.

Upon consultation with the legal consultants and review of the development contract which stipulates that the total expenses incurred is re-imbursable, the Parent Company's management is confident that the Parent Company has the right to recover the above refundable development expenses in full.

However, management of the Parent Company decided to apply the guidelines of the Central Bank of Kuwait and accordingly, the Parent Company recognised a provision up to the extent of the refundable development expenses less certain direct dues related to the project amounting to KD1,767,928 as at 31 December 2018 (included under accounts payable and other liabilities as of the reporting date) which KEC requested the Group to repay this amount through the same legal case. Accordingly, an amount of KD16,040,318 was provided in previous years.

The outcome of the above litigation is dependent on the future outcome of continuing legal and regulatory processes and consequently any provisions made to date are subject to inherent uncertainty.

13.2 Provision for expected credit loss

The movement in the provision is as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Balance as at the beginning of the year	16,040,318	15,968,001
Arising on adoption of IFRS 9	160,075	-
Impairment loss on financial assets	190,010	72,317
Write-offs	(79,285)	-
	16,311,118	16,040,318

The above provision includes a provision of KD16,040,318 related to refundable development expenses (note 13.1).

Notes to the consolidated financial statements (continued)

14 Investment in associates

The movement of investment in associates during the year is as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Balance at 1 January	4,948,756	5,330,347
Share of results	(4,578)	(186,212)
Group's share of associates' change in other comprehensive income	-	(128,960)
Dividend received	-	(8,385)
Liquidation of an associate (14.3)	(1,411,988)	-
Exchange differences arising on translation of foreign operations	(50,018)	(58,034)
Balance at 31 December	3,482,172	4,948,756

14.1 Details of the Group's associates at the end of the reporting period are as follows:

	Country of registration	Nature of business	Percentage ownership	
			31 Dec. 2018	31 Dec. 2017
Zone Advanced General Trading Co. – WLL	Kuwait	General trading	40%	40%
Falcon Aviation Group Limited	British Virgin Islands	Air cargo	-	20%
Ikaros Real Estate Company – WLL	Kuwait	Real estate	25%	25%
MAC SA, Stockbrokerage Company	Tunisia	Brokerage	48%	48%
United Insurance Company	Syria	Insurance	18%	18%

Summarised financial information in respect of each of the Group's material associates are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Zone Advanced General Trading Co. – WLL

	31 Dec. 2018 KD	31 Dec. 2017 KD
Non-current assets	3,188,694	3,188,694
Current assets	4,541,306	4,521,531
Current liabilities	(335,814)	(330,307)
Equity	7,394,186	7,379,918
Income/(loss) for the year	14,268	(669,925)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive income/(loss) for the year	14,268	(669,925)

Notes to the consolidated financial statements (continued)

14 Investment in associates (continued)

A reconciliation of the above summarised financial information to the carrying amount of the investment in Zone Advanced General Trading Co. – WLL is set out below:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Net assets of the associate attributable to the shareholders of the Group	7,394,186	7,379,918
Proportion of the Group's ownership interest in the associate	40%	40%
Carrying value of the investment	2,957,674	2,951,967

Zone Advanced General Trading Co. - WLL is an unquoted associate and it mainly holds 50% ownership in a company which is a telecom & technology provider, incorporated in British Virgin Islands and operating in Iraq. The last available audited financial statements of the associate is for the year ended 31 December 2017. The above numbers presented for the year ended 31 December 2018 are based on management accounts of Zone Advanced General Trading Company as of 30 September 2018.

14.2 Aggregate information of associates that are not individually material to the Group:

	31 Dec. 2018 KD	31 Dec. 2017 KD
The Group's share of (loss)/profit for the year	(10,285)	81,758
The Group's share of total comprehensive loss for the year	-	(62,473)
Aggregate carrying amount of the Group's interest in these associates	524,498	1,996,789

14.3 Liquidation of an associate

During the year, the Group's associate, Falcon Aviation Group limited, was liquidated. As a result a net loss of KD142,708 was recognised in the consolidated statement of profit or loss. Details are as follows:

	KD
Consideration *	1,552,820
Less: carrying value of associate at the date of disposal	(1,411,988)
	140,832
Realisation of foreign currency translation reserve on liquidation	(283,540)
Loss on liquidation of an associate	(142,708)

* The consideration represents waiver of net amount due to the associate of KD1,552,820.

15 Investment properties

The movement for investment properties is as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Balance as of 1 January	12,185,134	12,494,394
Additions during the year	91,635	77,254
Changes in fair value	(292,424)	(402,768)
Foreign currency translation adjustment arising on consolidation	7,126	16,254
Balance as of 31 December	11,991,471	12,185,134

Notes to the consolidated financial statements (continued)

15 Investment properties (continued)

- 15.1 Investment properties of KD6,940,000 (2017: KD7,250,000) of a subsidiary are pledged against murabaha payables of the same subsidiary.
- 15.2 Investment properties include a foreign investment property of KD1,361,940 (2017: KD1,075,746) of a foreign subsidiary held based on a registered letter of assignment provided by the original owners of the property.
- 15.3 The details of fair valuation of investment properties are disclosed in note 23.3.
- 15.4 The above properties are located in GCC and other Middle Eastern countries.

16 Accounts payable and other liabilities

	31 Dec. 2018 KD	31 Dec. 2017 KD
Trade payables and payables to contractors (note 16.1)	3,305,999	3,429,545
Due to related parties (note 22)	3,053,466	4,667,695
Accrued expenses	75,880	108,447
Accrued finance costs	30,019	60,465
Fiduciary accounts payable	-	437,126
Provision for legal case	-	270,000
Other liabilities	55,215	34,296
	6,520,579	9,007,574

- 16.1 Trade payables and due to contractors include KD2,667,049 (31 December 2017: KD2,654,838) related to the project which is referred to in note 13.1. Management does not expect this liability to be paid until the Group is able to recover its dues from the project.

17 Murabaha payables

During the year, the Group restructured its murabaha payables to be paid in one bullet payment of KD3,179,000 (representing the principal and the related profit) on 30 April 2019.

Investment properties of a subsidiary are pledged against these murabaha payables (note 15).

The effective cost rate of the murabaha payables is 6.00% (2017: 5.75%).

18 Bonds

During previous years, the Group reached settlement agreements with bondholders for outstanding bonds amounting to KD11,088,000. Consequent to these agreements, a foreign subsidiary of the Group purchased approximately 92.5% of the bonds issued.

The bondholders owning the remaining bonds with a carrying value of KD900,000 filed a legal case against the Parent Company to recover the full face value of the bond. However, the Group's management is confident that the legal case has no basis and that the case will be decided in favour of the Parent Company.

On 10 November 2017, the bondholders agreed to extend the due date of the bonds issued to 18 November 2019 and to reduce the interest on fixed interest bearing bonds to 0.5% fixed interest rate and floating bonds to bear floating interest rate at maximum 0.5% per annum.

Notes to the consolidated financial statements (continued)

18 Bonds (continued)

During 2017, the Parent Company lost a court case against an old bondholder of KD900,000 who had agreed to the settlement agreement earlier but later refused to take ownership of the shares offered in return of the debt. The verdict was issued by the court of appeal on 13 July 2017 and it granted the bondholder the right to the price used for debt to equity swap amounting to KD270,000 for which the Group paid during the period. The Parent Company filed another legal case against the same old bondholder, and the 2,700,000 shares previously issued to this bondholder (with a par value of KD270,000) are currently held with a custodian until the legal dispute is resolved.

19 Share capital

The authorized, issued and fully paid share capital is as follows,

	31 Dec 2018		31 December 2017	
	Authorised	Paid-up in Cash	Authorised	Paid-up in Cash
Shares of 100 Fils each	310,245,910	310,245,910	310,245,910	310,245,910

All shares are in cash.

The Parent Company's shareholders at the Extraordinary General Meeting held on 18 July 2017 approved the board of directors' proposal to set-off accumulated losses of KD35,929,760 against the share capital of the Parent Company, which was approved by the relevant authorities and recorded in the commercial register of the Ministry of Commerce on 8 August 2017.

20 Reserves

Statutory reserve

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to statutory reserve. No transfer is required in a year when losses are made or where cumulative losses exist. The Parent Company may resolve to discontinue such annual transfer when the reserve equals or exceeds 50% of the paid-up share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to voluntary reserve. The Parent Company may resolve to discontinue such transfers by a resolution of the Parent Company's Board of Directors. There are no restrictions on distribution of voluntary reserve. No transfer is required in a year when losses are made or when cumulative losses exist.

21 Segmental information

The Group activities are concentrated in three main segments: real estate, investment and financing. The segments' results are reported to senior management in the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations in which the Group operates.

Notes to the consolidated financial statements (continued)

21 Segmental information (continued)

The following is the segments information, which conforms with the internal reporting presented to management:

	31 Dec. 2018				
	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Total income	525,932	(1,257,690)	15,515	118,143	(598,100)
Expenses and other charges	(643,595)	(1,308,982)	(12,744)	(561,775)	(2,527,096)
(Loss)/profit for the year	(117,663)	(2,566,672)	2,771	(443,632)	(3,125,196)
Assets	11,991,471	11,706,019	-	755,733	24,453,223
Liabilities	3,118,103	5,862,407	930,020	1,079,253	10,989,783
Net assets	8,873,368	5,843,612	(930,020)	(323,520)	13,463,440
Interest income					15,515
Finance costs					197,092
Impairment of financial assets					305,432
Impairment of non-financial assets					106,520
Write off receivables and other assets					49,417

	31 Dec. 2017				
	Real estate KD	Investments KD	Financing KD	Unallocated KD	Total KD
Total income	238,878	241,297	26,352	389,964	896,491
Expenses and other charges	(649,845)	(1,807,764)	(2,821)	(215,818)	(2,676,248)
(Loss)/profit for the year	(410,967)	(1,566,467)	23,531	174,146	(1,779,757)
Assets	13,838,266	15,774,725	183,811	237,800	30,034,602
Liabilities	3,842,733	4,004,712	960,465	4,710,678	13,518,588
Net assets	9,995,533	11,770,013	(776,654)	(4,472,878)	16,516,014
Interest income					26,352
Finance costs					(198,059)
Impairment of financial assets					72,317
Write off receivables and other assets					83,861

Notes to the consolidated financial statements (continued)

21 Segmental information (continued)

The geographical analysis is as follows:

	Domestic KD	International KD	Total KD
31 December 2018			
Total loss	(548,760)	(49,340)	(598,100)
Loss for the year	(2,486,331)	(638,865)	(3,125,196)
Total assets	15,961,527	8,491,696	24,453,223
Total liabilities	8,316,956	2,672,827	10,989,783
Net assets	7,644,571	5,818,869	13,463,440
31 December 2017			
Total income	416,208	480,283	896,491
Loss for the year	(2,079,580)	299,823	(1,779,757)
Total assets	19,934,824	10,099,778	30,034,602
Total liabilities	10,861,477	2,657,111	13,518,588
Net assets	9,073,347	7,442,667	16,516,014

22 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control.

Significant transactions and balances with related parties included in the consolidated financial statements are as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Balances in the consolidated statement of financial position:		
Due from related parties (note 13)	431,427	282,842
Due to related parties (note 16)*	3,053,466	4,667,695

* Due to related parties includes interest free advances totalling KD2,750,000 (31 December 2017: KD4,282,890) with no specific repayment terms and management does not anticipate repayment during the next twelve months.

	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2017 KD
Transactions included in the consolidated statement of profit or loss:		
Management fees and other income	135,821	582,586
Key management compensation:		
Short term benefits	246,719	414,708
Employees' end of service indemnity	17,515	60,520

Pricing policies and the terms of these transactions are approved by the Group's management.

Transactions with related parties are subject to approval of the shareholders at the general assembly meeting.

Notes to the consolidated financial statements (continued)

23 Fair value measurement

23.1 Fair value hierarchy

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

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

23.2 Fair value measurement of financial instruments

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position are categorized as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Financial assets:		
<i>At amortised cost:</i>		
• Cash and cash equivalents	849,245	2,488,937
• Accounts receivable and other assets	2,740,549	2,696,305
• Financing receivables	-	183,811
• Investment in bonds	99,000	-
	3,688,794	5,369,053
<i>At Fair value</i>		
• Investments at fair value through profit or loss	4,262,226	1,488,323
	4,262,226	1,488,323
<i>Held to maturity:</i>		
• Investment in bonds	-	100,000
	-	100,000
<i>Available for sale investments:</i>		
• At fair value	-	3,736,858
• At cost / cost less impairment	-	931,229
	-	4,668,087
Total financial assets	7,951,020	11,625,463
Financial liabilities:		
<i>Financial liabilities at amortised cost:</i>		
• Accounts payable and other liabilities	6,520,579	9,007,574
• Murabaha payables	3,118,103	3,202,976
• Bonds	900,000	900,000
Total financial liabilities	10,538,682	13,110,550

Notes to the consolidated financial statements (continued)

23 Fair value measurement (continued)

23.2 Fair value measurement of financial instruments (continued)

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2018					
Investments at fair value through profit or loss					
- Quoted shares	a	810,729	-	-	810,729
- Unquoted shares	c				
o Local	c	-	-	860,768	860,768
o Foreign	c	-	-	570,397	570,397
- Funds	b				
o Mutual funds	b	-	170,189	-	170,189
o Private equity funds	d	-	-	614,603	614,603
o Direct equity funds	d	-	-	594,886	594,886
- Portfolios managed by others					
o Foreign quoted	e	156,098	-	-	156,098
o Foreign unquoted	e	-	-	484,556	484,556
		966,827	170,189	3,125,210	4,262,226
31 December 2017					
Investments at fair value through profit or loss					
- Quoted shares	a	774,476	-	-	774,476
- Mutual funds	b	-	149,688	-	149,688
- Unquoted shares	c	-	-	564,159	564,159
Available for sale investments:					
- Investment in unquoted shares					
o Local	c	-	-	2,137,160	2,137,160
o Foreign	c	-	-	324,789	324,789
- Private equity funds	d	-	-	300,392	300,392
- Direct equity funds	d	-	-	249,229	249,229
- Portfolios managed by others					
o Foreign quoted	e	201,701	-	-	201,701
o Foreign unquoted	e	-	-	523,587	523,587
		976,177	149,688	4,099,316	5,225,181

There have been no significant transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value, which are unchanged compared to the previous reporting period, are as follows:

Notes to the consolidated financial statements (continued)

23 Fair value measurement (continued)

23.2 Fair value measurement of financial instruments (continued)

a) Quoted shares

All quoted equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Mutual funds

The underlying investments of these funds comprise of quoted securities and the fair value of the investment as of the reporting date is determined based on net asset values reported by the fund manager.

c) Unquoted shares

These represent holdings in local and foreign unlisted securities which are measured at fair value. Fair value is estimated based on the net asset value reported in the latest available financial information, discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

d) Private and direct equity funds

The underlying investments in these private and direct equity funds mainly represent local and foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

e) Portfolios managed by others

The underlying investments in managed portfolios represent quoted and unquoted securities. They are valued based on latest fund manager's reports.

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted shares	NAV multiples	Net asset value reported	N/A	Higher the Net asset value, higher the fair value
		Discount for lack of marketability and Company specific risks	20% - 80%	Higher the discount rate, lower the value
Private equity and direct equity funds	NAV reported by investment manager	Fair market value/carrying value of the underlying assets	N/A	Higher the FMV/CV of the assets, higher the value
Other managed portfolios	NAV reported by investment manager	Fair market value/carrying value of the underlying assets	N/A	Higher the FMV/CV of the assets, higher the value

The impact on profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Discount for lack of marketability & company specific risks represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

Notes to the consolidated financial statements (continued)

23 Fair value measurement (continued)

23.2 Fair value measurement of financial instruments (continued)

Level 3 Fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	2018 KD	2017 KD
As at 1 January	4,099,316	3,868,747
Additions during the year	82,820	50,488
Change in fair value	(1,333,812)	439,177
Net disposal/redemption	(654,343)	(259,096)
Movement between level 3 and carried at cost	931,229	-
As at 31 December	3,125,210	4,099,316
Total amount included in the consolidated statement of profit or loss for unrealised gain on level 3 instruments under investments at fair value through profit or loss	(1,424,065)	45,824

23.3 Fair value measurement of non-financial assets

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date. The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2018 and 31 December 2017:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2018				
Investment property				
- Buildings in Kuwait	-	-	8,640,000	8,640,000
- Building in UAE	-	277,822	-	277,822
- Building in Bahrain	-	1,711,709	-	1,711,709
- Land in Egypt	-	-	1,361,940	1,361,940
	-	1,989,531	10,001,940	11,991,471
31 December 2017				
Investment property				
- Buildings in Kuwait	-	-	9,000,000	9,000,000
- Building in UAE	-	406,427	-	406,427
- Building in Bahrain	-	1,702,961	-	1,702,961
- Land in Egypt	-	-	1,075,746	1,075,746
	-	2,109,388	10,075,746	12,185,134

Notes to the consolidated financial statements (continued)

23 Fair value measurement (continued)

23.3 Fair value measurement of non-financial assets (continued)

Buildings in Kuwait

The buildings in Kuwait represent buildings categorised as “Investment Buildings”. The Group obtained valuations from two independent valuers and the lower of the two fair values was used in arriving at the fair value using rent capitalisation approach.

The rent capitalisation approach capitalises the monthly estimated rental income stream, net of projected operating costs using a discount rate derived from the market yields. When actual rent differs materially from estimated rents, adjustments have been made to the estimated rental value. When using the estimated rental stream approach, adjustments to actual rental are incorporated for factors such as current occupancy levels, the terms of in-place leases, expectations for rentals from future leases and unlicensed rented areas.

Building in UAE

The building in UAE represents four office suites “Commercial units”. The fair value provided by an independent valuer using a market approach that reflects observed prices for recent market transactions for similar properties without any significant adjustments being made to the market observable data.

Building in Bahrain

The building in Bahrain represents a building categorised as “Investment Buildings”. The fair value provided by an independent valuer using a market approach that reflects observed prices for recent market transactions for similar properties without any significant adjustments being made to the market observable data.

Land in Egypt

The land in Egypt represents a land categorised as “Investment land”. The fair value provided by an independent valuer using a market approach that reflects observed prices for recent market transactions for similar properties without any significant adjustments being made to the market observable data.

Further information regarding the level 3 fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings in Kuwait	Rent capitalization	Monthly economic rental value	KD10,590 to KD18,050. (2017: KD10,710 to KD18,350)	Fair value increases if economic rental value increases, and vice versa.
		Yield rate	7.97% to 8.34% (2017: 7.34% to 7.86%)	The higher the yield rate, the higher the value
Land in Egypt	Market comparison approach	Estimated market price (per m ²)	KD5.91 (2017: KD4.65 to KD5.07)	Higher the price per square meter, higher the fair value

Notes to the consolidated financial statements (continued)

23 Fair value measurement (continued)

23.3 Fair value measurement of non-financial assets (continued)

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment properties within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Opening balance	10,075,746	10,310,111
Additions	91,635	77,254
Changes in fair value recognised in profit or loss	(163,819)	(350,250)
Exchange differences recognised in other comprehensive income	(1,622)	38,631
Closing balance	10,001,940	10,075,746

24 Risk management objectives and policies

The Group's principal financial liabilities comprise, murabaha payables, bonds issued and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group's operations. The Group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits, finance receivables and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Parent Company's Board of Directors sets out policies for reducing the risks discussed below.

The Group does not use derivative financial instruments.

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

24.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar. The Group's balance sheet can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed by the Group by diversifying its investments geographically and monitoring the foreign currency movements and the Groups open positions on a regular basis.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

Notes to the consolidated financial statements (continued)

24 Risk management objectives and policies (continued)

24.1 Market risk (continued)

a) Foreign currency risk (continued)

	31 Dec. 2018 Equivalent KD	31 Dec. 2017 Equivalent KD
US Dollars	167,621	1,111,155

If the Kuwaiti Dinar had strengthened against the foreign currencies by 5% (2017: 5%), then this would have the following impact on the loss for the year. There is no impact on the Group's equity.

	<u>Loss/profit for the year</u>	
	31 Dec. 2018 KD	31 Dec. 2017 KD
US Dollars	(8,381)	(55,558)

If the Kuwaiti Dinar had weakened against the foreign currencies by 5% (2017: 5%), then there would be an opposite impact on the loss for the year, and the negative balances shown above would be positive and positive balances will be negative.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to the foreign currency risk.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its short term deposits and bonds payable which are both at fixed rate and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the loss for the year to reasonable possible change of interest rate of +1% and -1% basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's equity.

	<u>Increase in interest rates</u>		<u>Decrease in interest rates</u>	
	31 Dec. 2018 KD	31 Dec. 2017 KD	31 Dec. 2018 KD	31 Dec. 2017 KD
Increase/(decrease) in loss for the year	9,000	9,000	(9,000)	(9,000)

Notes to the consolidated financial statements (continued)

25 Risk management objectives and policies (continued)

24.1 Market risk (continued)

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments, which are primarily located in Kuwait. Equity investments are classified as investments at fair value through profit or loss.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher, the effect on the profit and other comprehensive income for the years ended 31 December 2018 and 2017 would have been as follows:

A positive number below indicates a decrease in loss and increase in the other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	Loss for the year		Other comprehensive income	
	31 Dec. 2018 KD	31 Dec. 2017 KD	31 Dec. 2018 KD	31 Dec. 2017 KD
Investments at fair value through profit or loss	96,683	77,448	-	-
Available for sale investments	-	-	-	20,170
	96,683	77,448	-	20,170

For a 10% decrease in the equity prices, there would be an equal and opposite impact on the other comprehensive income and the profit for the year, and balances shown above would be negative.

24.2 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. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

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

	31 Dec. 2018 KD	31 Dec. 2017 KD
Cash and cash equivalents	849,245	2,488,937
Investments at FVTPL	4,262,226	1,488,323
Accounts receivable and other assets	2,740,549	2,696,305
Investment in bonds	99,000	100,000
Financing receivables	-	183,811
Available for sale investments	-	4,668,087
	7,951,020	11,625,463

Notes to the consolidated financial statements (continued)

24 Risk management objectives and policies (continued)

24.2 Credit risk (continued)

The Group continuously monitors defaults of customers and other counter parties, identified either individually or by Group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit risk for cash and bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality. Information on other significant concentrations of credit risk is set out in note 24.3

24.3 Concentration of assets

The distribution of financial assets and financial liabilities by geographic region for 2018 and 2017 is as follows:

	Kuwait KD	GCC KD	Asia & Africa KD	Europe KD	USA KD	Total KD
At 31 December 2018						
Cash and cash equivalents	692,956	138,395	15,274	2,620	-	849,245
Investments at fair value through profit or loss	2,950,103	170,188	330,703	-	811,232	4,262,226
Accounts receivable and other assets	841,496	1,781,634	-	117,419	-	2,740,549
Investment in bonds	99,000	-	-	-	-	99,000
	4,583,555	2,090,217	345,977	120,039	811,232	7,951,020
Accounts payable and other liabilities						
Murabaha payables	3,848,449	2,672,130	-	-	-	6,520,579
Bonds	3,118,103	-	-	-	-	3,118,103
	900,000	-	-	-	-	900,000
	7,866,552	2,672,130	-	-	-	10,538,682
At 31 December 2017						
Cash and cash equivalents	2,310,956	140,679	36,321	981	-	2,488,937
Investments at fair value through profit or loss	1,338,635	149,688	-	-	-	1,488,323
Accounts receivable and other assets	808,486	1,770,679	-	117,140	-	2,696,305
Available for sale investments	3,058,305	455,000	779,073	13,107	362,602	4,668,087
Investment in bonds	100,000	-	-	-	-	100,000
Financing receivables	183,811	-	-	-	-	183,811
	7,800,193	2,516,046	815,394	131,228	362,602	11,625,463
Accounts payable and other liabilities						
Murabaha payables	4,817,573	4,190,001	-	-	-	9,007,574
Bonds	3,202,976	-	-	-	-	3,202,976
	900,000	-	-	-	-	900,000
	8,920,549	4,190,001	-	-	-	13,110,550

Notes to the consolidated financial statements (continued)

24 Risk management objectives and policies (continued)

24.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss, investment in associates, available for sale investments and investment properties, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date. The maturity profile for investments carried at fair value through profit or loss, investment in associates, available for sale investments and investment properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of all assets and liabilities at 31 December 2018 and 2017:

	1 year KD	1 -5 years KD	Total KD
At 31 December 2018			
ASSETS			
Cash and cash equivalents	849,245	-	849,245
Investments at fair value through profit or loss	4,262,226	-	4,262,226
Accounts receivable and other assets	3,718,794	-	3,718,794
Investment in bonds	-	99,000	99,000
Investment in associates	-	3,482,172	3,482,172
Investment properties	-	11,991,471	11,991,471
Property and equipment	-	50,315	50,315
	8,830,265	15,622,958	24,453,223
LIABILITIES			
Accounts payable and other liabilities	6,520,579	-	6,520,579
Murabaha payables	3,118,103	-	3,118,103
Bonds	900,000	-	900,000
Employees' end of service indemnity	-	451,101	451,101
	10,538,682	451,101	10,989,783
At 31 December 2017			
ASSETS			
Cash and cash equivalents	2,488,937	-	2,488,937
Investments at fair value through profit or loss	1,488,323	-	1,488,323
Accounts receivable and other assets	3,874,517	-	3,874,517
Investment in bonds	-	100,000	100,000
Available for sale investments	-	4,668,087	4,668,087
Investment in associates	-	4,948,756	4,948,756
Investment properties	-	12,185,134	12,185,134
Financing receivables	82,789	101,022	183,811
Property and equipment	-	97,037	97,037
	7,934,566	22,100,036	30,034,602
LIABILITIES			
Accounts payable and other liabilities	9,007,574	-	9,007,574
Murabaha payables	415,829	2,787,147	3,202,976
Bonds	-	900,000	900,000
Employees' end of service indemnity	-	408,038	408,038
	9,423,403	4,095,185	13,518,588

Notes to the consolidated financial statements (continued)

24 Risk management objectives and policies (continued)

24.4 Liquidity risk (continued)

The contractual maturity of financial liabilities based on undiscounted cash flows are as follows:

	On demand /up to 1 month KD	1-3 months KD	3-12 months KD	Over 1 year KD	Total KD
31 December 2018					
Financial liabilities					
Accounts payable and other liabilities	78,507	-	6,442,072	-	6,520,579
Murabaha payables	-	-	3,118,103	-	3,118,103
Bonds	-	-	900,000	-	900,000
	78,507	-	10,460,175	-	10,538,682
31 December 2017					
Financial liabilities					
Accounts payable and other liabilities	68,899	-	8,938,675	-	9,007,574
Murabaha payables	-	-	415,829	2,787,147	3,202,976
Bonds	-	-	-	900,000	900,000
	68,899	-	9,354,504	3,687,147	13,110,550

25 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the costs of capital.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year as compared to the previous year. The capital structure of the Group consists of the following:

	31 Dec. 2018 KD	31 Dec. 2017 KD
Murabaha payables	3,118,103	3,202,976
Bonds	900,000	900,000
Less: Cash and cash equivalents	(849,245)	(2,488,937)
Net debt	3,168,858	1,614,039
Total equity	13,463,440	16,516,014
Total Capital	16,632,298	18,130,053

Notes to the consolidated financial statements (continued)

25 Capital risk management (continued)

In order to maintain or adjust the capital structure, the Group monitors capital on the basis of gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

	31 Dec. 2018 KD	31 Dec. 2017 KD
Net debt	3,168,858	1,614,039
Total capital	16,632,298	18,130,053
Gearing ratio	19.05%	8.90%

26 Assets under management

The Group manages mutual funds, portfolios on behalf of its major shareholders, other related parties and third parties, and maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 31 December 2018 amounted to KD16,143,827 (31 December 2017: KD47,934,791).

During the year total fees earned by the Group from assets under management amounted to KD135,821 (2017: KD78,213).

27 General assembly of shareholders and dividend

The Parent Company's Board of Directors proposed not to distribute any dividend for the year ended 31 December 2018. This proposal is subject to the approval of the general assembly of the shareholders. No dividends were distributed for the year ended 31 December 2017.

The annual consolidated financial statements for the year ended 31 December 2017 were authorised for issuance by the Parent Company's Board of Directors on 20 March 2018 and approved by the shareholders at the Annual General Meeting held on 4 June 2018.

28 Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation of the consolidated financial statements. Such reclassification did not affect previously reported total assets and equity or net results for the year reported.

29 Subsequent event

Subsequent to the reporting period, one of the Group's subsidiaries "Al-Mal Qataria Holding Company" signed an agreement with "Kuwait European Holding Company" to exchange its equity stake in its subsidiary "First Al-Mal Real Estate Company" for a 40% equity stake in "Aramila Capital Company", a company located in the United Kingdom. The investment in Aramila will be accounted for as an investment in associate. Further, as a result of the alone disposal of First Al-Mal Real Estate, the Group's ownership in "Diyar Al-Kuwait Real Estate Company", a partially owned subsidiary, will be diluted from 60.25% to 40.25%, and accordingly, will be accounted for as an investment in associate. These transactions will be reflected in the condensed consolidated financial information of the Group for the three-month period ending 31 March 2019.