AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018
WITH
INDEPENDENT AUDITOR'S REPORT

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018
WITH
INDEPENDENT AUDITOR'S REPORT

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Al-Mazaya Holding Company - K.S.C. (Public)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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. We identified the following key audit matters:

Valuation of investment properties

Investment properties amounting to KD 146,379,207 form a significant part of the total assets of the Group. The determination of the fair value of such properties is a subjective area and is highly dependent on judgements and estimates. Accordingly, the valuation of investment properties is considered a key audit matter. The Group performs an annual valuation exercise through licensed valuers to determine the fair value of the investment properties. These valuations are dependent on certain key assumptions such as estimated rental revenues, discount rates, occupancy rates, market knowledge, developers risk and historical transactions. In estimating the fair value of investment properties, valuers used the sales comparison valuation and income capitalization techniques and had considered the nature and usage of the investment properties. We reviewed the valuation reports from the licensed valuers and checked the adequacy of disclosures in the consolidated financial statements, which is included in Note 12.

Properties held for trading

Properties held for trading as of December 31, 2018 amounting to KD 41,741,409 represent a significant part of total assets and are carried at the lower of cost or net realizable value, which requires management's judgement in determining the appropriate costing basis and provision for write down of properties held for trading since they are based on forecast of estimated selling prices less costs to sell and reviewing whether the provision is adequate. Given the size and complexity of determining the net realizable value of properties held for trading, we addressed this as a key audit matter.

We have tested a sample of properties held for trading to ensure that its recorded at cost or net realizable value. Hence, we obtained valuation reports, reviewed the appropriateness of the valuation techniques and reasonableness of data used to in determination of selling price and reviewed the assumptions and estimates made by the management. Finally, we reviewed the appropriateness of disclosures relating to properties held for trading, as shown in Note 6 to the consolidated financial statements.

Other matter

The consolidated financial statements for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those statements on February 8, 2018.

Other Information

Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information attached to it, and we do not and we will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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, 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, the parent company's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity 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 year and are therefore the key audit matters. We describe these matters in 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

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, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended have occurred during the financial year ended December 31, 2018 that might have had a material effect on the business or financial position of the Group.

Dr. Shuaib A. Shuaib
Licence No.- 33A
RSM Albazie & Co.

State of Kuwait
March 10, 2019

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018
(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2018	2017 (Restated)
Current assets:			
Cash and cash equivalents	3	**7,169,433**	10,931,750
Financial assets at fair value through profit or loss ("FVPL")	4	**981,739**	-
Accounts receivable and other debit balances	5	**10,643,140**	21,945,575
Properties held for trading	6	**41,741,409**	34,271,531
Total current assets		**60,535,721**	67,148,856
Non-current assets:			
Advance payment for purchase of properties	7	**-**	14,655,930
Financial assets at fair value through other comprehensive income ("FVOCI")	8	**4,679,356**	-
Financial assets available for sale	9	**-**	8,308,067
Investment in an associate	10	**9,852,650**	9,670,587
Investment in joint venture	11	**1,190,947**	-
Investment properties	12	**146,379,207**	131,665,239
Property, plant and equipment		**729,808**	508,918
Goodwill	13	**2,254,210**	2,254,210
Total non-current assets		**165,086,178**	167,062,951
Total assets		**225,621,899**	234,211,807
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and other credit balances	14	**12,377,570**	6,056,698
Advances from customers		**1,217,789**	3,104,626
Tawarruq and ijara payables	15	**13,230,013**	17,936,382
Term loans	16	**1,338,289**	2,292,375
Total current liabilities		**28,163,661**	29,390,081
Non-current liabilities:			
Accounts payable and other credit balances	14	**6,090,823**	12,813,261
Tawarruq and ijara payables	15	**78,365,088**	63,117,177
Term loans	16	**7,562,722**	8,773,840
Provision for end of service indemnity		**1,316,577**	1,009,567
Total non-current liabilities		**93,335,210**	85,713,845
Total liabilities		**121,498,871**	115,103,926
Equity:			
Share capital	17	**68,827,896**	68,827,896
Share premium		**21,655,393**	21,655,393
Treasury shares	18	**(20,009,108)**	(20,707,103)
Statutory reserve	19	**14,469,647**	13,945,419
Voluntary reserve	20	**11,010,499**	11,010,499
Fair value reserve		**(1,700,263)**	317,232
Employees' share option plan		**412,795**	476,987
Other reserves		**731,986**	731,986
Foreign currency translation reserve		**(7,336,181)**	(1,259,633)
Retained earnings		**3,225,336**	11,878,779
Equity attributable to the shareholders of the Parent Company		**91,288,000**	106,877,455
Non-controlling interests		**12,835,028**	12,230,426
Total equity		**104,123,028**	119,107,881
Total liabilities and equity		**225,621,899**	234,211,807

The accompanying notes (1) to (33) form an integral part of the consolidated financial statements.

Rasheed Y. Al Nafisi
Chairman

Ibrahim A. Al Soqabi
Chief Executive Officer

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018
(All amounts are in Kuwaiti Dinars)

	Note	2018	2017
Revenue:			
Revenue from sale of properties held for trading	22	**13,576,215**	60,831,419
Rental income	22	**8,384,650**	7,596,171
Net management fees and commission income		**95,233**	182,656
Total revenue		**22,056,098**	68,610,246
Cost of revenue:			
Cost of sale of properties held for trading		**(10,985,182)**	(56,733,970)
Cost of rental		**(1,631,770)**	(1,732,210)
Cost of revenue		**(12,616,952)**	(58,466,180)
Gross profit		**9,439,146**	10,144,066
Change in fair value of investment properties	12	**2,717,880**	5,242,918
Loss on sales of investment properties		**(201,426)**	-
Share of results from an associate	10	**311,207**	339,582
Share of results from joint venture	11	**1,190,147**	-
Selling and marketing expenses		**(708,711)**	(135,814)
General and administrative expenses		**(5,089,435)**	(4,683,130)
Reversal of impairment loss on properties held for trading	6	**58,794**	2,379,486
Operating Profit		**7,717,602**	13,287,108
Net investment income	23	**1,089,975**	248,480
Net other income (expenses)	24	**2,037,552**	(698,975)
Finance costs		**(4,873,121)**	(4,275,691)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		**5,972,008**	8,560,922
KFAS		**(5,653)**	(30,038)
NLST		**(121,860)**	(61,104)
Zakat		**(11,177)**	(683)
Board of Directors' remuneration	27	**-**	(185,000)
Net Profit for the year		**5,833,318**	8,284,097
Attributable to:			
Shareholders of the Parent Company		**5,103,588**	7,221,973
Non-controlling interests		**729,730**	1,062,124
Net profit for the year		**5,833,318**	8,284,097
Earnings per share attributable to shareholders of the Parent Company:			
Basic earnings per share attributable to shareholders of the Parent Company – (Fils)	25	**8.17**	11.60
Diluted earnings per share attributable to shareholders of the Parent Company – (Fils)	25	**8.10**	11.50

The accompanying notes (1) to (33) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

	Note	2018	2017
Net profit for the year		**5,833,318**	8,284,097
Other comprehensive loss:			
Items to be reclassified subsequently to statement of profit or loss:			
Change in fair value of financial assets available for sale		-	(232,051)
Group's share of other comprehensive loss from associate	10	**(129,144)**	(21,838)
Foreign currency translation adjustment		**(5,935,713)**	(2,224,690)
Items that will not be reclassified subsequently to statement of profit or loss:			
Change in fair value of financial assets through other comprehensive income		**(1,794,752)**	-
Other comprehensive loss for the year.		**(7,859,609)**	(2,478,579)
Total comprehensive (loss) income for the year		**(2,026,291)**	5,805,518
Attributable to:			
Shareholders of the Parent Company		**(2,673,223)**	5,365,312
Non-controlling interests		**646,932**	440,206
Total comprehensive (loss) income for the year		**(2,026,291)**	5,805,518

The accompanying notes from (1) to (33) form an integral part of the consolidated financial statements.

AL-MAZAYA HOLDING COMPANY - K.S.C. (PUBLIC)
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018
(All amounts are in Kuwaiti Dinars)

	Attributable to shareholders of the Parent Company											
	Share capital	Share premium	Treasury Shares	Statutory reserve	Voluntary Reserve	Fair value reserve	Employees' share option plan	Other reserves	Foreign currency translation reserve	Retained earnings	Sub-total	Non-controlling interests	Total
Balance as at January 1, 2017	68,827,896	21,655,393	(21,310,897)	13,195,539	10,260,619	549,283	360,360	845,160	364,977	13,460,761	108,209,091	9,471,589	117,680,680
Prior years adjustments (Note 2 - b)	-	-	-	-	-	-	-	-	-	(1,942,826)	(1,942,826)	1,942,826	-
Balance as at January 1, 2017 (Restated)	68,827,896	21,655,393	(21,310,897)	13,195,539	10,260,619	549,283	360,360	845,160	364,977	11,517,935	106,266,265	11,414,415	117,680,680
Profit for the year	-	-	-	-	-	-	-	-	-	7,221,973	7,221,973	1,062,124	8,284,097
Other comprehensive loss for the year	-	-	-	-	-	(232,051)	-	-	(1,624,610)	-	(1,856,661)	(621,918)	(2,478,579)
Total comprehensive (loss) income for the year	-	-	-	-	-	(232,051)	-	-	(1,624,610)	7,221,973	5,365,312	440,206	5,805,518
Cash dividend (Note 27)	-	-	-	-	-	-	-	-	-	(4,983,944)	(4,983,944)	-	(4,983,944)
Transfer to reserves	-	-	-	749,880	749,880	-	-	-	-	(1,499,760)	-	-	-
Employees' share based payment	-	-	-	-	-	-	342,996	-	-	-	342,996	-	342,996
Employees" share options exercised	-	-	603,794	-	-	-	(226,369)	-	-	(377,425)	-	-	-
Partial disposal of a subsidiary	-	-	-	-	-	-	-	(113,174)	-	-	(113,174)	375,805	262,631
Balance as at December 31, 2017	68,827,896	21,655,393	(20,707,103)	13,945,419	11,010,499	317,232	476,987	731,986	(1,259,633)	11,878,779	106,877,455	12,230,426	119,107,881
Effect of adoption of IFRS 9 (Note 2 - d)	-	-	-	-	-	(317,232)	-	-	-	(7,810,292)	(8,127,524)	(42,330)	(8,169,854)
Balance as at January 1, 2018	68,827,896	21,655,393	(20,707,103)	13,945,419	11,010,499	-	476,987	731,986	(1,259,633)	4,068,487	98,749,931	12,188,096	110,938,027
Profit for the year	-	-	-	-	-	-	-	-	-	5,103,588	5,103,588	729,730	5,833,318
Other comprehensive loss for the year	-	-	-	-	-	(1,700,263)	-	-	(6,076,548)	-	(7,776,811)	(82,798)	(7,859,609)
Total comprehensive (loss) income for the year	-	-	-	-	-	(1,700,263)	-	-	(6,076,548)	5,103,588	(2,673,223)	646,932	(2,026,291)
Cash dividend (Note 27)	-	-	-	-	-	-	-	-	-	(5,001,570)	(5,001,570)	-	(5,001,570)
Transfer to reserves	-	-	-	524,228	-	-	-	-	-	(524,228)	-	-	-
Employees' share based payment	-	-	-	-	-	-	212,862	-	-	-	212,862	-	212,862
Employees" share options exercised	-	-	697,995	-	-	-	(277,054)	-	-	(420,941)	-	-	-
Balance as at December 31, 2018	**68,827,896**	**21,655,393**	**(20,009,108)**	**14,469,647**	**11,010,499**	**(1,700,263)**	**412,795**	**731,986**	**(7,336,181)**	**3,225,336**	**91,288,000**	**12,835,028**	**104,123,028**

The accompanying notes from (1) to (33) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2018
(All amounts are in Kuwaiti Dinars)

	2018	2017
Cash flows from operating activities:		
Profit for the year before contribution Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration	5,972,008	8,560,922
Adjustments:		
Depreciation	248,746	209,917
Share of results from an associate	(311,207)	(339,582)
Share of results from a joint venture	(1,190,147)	-
Provision for doubtful debts	1,587,171	594,139
Provisions no longer required	(37,364)	(2,000,000)
Reversal of impairment loss on properties held for trading	(58,796)	(2,379,486)
Net investment income	(1,089,975)	(248,480)
Change in fair value of investment properties	(2,717,880)	(5,242,918)
Loss from sale of investment properties	201,426	-
Provision for employees' end of service indemnity	349,813	255,479
Provision for employees' stock option plan	212,862	342,996
Finance costs	4,873,121	4,275,691
	8,039,778	4,028,678
Change in operating assets and liabilities:		
Accounts receivable and other debit balances	2,818,620	(700,228)
Properties held for trading	(8,287,842)	33,079,957
Accounts payable and other credit balances	(604,871)	(3,260,805)
Advances from customers	(1,886,837)	(24,684,631)
Cash flows generated from operations	78,848	8,462,971
Employees' end of service indemnity paid	(42,803)	(119,709)
Net cash flows generated from operating activities	36,045	8,343,262
Cash flows from investing activities:		
Decrease in restricted cash balances	1,922,716	2,161,737
Paid for investment in a joint venture	(800)	-
Proceeds from sale of financial assets available for sale	-	517,078
Proceeds from sale of financial assets at fair value through profit or loss	11,024	-
Advances for purchase of properties	(4,681)	-
Paid for investment properties	(1,325,476)	(231,934)
Proceeds from sale investment properties	164,766	-
Purchase of property, plant and equipment	(469,636)	(123,614)
Proceeds from sale of a portion in a subsidiary	-	275,153
Cash dividend received	738,911	358,300
Net cash flows generated from investing activities	1,036,824	2,956,720
Cash flows from financing activities:		
Net movement in term loans	(2,165,204)	(1,118,569)
Net movement in tawarruq and ijara payable	10,541,542	4,210,947
Dividend paid	(4,980,541)	(4,983,944)
Finance costs paid	(4,873,121)	(4,275,691)
Net cash flows used in financing activities	(1,477,324)	(6,167,257)
Net (decrease) increase in cash and cash equivalents	(404,455)	5,132,725
Foreign currency translation adjustments	(1,435,146)	(2,224,690)
Cash and cash equivalents at the beginning of the year (Note 3)	8,931,925	6,023,890
Cash and cash equivalents at the end of the year (Note 3)	7,092,324	8,931,925

The accompanying notes (1) to (33) form an integral part of the consolidated financial statements.

1. Incorporation and activities

Al Mazaya Holding Company "The Parent Company" is a Kuwaiti Public shareholding company listed on Kuwait Boursa and Dubai Financial Market and registered in the State of Kuwait, and was incorporated based on Memorandum of Incorporation under Ref. No. 3501 / Volume 1 dated November 7, 1998 and its subsequent amendments, the latest of which was notarized in the commercial registry number 75203 pursuant to a memo issued from shareholding companies department under Ref. No. 219 dated April 2, 2014.

The Parent Company's main activities based on the Articles of Association are as follows:
Ownership of Kuwaiti and foreign shareholding companies, ownership of shares and portions of limited liability Kuwaiti and foreign companies or participating in the formation of those companies, as well as managing and guaranteeing those companies, granting loans to the companies in which it owns shares in and guaranteeing them towards others, provided that the percentage of participation of the holding company in the capital of the borrowing company is not less than 20%, ownership of industrial property rights including intellectual rights, trade marks, industrial marks, industrial fees or any other rights relating to such assets and leasing them to other companies to utilize them whether inside or outside the state of Kuwait, ownership of the movable assets and real properties needed to operate within the applicable laws, utilization of its available financial surpluses by investing them in financial real estate portfolios managed by specialized companies.

The Parent Company has the right to practice its aforementioned objectives inside the State of Kuwait and abroad for itself or as agent or representative to other, the Parent Company has the right as well to have interest or to participate with entities that practice similar operations or assist the Parent Company in achieving its objectives inside and outside Kuwait, and such it has the right to establish, form partnership, purchase or merge with those entities.

The Parent Company's registered address is P.O. Box 3546, Safat 13036, State of Kuwait.

The consolidated financial statements of the Group were authorized for issue by the Board of Directors on March 10, 2019. The consolidated financial statements are subject to the approval of the Annual General Assembly of the shareholders of the Parent Company. The Shareholders Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Significant accounting policies are summarized as follows:

a) Basis of preparation:

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost basis, except for certain assets which are stated at fair value:

- Financial assets at fair value through profit or loss ("FVPL").
- Financial assets at fair value through other comprehensive income ("FVOCI").
- Investment properties.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note (2- dd).

Standards and Interpretations issued and effective

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2018:

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Kindly refer to Note (2 - d) for the effect of initially applying IFRS 9.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after January 1, 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

This standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. Kindly refer to Note (2 - r) for the effect of initially applying IFRS 15.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The interpretation will be effective for annual periods beginning on or after January 1, 2018 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The revision do not have any material impact on the consolidated financial statements.

Amendments to IAS 28 – Investment in Associates and Joint Ventures

The amendments clarify that:

a) An entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

b) If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognized; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any material impact on the consolidated financial statements.

Amendments to IAS 40 – Transfers of Investment Property
The amendment will be effective for annual periods beginning on or after January 1, 2018 and clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any material impact on the consolidated financial statements.

IFRS 16 - Leases
The Group has early adopted IFRS 16 - Leases using a modified retrospective approach as this standard will be effective for annual periods beginning on or after January 1, 2019. This standard replaced IAS 17 "Leases". The new standard does not significantly change the accounting for leases for lessors and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability against an asset representing the right to use the underlying asset during the lease term. Kindly refer to Note (2 - u) for the effect of early implementation of IFRS 16.

Standards and Interpretations issued but not effective
The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

Amendments to IFRS 9: Prepayment features with negative compensation
Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

Annual Improvements 2015 – 2017 Cycle (issued in December 2017)

IFRS 3 – Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

The Group applies those amendments to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

IFRS 11 – Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

The Group applies those amendments to transactions in which it obtains joint control on or after the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

IAS 23 – Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The Group applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. The Group applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

These amendments and standards are not expected to have any material impact on the consolidated financial statements.

b) Basis of consolidation:

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (together the "Group"):

Name of subsidiary	Country of incorporation	Principal activities	Percentage of holding % 2018	2017
Al Mazaya Real Estate Development Company K.S.C (Closed)	State of Kuwait	Real estate	**97.98%**	97.98%
Seven Zones Real Estate Company - K.S.C. (Closed)	State of Kuwait	Real estate	**96%**	96%
Gulf Turkey for General Trading and Contracting Company W.L.L	State of Kuwait	Real estate	**98%**	98%
First Dubai Real Estate Development Company – K.S.C.P	State of Kuwait	Real estate	**89.91%**	89.91%
Mezzan Combined For General Trading Company – W.L.L	State of Kuwait	Real estate	**99%**	99%
First Kuwait for Projects Management Company W.L.L	State of Kuwait	Real estate	**98%**	98%
Al Yammar Kuwaiti Agriculture Company S.P.C.	State of Kuwait	Real estate	**100%**	100%
Mazaya Ritim Istanbul Insaat Anonim Sirketi	Turkey	Real estate	**90%**	90%
Mazaya Real Estate Turkey Gayrimenkul Yatirimlari Anonim Sirketi	Turkey	Real estate	**100%**	100%
Al Mazaya Lebanon Company- S.A.L (Holding)	Lebanon	Real estate	**99.85%**	99.85%
Grand Mazaya Real Estate Company W.L.L	KSA	Real estate	**99%**	99%
Al Mazaya Real Estate Development Company L.L.C	Oman	Real estate	**100%**	100%
Mazaya Al Ghad – S.P.C.	UAE	Real estate	**100%**	-
Al Mazaya Real Estate FZ - L.L.C	UAE	Real estate	-	100%
Al Mazaya Emirates Real Estate Development Company S.P.C	UAE	Real estate	-	100%
Advantage General Trading Company L.L.C.	UAE	Real estate	-	100%
Al Murooj Al Khadra Real Estate L.L.C.	UAE	Real estate	-	100%
Al Telal Al Khadraa Real Estate L.L.C.	UAE	Real estate	-	100%

During the financial year ended December 31, 2018 the Parent Company incorporated Mazaya Al Ghad – S.P.C. Company, and waived shares of Its ownership in Al Mazaya Real Estate FZ - L.L.C, Al Mazaya Emirates Real Estate Development Company S.P.C, Advantage General Trading Company L.L.C., Al Murooj Al Khadra Real Estate L.L.C., and Al Telal Al Khadraa Real Estate L.L.C. at their carrying value in the Parent Company's books at the date of transfer, and there was no effect for this waiver on the statement of equity of the Parent Company.

Prior year adjustments represent the effect of the change in the Parent Company's non – controlling interest in First Dubai Real Estate Development Company – K.S.C.P and Al Mazaya Real Estate Development Company – K.S.C. (Closed). The effect of this change resulted in decreasing in retained earnings by KD 1,942,826 and increase in non – controlling interest by KD 1,942,826.

Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- Has power over the investee.
- Is exposed, or has rights to variable returns from its involvement with the investee.
- Has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. If the Group loses control over a subsidiary, it:

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

c) Current vs non-current classification:

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

The group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current

d) Financial instruments:

The Group classifies its financial instruments as "financial assets" and "financial liabilities. Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, accounts receivable, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, bank facilities, Tawarruq and ijara payable, and accounts payable.

d – 1) Financial assets:

Accounting policy effective January 1, 2018

The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

d - 1/1) Classification of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Initial recognition

Purchases and sales of those financial assets are recognized on settlement date – the date on which an asset is delivered to or by the Group. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either

a) Has transferred substantially all the risks and rewards of ownership of the financial asset, or
b) Has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity, loans and receivables) have been replaced by:

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to consolidated statement of profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to consolidated statements of profit or loss on derecognition
- Financial assets at fair value through profit or loss FVPL

Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

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

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gain and losses are recognized in consolidated statement of profit and loss when the asset is derecognized, modified or impaired.

Cash and cash equivalents, and trade receivables are classified as debt instruments at amortized cost.

- **Cash and cash equivalents**
  Cash and cash equivalents includes cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

- **Trade receivables**
  Receivables are amounts due from customers and tenants for units sold or rent or services performed in the ordinary course of business and is recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment.

- **Financial assets at FVPL**

  The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

  Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

- **Equity instruments at FVOCI**

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

  Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity.

d - 1/2) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVPL.

ECLs 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.

For Trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis.

In applying this forward-looking approach, the Group applies a three stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low
- 'Stage 3' (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

'12-month expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.
The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

d - 1/3) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at January 1, 2018. Accordingly, the information presented for the year ended December 31, 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the year ended December 31, 2017.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL.
- The designation of certain equity instruments not held for trading as at FVOCI.

The impact of this change in accounting policy as at January 1, 2018 has been to decrease retained earnings by KD 7,810,292, to decrease the fair value reserve by KD 317,232 and decrease non-controlling interests by KD 42,330 as follows:

	Retained earnings	Fair value reserve	Non-controlling interests
Closing balance under IAS 39 as of December 31, 2017	11,878,779	317,232	12,230,426
Impact on reclassification and re-measurements:			
Equity instruments from available-for-sale to FVPL	(630,955)	(317,232)	(17,970)
Impact on recognition of Expected Credit Losses on debt instruments other than through FVPL:			
Expected credit losses under IFRS 9 for debt instruments at amortized cost (Note 5)	(7,179,337)	-	(24,360)
Opening balance after amendements of IFRS 9 on date of initial application of January 1, 2018	4,068,487	-	12,188,096

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

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at January 1, 2018:

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	10,931,750	**10,931,750**
Accounts receivable and other debit balances	Loans and receivables	Amortized cost	21,945,575	**14,741,878**
Equity Instruments	Financial assets avaialbe for sale	Financial assets at fair value through profir or loss	1,833,959	**867,802**
Equity Instruments	Financial assets avaialbe for sale	Financial assets at fair value through other comprehensive income	6,474,108	**6,474,108**
Total financial assets			41,185,392	**33,015,538**
Financial liabilities:				
Advances from customers	Amortized cost	Amortized cost	3,104,626	**3,104,626**
Accounts payables and other credit balances	Amortized cost	Amortized cost	18,869,959	**18,869,959**
Term loans	Amortized cost	Amortized cost	11,066,215	**11,066,215**
Tawarruq and Ijara payable	Amortized cost	Amortized cost	81,053,559	**81,053,559**
Total financial liabilities			114,094,359	**114,094,359**

Reconciliation of carrying amounts under IAS 39 to carrying amount at the adoption of IFRS 9

	IAS 39 carrying amount as at December 31, 2017	Reclassifications	Re-measurement	IFRS 9 carrying amount as at January 1, 2018
Financial assets at FVPL:				
Opening balance	-	-	-	-
From financial assets available-for-sale	-	1,833,959	(966,157)	867,802
Closing balance	-	1,833,959	(966,157)	867,802
Accounts receivable and other debit balances:				
Opening balance	23,781,433	-	-	23,781,433
Provision for doubtful debts	(1,835,858)	-	(7,203,697)	(9,039,555)
Closing balance	21,945,575	-	(7,203,697)	14,741,878
Financial assets at FVOCI:				
Opening balance	-	-	-	-
From financial assets available-for-sale	-	6,474,108	-	6,474,108
Closing balance	-	6,474,108	-	6,474,108
Financial assets available for sale:				
Opening balance	8,308,067	-	-	-
To financial assets at FVPL	-	(1,833,959)	-	-
To financial assets at FVOCI	-	(6,474,108)	-	-
Closing balance	8,308,067	(8,308,067)	-	-

Accounting policies applied until December 31, 2017

The Group has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until December 31, 2017, the Group classified its financial assets in the following categories:

a) Loans and receivables – The policy is same as explained above for debt instruments at amortized cost.
b) Financial assets available for sale – These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

The classification depended on the purpose for which the investments were acquired and management determined the classification of its investments at initial recognition.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9. Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortized cost using the effective interest method. Financial assets available for sale and financial assets at FVPL were subsequently carried at fair value.

Gains or losses arising from changes in the fair value were recognized as follows:

a) For available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security were recognized in consolidated statement of profit or loss and other changes in the carrying amount were recognized in other comprehensive income

b) For other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

When available-for-sale financial assets were sold, the fair value reserve recognized in other comprehensive income were reclassified to consolidated statement of profit or loss.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired. Significant decline is evaluated against the original cost of the financial asset and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated statement of profit or loss – is removed from other comprehensive income and recognized in consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

d – 2) Financial liabilities:

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

- Accounts payable

  Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective return method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

- Borrowings

  Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective return method.

  Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

- Tawaruq and ijara payable

  Tawaruq and ijara represents the amounts due to pay for purchased assets on deferred basis as per Tawaruq and ijara facility agreements. Tawaruq and ijara balances are reported with full credit balances after deducting finance charges amounts pertaining to future periods. Those finance charges are amortized on a time apportionment basis using effective interest method.

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 the consolidated statement of profit or loss.

d – 3) Offsetting of financial assets and liabilities:

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

e) Properties held for trading:

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, are held as properties held for trading and are measured at lower of cost or net realizable value.

Cost includes freehold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for trading recognized in consolidated statement of profit or loss on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for trading is charged to other operating expenses.

f) Investment properties:

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognized when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. 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.

g) Investment in associates:
Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired by applying the requirements of IAS 39 and determine if necessary, to recognize any impairment loss with respect to the investment. If this is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment and 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. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

h) Joint Arrangements:
The Group classifies its interests in joint arrangements as joint ventures depending on the Group's right to the assets and obligations for the liabilities of the arrangements.

a) Joint Ventures

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in Joint Ventures is accounted based on equity method similar to associates.

b) Joint Operations

A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

i) Goodwill:

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previously held interest, over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in Note (2 - g).

j) Property, Plant and equipment:
The initial cost of Property, Plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the Property, Plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of Property, Plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of Property, Plant and equipment.

Property, Plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period. The carrying values of Property, Plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other Property, Plant and equipment as follows:

	Years
Building	25
Computer equipment	3
Furniture and fixtures	5
Vehicles	5

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of Property, Plant and equipment.

An item of Property, Plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

k) Impairment of assets:
At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

l) End of service indemnity:
Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employees' contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

m) Share capital:
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

n) Share premium:
This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

o) Treasury shares:
Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium respectively.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's shareholders.

p) Other reserve:
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

q) Share-based payment transaction:

The Group operates an equity-settled, share-based Employee Stock Option Plan (ESOP). Under the terms of the plan, share options are granted to eligible employees. The options are exercisable in future. The fair value of the options at the date on which they are granted is recognized as an expense over the vesting period with corresponding effect to equity. The fair value of the options is determined using Black-Scholes option pricing model.

The proceeds received and amount transferred from employees share option reserve are credited to capital (nominal value) and share premium when the options are exercised.

r) Revenue recognition:

IFRS 15 defines revenue as "income arising in the course of an entity's ordinary activities" and establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The five steps in the model are as follows:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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

Before adopting IFRS 15, the Group recognized revenue at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities net of discount, returns and volume rebates.

The Group recognized revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Under IFRS 15, revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

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

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commission incurred by the Group is expensed as the amortization period of such costs is less than a year.

Revenue for the Group arises from the following activities:

<u>Sale of properties under development</u>
Revenue is recognized when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer and is measured at the transaction price agreed under the contract.

<u>Rent</u>
Rental income is recognized, when earned, on a time apportionment basis.

<u>Management fees</u>
Fees income earned from services provided over a period of time is recognized over this time.

<u>Revenue on sale of properties</u>
Revenue on sale of properties is recognized on the basis of the full accrual method as and when all of the following conditions are met:

- A sale is consummated and contracts are signed.
- The buyer's investment, to the date of the consolidated financial statements, is adequate to demonstrate a commitment to pay for the property.
- The Group's receivable is not subject to future subordination.
- The Group has transferred control to the buyer; and
- Work to be completed is either, easily measurable and accrued or is not significant in relation to the overall value of the contract.

Other income and expenses

Other income and expenses are recognized on an accrual basis.

The guidance under IAS 18 which is related to interest income, dividends and gain on sale of investments had been transferred to IFRS 9 without significant changes as mentioned in (Note 2 - d). On the application of the requirements of IFRS 15, the Group had determined that there is no significant impact on the consolidated financial statements as at January 1, 2018, where the revenue recognition for the Group under IAS 18 is not different from IFRS 15.

s) Provisions:

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

t) Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

u) Leases:

The Group has early adopted IFRS 16 only to contracts previously designated as leases. Contracts that have not been designated as leases under IAS 17 have not been revalued.

The Group as lessee

Previously, the Group classified leases as operating or financing leases based on its assessment if the lease had transferred all the risks and rewards of ownership of the assets to the Group. Under IFRS 16, the Group recognizes lease payments obligations against recognition of an asset representing the lessee's right to use the leased asset during the lease term, with limited exceptions to low-value leased assets and short-term rentals.

- **Leases classified as operating leases under IAS 17:**

  In the transition period, the lease payments liability is measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing price as of 1 January 2018. Right-of-use asserts are measured at either:

  1- The carrying amount as if IFRS 16 was applied from the date of inception, less the use of the incremental borrowing rate of the lessee at the date of initial application. The Group has applied this approach to largest property leases;

  2- An amount equal to the lease payments obligations, adjusted by the amount of prepaid or payable rent payments. The Group has applied this method to all other leases.

- **Leases classified as finance leases under IAS 17:**

  For lease contracts classified as finance leases in accordance with IAS 17, the carrying amount of the right-of-use assets and lease liabilities as at January 1, 2018 is determined at the carrying amount of the lease assets and lease liability under IAS 17 immediately prior to that date.

Group as lessor:
In accordance with IFRS 16, the Group is not required to make any amendments when applying IFRS 16 for leases where the Group operates as a lessor.

v) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS):
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of income from Kuwaiti shareholding subsidiaries and associates and transfer to statutory reserve.

w) National Labor Support Tax (NLST):
National Labor Support Tax (NLST) is calculated at 2.5% of the profit attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of profit from associates listed in Boursa Kuwait, share of NLST paid by subsidiaries listed in Boursa Kuwait, and cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 of 2000 and Ministerial resolution No. 24 of 2006 and their Executive Regulations.

x) Zakat:
Zakat is calculated at 1% of the profit attributable to the shareholders of the Parent before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of profit from Kuwaiti shareholding associates and subsidiaries, share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their Executive Regulations.

y) Foreign currencies:
Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period.

Translation differences on non-monetary items such as equity instruments which are classified as financial assets at fair value profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as FVOCI are included in "cumulative changes in fair value" in other comprehensive income. Translation differences on monetary items such as debt instruments classified as FVOCI are included in consolidated statement of profit or loss.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

z) Contingencies:
Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

aa) Segment reporting:
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

bb) Dividend distribution to shareholders :
The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

cc) Fiduciary assets
Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

dd) Critical accounting estimates and judgments:
The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments
In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

- Revenue Recognition
  Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note (2 - r) are met requires significant judgment.

- Determination of contract cost
  Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long term contracts. The Group follows guidance of IFRS 15 for determination of contract cost and revenue recognition.

- Classification of Land
  Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

  a) Properties under development
     When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

  b) Work in progress
     When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

  c) Properties held for trading
     When the intention of the Group is to sell land in the ordinary course of business, the land is classified as properties held for trading.

  d) Investment properties
     When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

- Provision for doubtful debts
  The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment. The group follow IFRS 9 instructions in calculating this provision.

- Classification of financial assets
  On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2 - d).

- Business combinations
  At the time of Group's acquisition of subsidiaries, the Group considers whether the acquisition represents the acquisition of a business or of an asset (or a group of assets and liabilities). The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the assets. More specifically, consideration is made to the extent of which significant processes are acquired. The significance of processes requires significant judgment.

Where the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of an asset (or a group of assets and liabilities). The cost of acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized.

- Taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

- Control assessment
When determining control over an investee, management considers whether the Group has a 'de facto' power to control an investee if it holds less than 50% of the investee's voting rights. The assessment of the investee's relevant activities and the ability to use the Group's power to affect the investee's variable returns requires significant judgment.

- Material non-controlling interests
The Parent Company's management considers any non-controlling interests which accounts for 10% or more of the related subsidiary's equity as material. Disclosures pertaining to those non-controlling interests are set out in (Note 21).

- Significant influence assessment
When determining significant influence over an investee, management considers whether the Group has the power to participate in the financial and operating policy decisions of the investee if it holds less than 20% of the investee's voting rights. The assessment, which requires significant judgment, involves consideration of the Group's representation on the investee's board of directors, participation in policy making decisions and material transactions between the entities.

b) **Estimates and assumptions**
The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Fair value of unquoted financial assets
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

- Useful lives of depreciable assets
The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.

- Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated.

  Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

- Long term contracts

  Revenue from long term contracts is recognized in accordance with the cost to cost method (input method) measured by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract. The revenue recognition as per the above criteria should correspond to the actual work completed. The determination of estimated costs and the application of percentage of completion method involve estimation. Further, the budgeted cost and revenue should consider the claims and variations pertaining to the contract.

  Provision for doubtful debts

  The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

- Valuation of investment properties

  The Group carries its investment properties at fair value, with change in fair values being recognized in consolidated statement of profit or loss. Three main methods were used to determine the fair value of the investment properties:

  a) Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.

  b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

- Valuation of properties held for trading:

  Properties held for trading is stated at the lower of cost and net realizable value (NRV). NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Group, based on comparable transactions identified by the Group for properties in the same geographical market serving the same real estate segment.

- Impairment of non-financial assets

  Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

- Employee stock option plan

  The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock option plan transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

- Taxes
  The Group recognizes a liability for the anticipated taxes levied in the jurisdictions of its activity based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Any changes in the estimates and assumptions may have an impact on the carrying values of the deferred taxes.

3. Cash and cash equivalents

	2018	2017
Cash on hand and at banks	3,144,921	10,919,475
Short term bank deposit	4,000,000	-
Cash at portfolios	24,512	12,275
	7,169,433	10,931,750
Less: restricted cash and bank balances	(77,109)	(1,999,825)
Cash and cash equivalents as represented for the consolidated statement of cash flows	7,092,324	8,931,925

The effective interest rate on short term bank deposit is 2.94% per annum. This deposit have contractual maturity of less than 90 days.

4. Financial assets at fair value through profit or loss

	2018	2017
Unquoted equity securities	981,739	-

On January 1, 2018, as a result of adoption of IFRS (9), the Group elected to reclassify financial assets available for sale amounting to KD 1,833,959 to financial assets at fair value through profit or loss Note 9.

The financial assets above are denominated in the following currencies:

	2018	2017
Kuwaiti Dinar	554,000	-
Omani Riyal	278,807	-
US Dollar	148,932	-
	981,739	-

5. Accounts receivable and other debit balances

	2018	2017
Trade receivables (a)	5,628,471	2,780,748
Provision for doubtful debts (b)	(1,552,172)	(650,750)
	4,076,299	2,129,998
Other receivables	13,777,185	13,179,516
Provision for doubtful debts (b)	(9,096,995)	(1,185,108)
	4,680,190	11,994,408
Net trade and other receivables	8,756,489	14,124,406
Advance payments	1,808,363	7,816,059
Amounts due from related parties	78,288	5,110
	10,643,140	21,945,575

a- Trade receivables

Trade receivables are non-interest bearing and are generally due within 30 days. The aging analysis of these receivables are as follows:

	Less than 30 days	31 – 60 days	61 – 90 days	91- 180 days	More than 180 days	Total
2018	**3,059,571**	**78,525**	**906,684**	**365,696**	**1,217,995**	**5,628,471**
2017	1,670,447	107,761	129,288	160,296	712,956	2,780,748

b- Provision for doubtful debts:

Disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses are set forth in Note (30- b). The comparative for impairment provisions refers to the IAS 39 measurement basis which applied the incurred loss model, whereas the current year applied IFRS 9 which is an expected loss model.

The movement on provision for doubtful debts is as follows:

	Trade receivables	Other receivables	2018	2017
Balance at the beginning of the year under IAS 39	650,750	1,185,108	**1,835,858**	1,342,833
Effect of applying IFRS 9 – Expected credit losses on the opening retained earnings (Note 2 – d)	226,893	6,976,804	**7,203,697**	-
Restated balance as of January 1	877,643	8,161,912	**9,039,555**	1,342,833
Charge for the year (Note 24)	667,135	920,036	**1,587,171**	594,139
Utilized in the year	-	-	**-**	(101,114)
Provision for doubtful debts no longer required	-	(37,364)	**(37,364)**	-
Foreign currency translation adjustments	7,394	52,411	**59,805**	-
Balance at the end of the year	1,552,172	9,096,995	**10,649,167**	1,835,858

6. Properties held for trading

The movement in properties held for trading is as follows:

	2018	2017
Balance at the beginning of the year	**34,271,531**	69,036,258
Additions	**19,273,024**	15,963,208
Transferred from investment property (Note 12)	**-**	3,096,588
Disposals	**(10,985,182)**	(54,355,105)
Reversal of impairment loss on property held for trading	**58,794**	2,379,486
Foreign currency translation adjustments	**(876,758)**	(1,848,904)
Balance at the end of the year	**41,741,409**	34,271,531

Net realizable value for land and properties held for trading is determined by independent valuer not related to the Group, and based on the same, the impairment loss for the land and properties was recognized and reversed during the year.

Properties held for trading mainly comprise of the following:

	2018	2017
Properties under development	**20,144,281**	27,199,333
Developed properties	**21,597,128**	7,072,198
	41,741,409	34,271,531

As at December 2018, certain properties under development amounting to KD 1,365,358 (2017 – KD 3,460,700) were sold, however since the legal formalities were not finalized and title deeds were not transferred, these properties were still recorded in the books of the Group. The Group collected advances with total amount of KD 1,217,789 (2017 - 3,104,626) relating to properties under development.

Certain properties held for trading amounting to KD 15,289,394 (2017 – KD 5,838,250) are collateralised against term loan and tawaroq and ijara payable (Note 15 and 16).

7. Advance payments for purchase of properties

During the year ended December 31, 2018, the Group had transferred an amount of KD 14,660,610 from advance payments for purchase of properties to investment properties (Note 12), after receiving the title deeds of these properties. In addition, the Group had valued these properties, resulting in a gain from valuation amounting to KD 2,202,420 that is included in the consolidated statement of profit or loss for the financial year ended December 31, 2018.

8. Financial assets at fair value through other comprehensive income ("FVOCI")

	2018	2017
Unquoted equity securities	**714,551**	-
Portfolios	**3,964,805**	-
	4,679,356	-

On January 1, 2018, as a result of adoption of IFRS 9, the Group elected to reclassify into financial assets at FVOCI, Equity securities, Funds and portfolios amounting to KD 6,474,108 from financial assets available for sale (Note 9).

Certain financial assets at FVOCI amounting to KD 3,964,805 are collateralised against tawaroq and ijara payables (Note 15).

9. Financial assets available for sale

	2018	2017
Equity securities - unquoted	**-**	1,833,959
Portfolios	**-**	6,474,108
	-	8,308,067

On January 1, 2018, as a result of adoption of IFRS 9, the Group elected to reclassify:
- Equity securities amounting to KD 1,833,959 to financial assets at FVPL (Note 4).
- Portfolios amounting to KD 6,474,108 to financial assets at FVOCI (Note 8).

As of December 31,.2017, Financial assets available for sale amounting to KD 5,725,093 was pledged against tawaroq and ijara payable (Note 15).

As of December 31, 2017, it was not possible to reliably measure the fair value of unquoted securities amounting to KD 1,833,959 due to non-availability of a reliable method that could be used to determine the fair value of such financial assets in accordance with IAS 39 then applied. Accordingly, they were stated at their cost less impairment losses

10. Investment in an associate

			Ownership percentage %		Amount	Amount
Name of associate	**Country of incorporation**	**Principal activity**	**2018**	2017	**2018**	2017
First Qatar Real Estate Development - K.S.C. (Closed)	State of Kuwait	Real Estate Development	**17.53%**	17.53%	**9,852,650**	9,670,587

The movement during the year was as follows:

	2018	2017
Balance at the beginning of the year	9,670,587	9,352,843
share of results from associate	311,207	339,582
Share of associate's foreign currency translation reserve	(129,144)	(21,838)
Balance at the end of the year	9,852,650	9,670,587

The Parent Company's ownership in First Qatar Real Estate Development K.S.C (Closed) is 17.53% as of December 31, 2018 (2017: 17.53%). However, the Parent Company's has a significant influence over this associate through participating in its Board of Director's member.

Investment in associate amounting to KD 9,852,650 (2017 – KD 9,670,587) is pledged against tawaroq and ijara payable (Note 15)

Summarized financial information for associate is as follows:

Summarized statement of financial position :

	2018	2017
Assets	132,105,962	89,769,411
Liabilities	(75,901,455)	(34,603,486)
Equity	56,204,507	55,165,925
Ownership percentage	17.53%	17.53%
Carrying value of the investment	9,852,650	9,670,587

Summarized statement of profit or loss:

	2018	2017
Revenues	-	42,796
Profit for the year	1,775,282	1,937,148
share of result for the year	311,207	339,582

11. Investment in a joint venture

The investment in a joint venture consists of the following:

	Country of incorporation	Principal activities	Percentage of ownership 2018	Percentage of ownership 2017	Amount 2018	Amount 2017
Al-Mazaya Prime for projects management – W.L.L.	Kuwait	Real estate development	80%	-	1,190,947	-

The movements during the year is as follows:

	2018	2017
Paid for incorporation of a joint venture	800	-
Share of result from a joint venture	1,190,147	-
Balance at the end of the year	1,190,947	-

The Group's investment in Al Mazaya Prime Project Management – W.L.L was accounted for as investment in a joint venture, where the memorandum of incorporation of the joint venture provided that the company shall be managed by the representatives of the owners of the company together in addition to that all decisions concerning the activities and management of the company must be approved by consensus of the partners, which meet the conditions of joint control of the joint venture, IFRS 11 "Joint Arrangements".

As a result of the implementation of IFRS 16, the joint venture has recognized lease liabilities of a property included in the financial statements of Al Mazaya Prime Project Management – W.L.L. (Joint venture) against right to use this property in the statement of financial position of that joint venture.

Summarized financial information for joint venture is as follows:

Summarized statement of financial position :

	2018	2017
Assets	**8,260,851**	-
Liabilities	**(6,772,167)**	-
Equity	**1,488,684**	-
Ownership percentage	**80%**	-
Carrying value	**1,190,947**	-

Summarized statement of profit or loss:

	2018	2017
Revenues	**1,848,194**	-
Profit for the year	**1,487,684**	-
share of result for the year	**1,190,147**	-

12. Investment properties

	2018	2017
Balance at the beginning of the year	**131,665,239**	129,286,975
Additions	**1,325,476**	2,901,696
Transferred from advance payments for purchase of properties (Note 7)	**14,660,610**	-
Disposals	**(366,192)**	-
Transferred to properties held for trading (Note 6)	**-**	(3,096,588)
Foreign currency translation adjustments	**(3,623,806)**	(2,669,762)
Change in fair value	**2,717,880**	5,242,918
Balance at the end of the year	**146,379,207**	131,665,239

Investment properties mainly compromise of the following:

	2018	2017
Land	**28,753,181**	10,663,948
Developed properties	**117,626,026**	121,001,291
	146,379,207	131,665,239

Management of the Group has complied with the Executive Regulations of Capital Markets Authority regarding the valuation of investment properties. Valuation of investment properties was conducted by two independent appraisers with recognized and relevant professional qualification using recognized valuation techniques and principles.

In estimating the fair value of investment properties, the valuers had used the valuation techniques listed in the following schedule and had considered the nature and usage of the investment properties:

		2018		
Class of investment property	Valuation technique	Level 2	Level 3	Total
Lands	Comparable market prices	**28,753,180**	**-**	**28,753,180**
Residential buildings	Comparable market prices	**880,000**	**-**	**880,000**
Residential buildings	Income capitalization	**-**	**34,774,563**	**34,774,563**
Commercial complexes	Income capitalization	**-**	**81,631,493**	**81,631,493**
Commercial complexes	Comparable market prices	**339,971**	**-**	**339,971**
Total		**29,973,151**	**116,406,056**	**146,379,207**

		2017		
Class of investment property	Valuation technique	Level 2	Level 3	Total
Lands	Comparable market prices	10,663,948	-	10,663,948
Residential buildings	Comparable market prices	35,209,669	-	35,209,669
Commercial complexes	Income capitalization	-	85,069,553	85,069,553
Commercial complexes	Comparable market prices	722,069	-	722,069
Total		46,595,686	85,069,553	131,665,239

Certain investment properties amounting to KD 102,447,177 (2017 - KD 89,235,279) and KD 11,064,768 (2017 - KD 14,615,323) were pledged as collateral against tawarruq and ijara payable and term loans (Note 15,16) respectively.

13. Goodwill

Goodwill represents excess of consideration paid for acquisition of First Dubai Real Estate Development Company K.S.C.P. shares over and above the fair value of the identifiable assets and liabilities. The management assessed the carrying value of goodwill for impairment and did not notice any indication for impairment loss as at 31 December 2018.

14. Accounts payable and other credit balances

	2018	2017
Trade payables	**11,349,136**	4,933,755
Retention payables to contractors	**1,495,906**	3,950,456
Dividends payable to shareholders	**293,302**	272,273
Deferred tax liability	**-**	1,002,453
Other payables and accrued expenses	**5,330,049**	8,711,022
	18,468,393	18,869,959

Classified as:

	2018	2017
Current portion	**12,377,570**	6,056,698
Non-current portion	**6,090,823**	12,813,261
	18,468,393	18,869,959

15. Tawarruq and Ijara payable

	2018	2017
Tawaruq payable (a)	67,121,297	63,462,759
Ijara payable (b)	24,473,804	17,590,800
	91,595,101	81,053,559

a) Tawarruq payable

	2018	2017
Gross amount of tawarruq payable	69,740,473	64,951,875
Less: Unamortized future finance charge	(2,619,176)	(1,489,116)
Carrying value	67,121,297	63,462,759

Classified as:

	2018	2017
Current portion	11,177,336	16,599,035
Non-current portion	55,943,961	46,863,724
	67,121,297	63,462,759

b) Ijara payable

	2018	2017
Gross amount of Ijara payable	25,722,664	18,519,068
Less: Unamortized future finance charge	(1,248,860)	(928,268)
Carrying value	24,473,804	17,590,800

Classified as:

	2018	2017
Current portion	2,052,677	1,337,347
Non-current portion	22,421,127	16,253,453
	24,473,804	17,590,800

Tawarruq and Ijara payables are secured by pledging the following in favor of the lending banks:

	2018	2017
Investment in shares owned by the parent Company in one of group's subsidiaries	23,355,000	27,560,043
Investment held for trading (Note 6)	12,886,490	-
Financial assets at FVOCI (Note 8)	3,964,806	-
Financial assets available for sale (Note 9)	-	5,725,093
Investment in an associate (Note 10)	9,852,650	9,670,587
Investment properties (Note 12)	102,447,177	89,235,279
Treasury shares (Note 18)	-	2,684,535
	152,506,123	134,875,537

16. Term Loans

			Current		Non – current		Total	
	Due date	Currency	**2018**	2017	**2018**	2017	**2018**	2017
Term loan from foreign bank carrying fixed interest rate of 5.6%	February 2021	Euro	**617,483**	456,099	**6,796,937**	7,152,218	**7,414,420**	7,608,317
Term loan from foreign bank carrying floating interest rate of 39.65% (2017 – 18%).	Revolving loan	Turkish Lira	**284,156**	482,690	**-**	-	**284,156**	482,690
Term loan from foreign bank carrying fixed interest rate of 16.48%	February 2020	Turkish Lira	**436,650**	242,253	**765,785**	1,621,622	**1,202,435**	1,863,875
Term loan from foreign bank carrying fixed interest rate of 6.77%.	March 2018	USD	**-**	1,111,333	**-**	-	**-**	1,111,333
			1,338,289	2,292,375	**7,562,722**	8,773,840	**8,901,011**	11,066,215

Term loans are secured by the following:
- Pledge of properties held for trading amounting to KD 2,402,904 (2017 - KD 5,838,250) (Note 6).
- Pledge of investment properties with fair value amounting to KD 11,064,768 (2017 – KD 14,615,323) (Note 12).

17. Share Capital

The authorized, issued and paid up capital consist of 688,278,956 shares (2017 – 688,278,956 shares) with a nominal value of 100 fils each and all shares are in cash.

18. Treasury shares

	2018	2017
Number of shares (Shares)	**63,081,978**	65,282,510
Percentage of issued shares (%)	**9.17**	9.48
Market value (KD)	**4,422,047**	7,246,359
Cost (KD)	**20,009,108**	20,707,103

As at December 31, 2017 One of the Group's subsidiaries had pledged shares of the Parent Company, included in treasury shares above against tawarruq and ijara payable (Note 15) which had been released during the year ended December 31, 2018, as detailed below:

	2018	2017
Number of shares (Shars)	-	24,185,000
Cost (KD)	-	7,671,327
Market value (KD)	-	2,684,535

The Group's management has allotted an amount equal to treasury shares balance from share premium. Such amount will not be available for distribution during treasury shares holding period.

19. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), NLST, Zakat and Board of Directors' remuneration is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

20. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to the Parent Company's shareholders before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' Annual General Assembly of the Parent Company upon recommendation by the Board of Directors. As per the decision of the Board of Directors meeting held on March 10, 2019 the board recommended to Shareholders' General Assembly not to transfer to voluntary reserve

21. Non - controlling interests which are material to the Group

Subsidiaries with major non - controlling interests which are material to the Group is as follows:

Name of subsidiary	Country of incorporation	Principal Activities	Ownership percentage held by the NCI 2018	2017	Carrying value for NCI in an a subsidiary 2018	2017
First Dubai Real Estate Development Management K.S.C.P	Kuwait	Real Estate Development	**10.09%**	10.09%	**9,092,123**	8,702,706
Mazaya Ritim Istanbul Insaat Anonim Sirketi (Ritim)	Turkey	Real Estate development	**10%**	10%	**88,315**	472,134

Summarized financial information for each subsidiary that has non-controlling interests that are material to the Group:

a) **First Dubai Real Estate Development Management K.S.C.P**

Summarized consolidated statement of financial position

	2018	2017
Current assets	21,418,347	8,824,056
Current liabilities	(3,143,408)	(4,055,189)
Total net current assets	18,274,939	4,768,867
Non-current assets	86,434,986	97,876,961
Non-current liabilities	(14,599,691)	(16,395,022)
Total net non-current assets	71,835,295	81,481,939
Net assets	90,110,234	86,250,806
Ownership interest held by the NCI	10.09%	10.09%
Non-controlling interests	9,092,123	8,702,706

Summarized consolidated statement of profit or loss and other comprehensive income

	2018	2017
Profit for the year	4,209,624	5,898,332
Other comprehensive income	-	-
Total comprehensive income	4,209,624	5,898,332
Total comprehensive income attributable to NCI	886,291	981,925

b) **Mazaya Ritim Istanbul Insaat Anonim Sirketi Company (Ritim)**

Summarized statement of financial position

	2018	2017
Current assets	6,198,206	12,925,867
Current liabilities	(7,597,436)	(2,901,324)
Total net current assets	(1,399,230)	10,024,543
Non-current assets	11,192,325	14,659,415
Non-current liabilities	(8,909,940)	(19,962,621)
Total net non-current assets	2,282,385	(5,303,206)
Net assets	883,155	4,721,337
Ownership interest held by the NCI	10%	10%
Net assets attributable to NCI	88,315	472,134

Summarized statement of profit or loss and other comprehensive income

	2018	2017
(Loss) profit for the year	(152,799)	141,447
Other comprehensive income	-	-
Total (comprehensive loss) comprehensive income	(152,799)	141,447
Total comprehensive income attributable to NCI	(15,279)	14,145

22. Revenue

The Group's revenue disaggregated by primary geographical markets is as follows:

	2018		
	Revenue from sale of properties held for trading	Rental income	Total
State of Kuwait	-	4,420,169	4,420,169
UAE	8,993,933	2,245,235	11,239,168
KSA	-	1,007,869	1,007,869
Oman	3,228,880	-	3,228,880
Turkey	1,353,402	265,086	1,618,488
Bahrain	-	446,291	446,291
Total	13,576,215	8,384,650	21,960,865

	2017		
	Revenue from sale of properties held for trading	Rental income	Total
State of Kuwait	-	3,630,441	3,630,441
UAE	52,824,615	2,400,476	55,225,091
KSA	-	1,116,366	1,116,366
Oman	560,634	-	560,634
Turkey	7,446,170	-	7,446,170
Bahrain	-	448,888	448,888
Total	60,831,419	7,596,171	68,427,590

23. Net investment income

	2018	2017
Dividend income	1,008,600	358,300
Unrealized gain from changes in fair value of financial assets at FVPL	119,159	-
Realized gain on sale of financial assets at FVPL	5,802	-
Portfolios management fees	(43,586)	(40,056)
Realized gain on sale of financial assets available for sale	-	256,681
Impairment loss on financial assets available for sale	-	(326,445)
	1,089,975	248,480

24. Net other income (expenses)

This item includes provision for doubtful debts amounting to KD 1,587,171 (2017 – KD 594,139) and credit balances written back and settlement revenue amounting to KD 3,992,537.

25. Basic and diluted earnings per share

Basic earnings per share:

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

	2018	2017
Profit for the year attributable to equity holders of the Parent Company	5,103,588	7,221,973
Number of shares outstanding:		
Number of issued shares at beginning of the year	688,278,956	688,278,956
Less: Weighted average number of treasury shares	(63,256,815)	(65,444,157)
Weighted average number of shares outstanding	625,022,141	622,834,799
	Fils	Fils
Basic earnings per share (Fils)	8.17	11.60

Diluted earnings per share:

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume allotment of all dilutive potential ordinary shares, and to adjust the net profit for the period with the assumed effect of those potential dilutive shares had they been issued.

	2018	2017
Profit for the year attributable to equity holders of the Parent Company	5,103,588	7,221,973
Weighted average shares adjusted for dilution effect:		
Weighted average number of shares outstanding used in calculating basic earnings per share	625,022,141	622,834,799
Adjustment for share options	4,817,888	5,233,581
Weighted average number of shares for diluted earnings per share	629,840,029	628,068,380
	Fils	Fils
Diluted earnings per share (Fils)	8.10	11.50

26. Related party disclosures

The Group has entered into various transactions with related parties, i.e. Major shareholders, Board of directors, Executives for the group, key management personnel, joint venture, associate, entities under common control and other related parties. Prices and terms of payment are to be approved by the Group's management. Significant related party transactions and balances are as follows:

	Associates and joint venture	Major shareholders	Other related parties	2018	2017
Balances included in the consolidated statement of financial position					
Accounts receivable and other debit balances	78,288	-	24,772	103,060	20,447
Advance payments from customers	-	-	-	-	15,608
Transactions included in the consolidated statement of profit or loss:					
Investment properties held for trading income	-	-	101,979	101,979	145,190
Cost of sales of investment properties held for trading	-	-	(83,119)	(83,119)	(124,108)

Key Management personnel	2018	2017
Short term benefits	739,485	573,225
End of service indemnity	67,776	34,399
Share-based payments	212,862	342,996
Board of director remuneration	-	185,000
BOD committees remuneration	70,000	-

Related party transactions are subject to the Shareholders' Annual General Assembly of the Parent Company.

27. Shareholders' Annual General Assembly of the parent company and proposed dividends

The Board of Directors' meeting held on March 10, 2019 recommend not to distribute cash dividends and proposed not to pay remuneration to board members for the year ended December 31, 2018. This recommendation is subject to the approval of the Shareholders' Annual General Assembly of the Parent Company.

The Shareholders' Annual General Assembly meeting of the Parent Company held on March 28, 2018 approved to distribute cash dividends of 8 fils per share, and approved to pay remuneration of KD 185,000 to Board of Directors for the year ended December 31,2017.

The Shareholders' Annual General Assembly meeting of the Parent Company held on March 28, 2017 approved to distribute cash dividends of 8 fils per share for the year ended December 31, 2016.

28. Capital Commitments and contingencies

- Capital commitments:
  Capital commitments contracted for as of December 31, 2018 representing in properties held for trading under construction amounting to KD 6,798,339 (2017 – 8,237,746).

- Contingencies:
  Subsequent to the date of the consolidated financial statements, a final court verdict was issued in favor of the Parent Company for a legal case file for an amount of KD 837,806 and its legal interest at the rate of 7% per annum from the date of entitlement until full payment. The management of the Group has taken the conservative basis that this amount should not be recorded in the consolidated financial statements for the year ended 31 December 2018 until the implementation proceedings are commenced to collect the full amount due to the parent company.

  A lawsuit is raised against a subsidiary of the Group in the United Arab Emirates for a claim of AED 17,277,295 (KD 1,429,140) representing settlements of accounts between the plaintiff and the subsidiary. The Group's management believes that based on the opinion of the independent legal counsel and the supporting provided from the opponent that the plaintiff claim is not fixed in addition to the subsidiary claimed the plaintiff to compensate all losses resulted from settlement of accounts and not breach his liability. Since the claim is in its early stages and is subject to dispute between the parties and no court decision has been made, it is not possible to estimate the results that will result from this claim until the final decision is made. Therefore, the Group's management decided that there is no need to record provisions in its books for this claim as of the date of the consolidated financial statements.

29. Segment reporting
For management purposes, the Group is divided into four main geographical segments that are: State of Kuwait, United Arab Emirates (UAE), Kingdom of Saudi Arabia (KSA), Turkey in addition to other segments, where the Group performs its main activities in the real estate segment. There is no income generating transactions between the Group's segments.

	2018					
	Kuwait	UAE	KSA	Turkey	Others	Total
Revenue	4,420,169	11,288,437	1,067,950	1,618,487	3,661,055	22,056,098
Cost of revenue	(557,279)	(7,800,983)	(209,890)	(1,293,592)	(2,755,208)	(12,616,952)
Net change in fair value of investment properties	2,679,965	59,892	(525,479)	452,854	50,648	2,717,880
Share of result from associate and joint venture	1,501,354	-	-	-	-	1,501,354
(Loss) Reversal of impairment loss on properties held for trading	-	(26,426)	-	-	85,220	58,794
General and administrative & selling and marketing expenses	(2,630,899)	(2,507,068)	(19,469)	(502,768)	(137,942)	(5,798,146)
Net other (expenses) and income	(1,070,109)	3,293,419	(270,532)	173,439	(88,665)	2,037,552
Finance cost	(3,052,814)	(1,009,185)	-	(702,015)	(109,107)	(4,873,121)
Others	963,175	(201,432)	(11,884)	-	-	749,859
Segment profit (loss)	2,253,562	3,096,654	30,696	(253,595)	706,001	5,833,318
Total segment assets	98,954,300	74,279,938	15,748,126	17,406,591	19,232,944	225,621,899
Total segment liabilities	72,186,443	32,101,531	222,280	10,279,055	6,709,562	121,498,871

	2017					
	Kuwait	UAE	KSA	Turkey	Others	Total
Revenue	3,519,286	55,477,645	1,164,293	7,446,170	1,002,852	68,610,246
Cost of revenue	(2,590,700)	(49,496,436)	-	(5,816,926)	(562,118)	(58,466,180)
Net change in fair value of investment properties	806,409	1,709,201	324,080	2,497,979	(94,751)	5,242,918
Share of result from associate and joint venture	339,582	-	-	-	-	339,582
Reversal of impairment loss on properties held for trading	-	1,611,217	-	-	768,269	2,379,486
General and administrative & selling and marketing expenses	(1,157,615)	(2,868,823)	(64,473)	(658,065)	(69,968)	(4,818,944)
Net other (expenses) and income	(116,137)	2,276,747	-	(2,670,732)	(188,853)	(698,975)
Finance cost	(2,606,059)	(872,219)	-	(797,413)	-	(4,275,691)
Others	(28,345)	-	-	-	-	(28,345)
Segment (loss) profit	(1,833,579)	7,837,332	1,423,900	1,013	855,431	8,284,097
Total segment assets	81,713,748	94,135,699	16,235,027	27,796,452	14,330,881	234,211,807
Total segment liabilities	64,931,201	33,862,037	174,750	14,000,856	2,135,082	115,103,926

30. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, financial assets at FVPL, accounts receivable, financial assets at FVOCI, accounts payable, Tawarruq and Ijara payable and term loans and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) **Interest rate and finance cost risk**

Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial assets and liabilities carrying floating interest rates. The effective interest rates, Finance cost and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings and finance cost:

	2018		
	Increase (Decrease) in interest rate	**Balance**	**Effect on consolidated statement of profit or loss**
Term deposit	**± 0.5%**	**4,000,000**	**± 20,000**
Term loan	**± 0.5%**	**8,901,011**	**± 44,505**
			± 64,505

	2017		
	Increase (Decrease) in interest rate	Balance	Effect on consolidated statement of profit or loss
Term loan	± 0.5%	11,066,215	**± 55,331**

b) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets that potentially subject the Group to credit risk consist principally of cash and cash equivalent, receivables and due from related parties. The Group's cash and bank deposits are placed with high credit rating financial institutions. Receivables and due from related parties are presented net of provision for doubtful debt.

Trade receivable

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as this item do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profile for sales over the past 48 months before December 31, 2018 and January 1, 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery ad therefore is considered as credit impaired

On the above basis, the expected credit loss for trade receivables as at December 31, 2018 and January 1, 2018 was determined as follows:

	As at December 31, 2018					
	Less than 30 days	31 – 60 days	61 – 90 days	91 – 180 days	More than 180 days	Total
Expected credit loss rate	4.11%	8.22%	12.33%	24.66%	100%	-
Gross carrying Amount	**3,059,571**	**78,525**	**906,684**	**365,696**	**1,217,995**	**5,628,471**
Lifetime expected credit loss	**125,749**	**6,454**	**111,794**	**90,180**	**1,217,995**	**1,552,172**

	As at January 1, 2018					
	Less than 30 days	31 – 60 days	61 – 90 days	91 – 180 days	More than 180 days	Total
Expected credit loss rate	5.09%	10.18%	15.27%	30.54%	100%	-
Gross carrying Amount	1,670,447	107,761	129,288	160,296	712,956	2,780,748
Lifetime expected credit loss	85,022	10,970	19,742	48,953	712,956	877,643

The Group has implemented stage 3 for measuring future expected credit losses for certain other debit balances. The Group's management estimated the impairment loss of these receivables by KD 9,096,995 (2017 – KD 1,185,108) which represents the full amount of impaired loss.

Cash at banks

The Group's cash at banks, measured at amortized cost are considered to have a low credit risk. The Group's cash deposits are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, receivables and due from related parties.

c) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers.

Maturity Table for financial liabilities

	2018			
	Less than 1 year	1-2 years	More than 2 years	Total
Term loans	1,338,289	765,785	6,796,937	8,901,011
Tawarruq and Ijara payable	13,230,013	15,841,662	62,523,426	91,595,101
Accounts payable	12,377,570	4,594,917	1,495,906	18,468,393
Total	26,945,872	21,202,364	70,816,269	118,964,505
Capital commitments	530,047	6,268,292	-	6,798,339

	2017			
	Less than 1 year	1-2 years	More than 2 years	Total
Term loans	2,292,375	1,822,472	6,951,368	11,066,215
Tawarruq and Ijara payable	17,936,382	17,001,258	46,115,919	81,053,559
Accounts payable	6,056,698	8,862,806	3,950,455	18,869,959
Total	26,285,455	27,686,536	57,017,742	110,989,733
Capital commitments	7,535,640	702,106	-	8,237,746

d) **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate between foreign currencies used by the group and Kuwaiti Dinar.

	2018	
	Increase (decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss
United Arab Emirates Dirham	±5%	± 479,938
Turkish Lira	±5%	± 19,116
Omani Riyal	±5%	± 23,659

	2017	
	Increase (decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss
United Arab Emirates Dirham	±5%	± 217,878
Turkish Lira	±5%	± 502,831

e) **Equity price risk**

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio and are continuously monitored.

31. Fair value measurement

The Group measures financial assets such as financial assets at FVPL and financial assets at FVOCI and non–financial assets such as investment properties at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

2018	Level 3
Financial assets at FVPL	**981,739**
Financial assets at FVOCI	**4,679,356**
Total	**5,661,095**

2017	Level 3
Financial assets available for sale	6,474,108

During the year, there were no transfers between Level 1, Level 2 and Level 3.

The fair value details of investment properties are mentioned in Note (12).

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

32. Comparative figures

Certain of the prior year amounts have been reclassified to conform with the amounts of current year presentation. The details of reclassification are as follows:

	Amount before reclassification	Amount after reclassification
Trade receivables and other debit balances	17,544,507	21,945,575
Accounts payables and other credit balances	14,468,891	18,869,959

33. Capital Risk Management

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

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of cash dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay facilities or obtain additional facilities.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total financial facilities less cash and cash equivalents, and term deposits. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2018	2017
Term loans	**8,901,011**	11,066,215
Tawaruq and Ijara	**91,595,101**	81,053,559
Total borrowings	**100,496,112**	92,119,774
Less: cash and cash equivalents	**(7,169,433)**	(10,931,750)
Net debt	**93,326,679**	81,188,024
Total equity	**104,123,028**	119,107,881
Total capital resources	**197,449,707**	200,295,905
Gearing Ratio	**47.27%**	40.53%