Al Madar Finance and Investment Company K.S.C (Public)

And its subsidiaries
State Kuwait

Consolidated financial statements
for the financial year ended December 31, 2018
with
Independent Auditors' Report

Al Madar Finance and Investment Company K.S.C (Public)
And its subsidiaries
State Kuwait

Consolidated financial statements
for the financial year ended December 31, 2018
with
Independent Auditors' Report

Contents

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Independent Auditors' Report

The Shareholders,
Al Madar Finance and Investment Company
K.S.C (Public)
And its subsidiaries
State of Kuwait

Report on the Audit of Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018, and its financial performance and its 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 "Auditors' Responsibilities" for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements, 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.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note (33/B) to the consolidated financial statements related to the liquidity risks which shows that the Group's current liabilities exceeds its currents assets by KD 3,679,763 as of December 31, 2018 (KD 22,300,467 as of December 31, 2017).

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Key Audit Matters
Key audit matters are those matters that, in our professional judgment, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have identified the following key audit matter:

A) Evaluation of Investment Properties
The Group's investment properties represent significant portion of the total assets that are recorded at fair value as at December 31, 2018 determined by external real estate valuers. Determination of fair value of investment properties mainly depends on estimates and assumptions such as market knowledge and average market price of similar properties. Disclosures related to the assumptions and estimates and the policy of the investment properties recognition and measurement are presented in accounting policies section in the notes to the consolidated financial statements. Due to the size and complexity of performing audit on valuations of investment properties, and importance of the disclosures related to assumptions used in valuation, we determined this matter as a key audit matter.

B) Accounts receivables
The Group's trade receivables are considered to be a key audit matter for the group. As a result of the fundamental judgments relevant to calculating expected credit losses, the evaluation of expected credit losses is a fundamental matter. Our focus is to determine the amounts recovered from some trade receivables, as the determination of those amounts may include important estimations based on several assumptions. The accounting policies related to trade receivables and the impairment in their value are mentioned in note (3/5) to the consolidated financial statements.

As part of our audit, and among other procedures, we have taken the following procedures:

- Respect to the evaluation of investment properties, we have assessed the assumptions and estimates made by the independent valuers in the evaluation process so as to determine the appropriateness of the fair value supporting documents. We have also considered several factors, including the objectivity, independence and experience of independent valuers. The adequacy of disclosures on the investment properties have also been assessed in the accompanying consolidated financial statements.
- Respect of trade receivables, we have examined reasonable samples from trade receivables balances also we carried out the following procedures:

- Our audit focused on the revision of credit and collection policies of the group and inquiring whether there is a change from previous years.
- We have reviewed the aging of receivables.
- We have reviewed the expected credit loss model used by management to determine impairment.
- We have tested both current and historical inputs and reviewed the assumptions used to calculate expected credit losses.

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Other information included in Board of Directors Report

Other information consists of the information included in the Parent Board of Directors Report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. We expect that the annual report will be available after the date of auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information; we are required to report that fact. 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 these consolidated financial statements in accordance with IFRSs as adopted for use by the State of Kuwait and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the process of preparing the consolidated financial reports.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Parent Company's internal control.

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company, physical counting was carried out in accordance with the recognized practices and the consolidated financial statement together with the contents of the report of the Parent Company's Board of Directors are in accordance therewith. Also, we have obtained the information and explanations that we deemed necessary for the purpose of our audit, the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of year 2016, and the its executive regulation, law No. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its Executive Regulation, Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations and the Parent Company's Articles and Memorandum of Association as amended. To the best of our knowledge, no violations of the companies' Law No. 1 of year 2016, and its Executive Regulation and law No. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its Executive Regulation, Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related executives regulations or the Parent Company's Articles of Incorporation and Memorandum of Association, as amended, have occurred during the financial year ended December 31, 2018 that might have had a material effect on the Parent Company's business or its consolidated financial position.

Abdul Hussain M. Al-Rasheed
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Faisal Saqer Al Saqer
License No. 172 (A)
BDO Al Nisf & Partners

March 27, 2019
State of Kuwait

Al Madar Finance and Investment Company
K.S.C (Public)
and its subsidiaries
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Consolidated statement of financial position as of December 31, 2018
"All amounts are in Kuwaiti Dinar"

	Notes	2018	2017
Assets			
Bank balances and cash	7	**2,266,845**	960,559
Financial assets at fair value through statement of profit or loss	8	**133,866**	148,191
Receivables and other debit balances	9	**3,341,706**	2,943,223
Due from related parties	28	**22,226**	601,126
Financial assets at fair value through other comprehensive income	10	**52,568**	-
Available for sale investments	11	**-**	55,289
Investment properties	12	**26,494,415**	23,563,334
Investments in associates	13	**253,425**	1,098,501
Property, plant and equipment	14	**331,997**	6,759,358
Intangible assets	15	**488,720**	686,754
Total assets		**33,385,768**	36,816,335
Liabilities and equity			
Liabilities			
Wakala payables	16	**4,091,766**	21,164,197
Ijara payables	17	**2,325,673**	2,578,479
Payables and other credit balances	18	**2,683,457**	2,877,624
Due to related parties	28	**343,510**	333,266
Employees' end of service indemnity		**708,277**	1,210,022
Total liabilities		**10,152,683**	28,163,588
Equity			
Share capital	19	**21,386,865**	21,386,865
Share premium		**4,990,296**	4,990,296
Treasury shares	22	**(4,573,296)**	(4,573,296)
Change in fair value reserve		**962**	1,116
Foreign currency translation reserve		**(108,471)**	(95,064)
Other reserve		**(122,147)**	(122,147)
Accumulated losses		**(173,396)**	(14,723,982)
Total equity attributable to the shareholders of the Parent Company		**21,400,813**	6,863,788
Non-controlling interests	6	**1,832,272**	1,788,959
Total equity		**23,233,085**	8,652,747
Total equity & liabilities		**33,385,768**	36,816,335

Hamad Saleh Al Thekair
Chairman

The accompanying notes form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company
K.S.C (Public)
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Consolidated statement of profit or loss for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar"

	Notes	2018	2017
Revenue			
Rental income		**1,407,490**	1,505,347
Net sales profit		**816,133**	764,810
Investment services revenues		**21,966**	48,227
Gains/(losses) from sale of investment properties	12	**1,954,774**	(28,408)
Loss from transfer of property and equipment to the investment property	14	**(2,878)**	-
Realized gain/(losses) from sale of Financial assets at fair value through profit or loss		**500**	(131)
Loss of disposal of property and equipment	14	**(634,802)**	(4,130)
Change in fair value of Financial assets at fair value through profit or loss		**(12,324)**	(107,571)
Impairment of investment at fair value through profit or loss		**-**	(5,275)
Dividends income		**652**	-
Realized gain on sale of investment in an associate	13	**429,773**	-
Reversed provision of finance transactions	9	**2,670,915**	73,532
Financing income		**340,779**	47,000
Realized profit from settlement of wakala	16	**8,497,026**	-
Change in fair value of investment properties	12	**628,674**	671,158
Group's share of associates' results	13	**4,638**	(51,178)
Impairment of available for sale investments		**-**	(23,237)
Foreign currency valuation differences		**6,888**	(81,643)
Other income	25	**2,890,671**	669,004
Total revenue		**19,020,875**	3,477,505
Expenses and other charges			
General and administrative expenses	23	**3,425,632**	4,189,069
Provision for expected credit losses	9	**97,715**	850,693
Bad debts		**-**	472,499
Debts settlement loss		**-**	54,062
Finance costs		**143,127**	84,549
Total expenses and other charges		**3,666,474**	5,650,872
Net profit/(loss) for the year before National Labour Support Tax and Zakat		**15,354,401**	(2,173,367)
National Labour Support Tax		**(291,352)**	-
Zakat		**(117,815)**	-
Net profit /(loss) for the year		**14,945,234**	(2,173,367)
Attributable to:			
Shareholders of the Parent Company		**14,876,767**	(2,182,537)
Non-controlling interests		**68,467**	9,170
Gain/(loss) for the year		**14,945,234**	(2,173,367)
Basic and diluted earning /(loss) per share attributable to shareholders of the Parent Company/ (fils)	24	**71.86**	(10.54)

The accompanying notes form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company

K.S.C (Public)
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Consolidated statement of profit or loss and other comprehensive income for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar"

	2018	2017
Net profit/(loss) for the year	**14,945,234**	(2,173,367)
Other comprehensive income items:		
Items that may be classified subsequently to the consolidated statement of profit or loss:		
Changes in fair value of available for sale investments	-	(7,601)
Transferred to consolidated statement of profit or loss on impairment of available for sale investments	-	23,237
Revaluation surplus adjustments	-	(109,850)
Foreign currency translation reserve	**(13,407)**	6,763
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:		
Change in fair value for Financial assets at fair value through other comprehensive income	**608**	-
Total other comprehensive loss	**(12,799)**	(87,451)
Total comprehensive income/(loss) for the year	**14,932,435**	(2,260,818)
Attributable to:		
Shareholders of the Parent Company	**14,863,915**	(2,257,175)
Non-controlling interests	**68,520**	(3,643)
	14,932,435	(2,260,818)

The accompanying notes form an integral part of these consolidated financial statements.

Exhibit – D

Al Madar Finance and Investment Company

K.S.C (Public)
and its subsidiaries
State of Kuwait

Consolidated statement of changes in equity for the financial year ended December 31, 2018

"All amounts are in Kuwaiti Dinar"

	Share capital	Share premium	Treasury shares	Change in fair value reserve	Revaluation surplus	Foreign currencies translation reserve	Other reserve	Accumulated losses	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total equity
Balance at January 1, 2017	21,386,865	4,990,296	(4,573,296)	(14,520)	97,037	(101,827)	(122,147)	(12,541,445)	9,120,963	1,795,705	10,916,668
Net loss for the year	-	-	-	-	-	-	-	(2,182,537)	(2,182,537)	9,170	(2,173,367)
Other comprehensive loss	-	-	-	15,636	(97,037)	6,763	-	-	(74,638)	(12,813)	(87,451)
Total comprehensive loss for the year	-	-	-	15,636	(97,037)	6,763	-	(2,182,537)	(2,257,175)	(3,643)	(2,260,818)
Effect of change in non-controlling interests	-	-	-	-	-	-	-	-	-	(3,103)	(3,103)
Balance at December 31, 2017	21,386,865	4,990,296	(4,573,296)	1,116	-	(95,064)	(122,147)	(14,723,982)	6,863,788	1,788,959	8,652,747
Balance at January 1, 2018	21,386,865	4,990,296	(4,573,296)	1,116	-	(95,064)	(122,147)	(14,723,982)	6,863,788	1,788,959	8,652,747
Transition adjustment on adoption of IFRS 9 on January 1, 2018 (notes 9)	-	-	-	-	-	-	-	(326,890)	(326,890)	(25,207)	(352,097)
Balance at January 1, 2018 "adjusted"	21,386,865	4,990,296	(4,573,296)	1,116	-	(95,064)	(122,147)	(15,050,872)	6,536,898	1,763,752	8,300,650
Net profit for the year	-	-	-	-	-	-	-	14,876,767	14,876,767	68,467	14,945,234
Other comprehensive loss	-	-	-	555	-	(13,407)	-	-	(12,852)	53	(12,799)
Total comprehensive income for the year	-	-	-	555	-	(13,407)	-	14,876,767	14,863,915	68,520	14,932,435
Effect of sale of investments at fair value through other comprehensive income	-	-	-	(709)	-	-	-	709	-	-	-
Balance at December 31, 2018	**21,386,865**	**4,990,296**	**(4,573,296)**	**962**	**-**	**(108,471)**	**(122,147)**	**(173,396)**	**21,400,813**	**1,832,272**	**23,233,085**

The accompanying notes form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company K.S.C (Public)
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Consolidated statement of cash flows for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar"

	Notes	2018	2017
Cash flows generated from operating activities			
Net profit/(loss) for the year		**14,945,234**	(2,173,367)
Adjustments:			
Depreciation and amortization	14,15	**359,424**	464,633
Finance costs		**143,127**	84,549
Change in fair value of Financial assets at fair value through profit or loss		**12,324**	107,571
Impairment of investment at fair value through profit or loss		**-**	5,275
Realized (gains) /losses from sale of Financial assets at fair value through profit or loss		**(500)**	131
Realized (gains) /losses from sale of investment properties	12	**(1,954,774)**	28,408
Cash dividends		**(652)**	-
Change in fair value of investment properties	12	**(628,674)**	(671,158)
Provision for expected credit losses	9	**97,715**	850,693
Reversed provision of finance transactions	9	**(2,670,915)**	(73,532)
Bad debts		**-**	472,499
Debts settlement (gain) /loss		**(112,971)**	54,062
Group's share of associates' results	13	**(4,638)**	51,178
Impairment of available for sale investments		**-**	23,237
Realized profit from settlement of a credit wakala	16	**(8,384,055)**	-
Realized gain on sale of investment in an associate	13	**(429,773)**	-
Loss on sale of property, plant and equipment	14	**634,802**	4,130
Loss from transfer of property, plant and equipment to investment properties	14	**2,878**	-
Foreign currency valuation differences		**(6,888)**	81,643
Provision no longer required - employees' end of service indemnity		**(428,248)**	-
Employees' end of service indemnity		**154,775**	563,725
Operating profit /(loss) before calculating effect of the change in working capital items		**1,728,191**	(126,323)
Receivables and other debit balances		**(349,586)**	262,537
Due from related parties		**24,159**	(50,979)
Payables and other credit balances		**(222,386)**	635,722
Due to related parties		**10,244**	(1,207,650)
Cash generated from /(used in) operations		**1,190,622**	(486,693)
Employees' end of service indemnity paid		**(221,466)**	(462,276)
Net cash generated from /(used in) operating activities		**969,156**	(948,969)
Cash flows from investing activities			
Proceeds from sale of investment at fair value through other comprehensive income		**3,736**	917
Paid for purchase of investment properties		**(15,119)**	(39,880)
Cash dividend received		**652**	-
Proceeds from sale of investment properties		**1,168,355**	81,209
Paid for purchase of investment in associates		**-**	(26,725)
Proceeds from sale of investment at fair value through profit or loss		**2,501**	-
Paid for the acquisition of property, plant and equipment	14	**(25,678)**	(67,348)
Proceeds from sale of property, plant and equipment		**58,969**	49,985
Dividends received from associates		**12,846**	17,191
Net cash generated from investing activities		**1,206,262**	15,349
Cash flows from financing activities			
Net movement on ijara payables		**(252,806)**	2,000,000
Net movement on wakala payables		**(473,199)**	(478,752)
Finance costs paid		**(143,127)**	(84,549)
Effect of change on non-controlling interests		**-**	(3,103)
Net cash (used in) /generated from financing activities		**(869,132)**	1,433,596
Net increase in bank balances and cash		**1,306,286**	499,976
Bank balances and cash at the beginning of the year		**960,559**	460,583
Bank balances and cash at the end of the year	7	**2,266,845**	960,559

The accompanying notes form an integral part of these consolidated financial statements.

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Notes to the consolidated financial statements for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Incorporation and activities

Al Madar Finance and Investment Company K.S.C. (Public) ("the Parent Company") was incorporated on 23 November 1998. The Parent Company is registered with the Central Bank of Kuwait and Capital Markets Authority as an investment company. It is listed in the Kuwait Stock Exchange on 20 June 2005.

The Parent Company is principally engaged in the following activities in compliance with the Islamic Sharia as follows:

- Promoting and marketing shares and bonds of all in favor of Companies according to Islamic Shari'a.
- Investment in all types of movables whether for its own favor or for others by way of agency or brokerage except for the Company's trading in commodities for its favor.
- Lending, borrowing and financing international trading transactions as well as issue and exchange of Islamic bonds of all kinds and forms for its clients.
- Portfolio management as per relevant laws and according to Islamic Shari'a.
- Purchase, lease, acquisition, rent, licensing of all kinds of investment equipment and subsequent sale or disposal thereof.
- Carry out real estate investments for the Parent Company's account or for third parties.
- Providing research and studies and other technical services related to investment and employing funds for others.
- Establishing and managing investment funds as per relevant laws and regulations and after approval of concerned parties.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad. The Company may also incorporate, purchase and/or participate in incorporation of such entities or affiliate them.

The Parent Company is domiciled in Kuwait and its registered office is at P.O. Box 1376, Safat 13014, Kuwait.

The Parent Company is a subsidiary to Al Thekair General Trading and Contracting Company S.P.C. ("the Ultimate Parent Company").

The consolidated financial statements for the financial year ended December 31, 2018 were authorized for issue from the Board of Directors on March 27, 2019 and is subject to the approval of General Assembly. The Shareholders' General Assembly has the authority to amend these consolidated financial statements after their issuance.

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Notes to the consolidated financial statements for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar unless stated otherwise"

2- Application of new and revised International Financial Reporting Standards (IFRSs)

2/1) Newly effective standard and amendments and improvements to standards

The Group adopted IFRS 15 and IFRS 9 with effect from January 1, 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- **IFRS 15 Revenue from Contracts with Customers**

  IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 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 the Group expects to be entitled in exchange for transferring goods or services to a customer.

  IFRS 15 requires entities to exercise judgment, 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.

  The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. January 1, 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

  There is no impact of adopting IFRS 15 on consolidated statement of profit or loss and other comprehensive income or consolidated statement of financial position.

- **IFRS 9 "Financial instruments"**

  IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

  There is impact of transition to IFRS 9 on the opening balance of reserves and accumulated losses as mentioned in details below.

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and its subsidiaries
State of Kuwait

Notes to the consolidated financial statements for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar unless stated otherwise"

A) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

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

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018.

Kuwaiti Dinar	Original classification under IAS 39	New classification under IFRS 9	Impact on adoption of IFRS 9	Reclassification
Financial assets				
Financial assets at fair value through profit or loss	148,191	148,191	-	-
available for sale investments	55,289	-	-	(55,289)
Financial assets at fair value through other comprehensive income	-	55,289	-	55,289
Amortised cost				
Accounts receivable and other debit balances	2,943,223	2,591,126	(352,097)	-
Due from related parties	601,126	601,126	-	-
Bank balances and cash	960,559	960,559	-	-
Total financial assets	4,708,388	4,356,291	(352,097)	-

Al Madar Finance and Investment Company K.S.C (Public)
and its subsidiaries
State of Kuwait

Notes to the consolidated financial statements for the financial year ended December 31, 2018
"All amounts are in Kuwaiti Dinar unless stated otherwise"

The following table reconciles the carrying amounts of financial liabilities under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on January 1, 2018.

Kuwaiti Dinar	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial liabilities				
Wakala payable	Amortized cost	Amortized cost	21,164,197	21,164,197
Ijarah payable	Amortized cost	Amortized cost	2,578,479	2,578,479
Accounts payable and other credit balances	Amortized cost	Amortized cost	2,877,624	2,877,624
Due to related parties	Amortized cost	Amortized cost	333,266	333,266
Total financial liabilities			**26,953,566**	**26,953,566**

B) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Impact of the new impairment model

For accounts receivables and other debt balances in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The impact of IFRS 9 on expected credit losses is recording net amount of KD 97,715 for the current financial year and an additional impairment loss of KD 352,097 is included in the consolidated statement of changes in equity as shown in (note - 9) on the consolidated financial statements.

C) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied using the cumulative effect method. The Group has taken an exemption not to restate comparative information of prior periods.

Differences in the carrying amounts of the financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as of January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 but those of IAS 39.

The effect of IFRS 9 on the classification and measurement of investments is the reclassification of the Group's investments in accordance with the requirements of the Standard as described in Notes (10&11) on the consolidated financial statements.

- **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations**
  The Interpretation 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 non-monetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

2/2) New and amended standards not yet effective, but available for early adoption

The below new and amended International Financial Reporting Standards ("IFRS" or "standards") that are available for early adoption for financial years ending 31 December 2018 are not effective until a later period.

A) Adoption expected to impact the Group financial statements (subsequently) :

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

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

  IFRS 16, which is effective for annual periods beginning on or after January 1, 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17. The Group is in the process of assessing the impact of IFRS 16 to its consolidated financial statements.

- **Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions**
  The amendments clarify the following:

  1) In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
  2) A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:

     (i) the original liability is derecognized;
     (ii) the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
     (iii) Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognised in profit or loss immediately.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2018 with earlier application permitted. Specific transition provisions apply.
  The directors of the Group do not anticipate that the amendments in the future will have a significant impact on the Group's consolidated financial statements as the Group does not have any cash-settled share-based payment arrangements.

- **Amendments to IAS 40 Transfers of Investment Property**
  The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction.

  The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

  The directors of the Group do not anticipate that the amendments in the future will have a significant impact on the Group's consolidated financial statements.

B) Adoption not expected to impact the Group financial statements:

Effective date	Description
January 1, 2021	• IFRS 17 Insurance Contracts
Effective date to be determined	• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
January 1, 2019	• IFRIC Interpretation 23 Uncertainty over Income Tax Treatment • Amendments to IFRS 9: Prepayment Features with Negative Compensation • Amendments to IAS 19: Plan Amendment, Curtailment or Settlement • Amendments to IAS 28: Long-term interests in associates and joint ventures • Annual Improvements 2015-2017 Cycle (issued in December 2017) – Amendments to IFRS 3 Business Combinations – Amendments to IFRS 11 Joint Arrangements – Amendments to IAS 12 Income Taxes – Amendments to IAS 23 Borrowing Costs

3- Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are as follows:

3/1) Basis of preparation

- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Companies' Law requirements and subsequent amendments.
- The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements of "the Group" for the financial year ended December 31, 2017 except for the adoption of IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers from January 1, 2018.
- These consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as (investments of fair value through statement of profit or loss, financial asstes at fair value through other comprehensive income, available for sale investments and investment properties). These financial statements have been presented in Kuwaiti Dinars, it also the operating currency of the parent company .
- The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note (4).

3/2) Recognition and de-recognition of financial assets and liabilities

The financial asset or the financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset is de-recognized either when the contractual rights to cash flows from the financial asset expire, the Group has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards, but no longer has control over the asset. The financial liability is de-recognized when the obligation specific in the contract is discharged, cancelled or expired.

3/3) Basis of financial statements consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (together referred to as "the Group") disclosed in (Note – 5).

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The control is maintained by the Parent Company when:

- Exercise power over the investee.
- Exposure to variable returns or obtains rights from involvement with the investee.
- Ability to use its power to affect the investee returns.
- When the Parent Company does not has majority voting rights in the investee, the Parent Company takes into consideration facts and other factors in assessing the control, which include:
- Contractual arrangement between the Parent Company and other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Parent Company's voting rights.
- Other potential voting rights.

The financial statements of subsidiaries acquired or disposed are included in the consolidated financial statements from the date the control effectively commences until the date that control effectively ceases.

The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together alike items of assets, liabilities, revenues and expenses. All inter-company balances and transactions, including unrealized profits or losses arising from inter-company transactions, are fully eliminated. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events which accrue in similar conditions.

The financial statements of the subsidiaries are prepared for the same date or within three months of the reporting period of the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist between the subsidiaries' financial year date and the Parent Company's financial year date.

Non-controlling interests in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Non-controlling interests consists of the interest at the date of the original business combination and the non-controlling interest share of changes in equity since the date of the combination. Is added to losses attributed to the owners of the subsidiary and to the non-controlling interests in the ratio of their respective share capital even if that resulted in the non-controlling interests having a deficit balance.

When ownership of a subsidiary changes without loss of control, the transaction is accounted for within equity. However, when control is lost as a result of change in ownership, then:

- Derecognize the assets and liabilities of the subsidiary reported in statement of financial position (including goodwill).
- Recognize any remaining investment of the subsidiary at fair value at date of loss of control.
- Derecognize non-controlling interests.
- Recognize the profit or loss resulting from the loss of control in the consolidated statement of profit or loss.

3/4) Bank balances and cash

Bank balances and cash comprise cash on hand and bank accounts, which are subject to immaterial fluctuations in value.

3/5) Receivables

Trade receivables represent amounts due from customers for the sale of goods, the lease of units or services performed in the ordinary course of business, and are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method less provision for impairment.

3/6) Financial instruments

Recognition, initial measurement and derecognition

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

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

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in consolidated statement of profit or loss.

Classification of financial assets

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

- financial assets at amortised cost
- financial assets at fair value through Other Comprehensive Income (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

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

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria.
- as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Subsequent measurement of financial assets

- **Financial assets at amortised cost**

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

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

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

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

Equity investments at FVTOCI
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as of FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

- **Financial assets at FVTPL**
  Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). The category also contains investments in equity shares.
  Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

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

  - Investment in bonds
  - Investment in equity shares

Impairment of financial assets
All financial assets except for those at FVTPL and Equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired.

3/7) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

3/8) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at their cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value.

Investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment properties and supported by market evidence.

Subsequent costs are capitalized to carrying amount of assets only when it is probable that economic benefits associated with such costs will flow to the Group and the cost of the item can be measured reliably. All maintenance and other repair works are expensed as incurred. When replacing part of the investment properties, the carrying amount of the replaced part is derecognized.

Any profit or loss resulting from either a change in the fair value or the sale of investment properties is immediately recognized in the consolidated statement of profit or loss in the period in which they arise.

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

3/9) Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in associates is accounted for under the equity method. On the statement of financial position date at cost plus post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in value and the consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates.

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 and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of profit or loss.

All subsequent changes to the Group's share of interest in the equity of the associates are recognized in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes resulting from consolidated statement of profit or loss and other comprehensive income of the associate or items recognized directly in the associate's or equity of the Group, as applicable.

When the Group's share of losses in an associate equals or exceeds its interest in the associates, including any other unsecured receivables, the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions with associates are eliminated to the extent of the Group's share in the associates. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associate's financial statements are prepared either to the Parent company's reporting date or to a date not earlier than three months of the Parent company's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the date of the associates and the group's consolidated financial statements date.

3/10) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The recoverable value of Property, plant and equipment are reviewed at the consolidated financial position date. If the recoverable value for Property, plant and equipment decreased from the book value then the book value is written down to the recoverable value. If the useful Life is different from its estimated Life then the useful Life is adjusted from the beginning of the year in which the change occurred without going into retroactive periods.

Property, plant and equipment are depreciated on straight line basis to reduce their value to its residual value over their estimated useful Life.

The profits or losses of selling the Property, plant and equipment range in the consolidated statement of profit or loss at the difference between the selling of value and the net book value.

Right of utilization
This represents utilization of two industrial plots leased from the State properties for five years and renewable for similar periods. The Group's buildings are erected on the plots. Right of utilization is valued by a specific specialized body on a regular basis including the difference of change between the fair value and carrying value within revaluation surplus in consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

Works in progress for purposes of production works or administrative usage are stated at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs capitalized on assets that meet the conditions of capitalizing the borrowing costs in accordance with the Group's accounting policy. These properties are classified within the appropriate categories of items of property, plant and equipment when finished and being considered ready for use. Depreciation of such assets commences when they are ready for use for their intended purpose in the same way as other items of property, plant and equipment.

3/11) Intangible assets
Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses.

The useful Life of intangible assets is assessed to be either finite or indefinite.

Finite
Intangible assets with finite Life is amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite Life is recognised in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

Indefinite
Intangible assets with indefinite useful Life are not amortized. They are tested for impairment annually, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable, otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Intangible assets are amortized on a straight line basis over 10 to 20 years.

3/12) Business combinations
Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquired (if any), the excess is recognised immediately in consolidated statement of profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-Transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

3/13) Impairment of non-financial assets

At each consolidated financial position date the Group reviews the carrying amounts of its non-financial 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) and an allowance is recognized in the consolidated statement of profit or loss. Reversal of impairment loss recognized in prior years is recorded as revenue included in consolidated statement of profit or loss when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased.

3/14) Wakala payables

Wakala payables arise when the Group receives funds from other parties under an authorization from these parties for the Group to reinvest them in specific forms or in specific Islamic financial instruments in return for the Group's commitment to pay to the holders of wakala payables a yield set at date of wakala. The Group recognizes the yield paid to holders of wakala payables as finance costs in the Consolidated statement of profit or loss when the wakala accrues or when the holders of wakala payables liquidate these wakala payables before their due date.

The received wakala contracts do not include any conditions that give their holders any rights secured against the other assets of the Group or any other entities in the Group.

Wakala payables are initially recognized at cost and they are later measured at amortized cost.

3/15) Ijara payables

Ijara payables represent the amount payable on a deferred settlement basis for items financed by others in accordance with agreements of Ijara contracts. Ijara payables balance is stated at total of the amount payable, net of finance costs related to the future periods. Future finance costs are amortized when matured on a time proportion basis using the effective interest method.

3/16) Derecognition of financial liabilities

A financial liability is derecognized 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.

3/17) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled from the consolidated financial position date. 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, profits are credited to a separate account in equity (profit on sale of treasury shares) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Profits realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the profit on sale of treasury shares 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.

3/18) Trade payables and liabilities

Trade payables are initially measured at fair value, liabilities are recognized against amounts payable in the future against commodities or services received, whether invoices were issued or not.

3/19) Provision for end of service indemnity

Provision for staff end of service indemnity has been made as per the Kuwaiti Labor Law applicable to the private sector and signed contracts based on employees' salaries, cumulative periods of services or based on contractual terms when such contracts provide additional benefits. This provision is unfunded and represents the amounts payable to each employee as a liability as a result of involuntary termination on the consolidated financial position date and approximates the present value of that obligation.

3/20) Equity and reserves

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

The issuance of share premium includes any premium received from the capital issuance, and any other expenses related to this issuance of shares deducted from the share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the parent's articles of association.
Change in fair value reserve – which comprise of profits and losses related to financial assets through other comprehensive income.

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

3/21) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial position only when there is a legally enforceable right to set off the recognized amounts and the management intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

3/22) Revenue recognition

- Revenue is recognized either at a certain time or over time when the Group meets performance obligations by transferring goods or services to its customers. the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognized either at a certain time or over time when the Group meets performance obligations by transferring goods or services to its customers .The Group recognizes contract obligation for amounts received in respect of unsatisfactory performance obligations and provides these, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group fulfills a performance obligation before it receives the consideration, the Group recognizes either the origin of the contract or receivable, if any, in its consolidated statement of financial position, depending on whether there is anything other than the time required before the amounts are due.
- The Group earns revenue from renting of its investment properties. Rental income is recognised on a straight-line basis over the period of the individual rental contracts. When the customer initially enters into a rental contract, the Group usually receives an advance or a deposit or both which is recognised as a liability. The advance is recognized as revenue with the passage of time while deposit is refunded to the customer in accordance with the rental contract on termination.
- Revenue from services is recognized on time and material basis when services are provided. Invoices are periodically issued to customers in accordance with individual contracts as the work progresses. Any remaining unearned amounts at the end of the reporting period are presented in the consolidated statement of financial position as account receivables since only time is required before the payment is due.

- Gain on sale of investments in securities is measured by the difference between the net sales proceeds and the book value of the investment sold.
- Dividends income from investments are recognized when the Group's right to receive payment is established.
- Yield income is recognised on a time proportion basis using the effective yield method.
- Other categories of income are recognized when earned, at the time the related services are rendered and/ or on the basis of the terms of the contractual agreement of each activity.

3/23) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Other lease contracts are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets in the consolidated statement of financial position at the current value estimated for the minimum of amounts paid for lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

3/24) Provisions

Provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event it is probable that an outflow of the 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 each consolidated financial position date and adjusted to reflect the current best estimate.

3/25) Borrowing cost

- Interest on loans and facilities is calculated on the accrual basis and is recognized in the consolidated statement of profit or loss in the period in which it is incurred.
- Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. The capitalized borrowing costs should commence when expenditures for the asset have been incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs should cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.
- Borrowing costs that are not directly attributable to a qualifying asset are recognized as an expense in the period in which they are incurred.

3/26) Kuwait Foundation for the Advancement of Sciences (KFAS)

The company's contribution to KFAS is recognized as an expense and is calculated as 1% of profit after transfer to statutory reserve and before Board of Directors' remuneration, National Labour Support Tax and Zakat.

3/27) National Labour Support Tax (NLST)

The company's contribution to NLST is recognized as an expense and calculates in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of the net profit less allowed deductions.

3/28) Zakat

The Group's contribution to Zakat is recognized as an expense and is calculated in accordance with Minister of Finance resolution No. 58/2007 and 46/2006 as 1% of the net profit less allowed deductions.

3/29) Foreign currencies

The functional currency of any company of the Group is the currency of the principal economic environment in which it operates. For the Parent Company, the main currency is the Kuwaiti Dinar. For subsidiaries, the underlying currency is generally the national currency of the country in which it operates or the foreign currency used. Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated into Kuwaiti Dinars using the exchange rates prevailing at that date. The resulting gain or loss is recognized in the consolidated statement of profit or loss.

Foreign currency translation differences for non-monetary items such as equity classified as available for sale financial assets are included in the fair value reserve for investments under equity.
The consolidated statements of profit or loss and consolidated cash flows of foreign operations are translated into the parent company's reporting currency at the average exchange rate for the year and the financial statements of those companies are translated at the year-end exchange rate.

Foreign exchange differences arising from the translation of net investment in foreign companies (including goodwill, long-term receivables, loans and fair value adjustments arising from the business combination) are recognized in profit or loss and other comprehensive income. On the sale of a foreign company, differences arising from currency translation are recognized in profit or loss in the consolidated statement of profit or loss.

3/30) Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote, contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3/31) Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

4- Significant accounting assumptions and judgments

In the process of applying the Group's accounting policies, management has used judgments and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Accounting judgments

Classification of financial assets

Policy Adopted as of January 1, 2018 (IFRS 9)

financial assets are assessed based on the business model for keeping them and evaluating whether the contractual terms for the financial asset are bound to the principal and interest of the original outstanding amount.

Policy adopted prior to January 1, 2018 (IAS 39)

Management has to decide on acquisition of financial assets whether it should be classified as available for sale, held to maturity, financial assets at fair value through through profit or loss or loans and debtors. In making that judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance.

Classification of properties

The Group decides on acquisition of real estate properties whether it should be classified as trading or investment properties.

The Group classifies properties as trading properties if it is acquired with the intention of resale in the ordinary course of business. The Group classifies properties as investment properties if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

The Group classifies properties as properties under development if it is acquired with the intention of development. The Group classifies properties as investment properties if they are acquired to generate rental income or for capital appreciation, or for indefinite future use.

Group of properties are classified as property, plant and equipment if they are purchased to be used in production, services, for leasing them to others or for administrative purposes and they are expected to be used during more than one period.

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

Useful Life's of tangible assets
The Group reviews the estimated useful life over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful Life are appropriate.

Estimates uncertainty

Impairment of tangible assets and intangible assets and useful Life's of tangible assets

The Group's management annually examines the impairment of tangible and intangible assets in accordance with the accounting policies described in note 3. The recoverable amount of an asset is determined on the basis of the use method. This method uses projections of estimated cash flows over the estimated useful Life of the asset discounted using market rates.
The Group reviews the estimated useful life and the relevant depreciation and amortization the depreciation and amortization charged for the year will majorly charge if the estimated and actual useful life's vary.

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

Valuation of investment properties
The Group records investment properties at fair value where changes in the fair value are recognized in the consolidated statement of profit or loss, three basic methods are used for determining the fair value of the investment properties.

a) Discounted cash flows method: in this method the successive amounts of expected future cash flows of the asset are used based on the outstanding contracts and rental conditions, and discount the present value by using a discount rate that reflects the risks related to this asset.

b) Income capitalization: through which the property value is estimated based on its resulted income. Such value is calculated based on the net operating income of the property divided by the expected rate of return from the property as per market inputs, which is known as capitalization rate.

c) Comparative analysis: which base on estimations made by an independent real estate valuer by reference to new actual deals done among other parties for similar properties in location and condition and relying on expertise of such independent real estate valuer.

ECLs provision on trade receivables and other debit balances
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.
For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalization) are expected to deteriorate over the next year which can lead to an increased number of defaults in the brokerage sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the trade receivables and other debit balances of the Group is disclosed in Note 9.

Fair value measurement
Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the financial instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the consolidated financial statements date.

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5- Consolidated subsidiaries

The consolidated financial statements include the financial statements of the Al Madar Finance and Investment Company K.S.C (public) and its following subsidiaries:

	Country of incorporation	**Activity**	**Shareholding percentage %**	
			2018	2017
Dar Al-Thuraya Real Estate Co. K.S.C (Public)	State of Kuwait	Real estate	%88.35	%88.35
Fiduciary International For Programming and Printing Software Company W.L.L	State of Kuwait	Programming and operating computer, printing and distribution of software and computers	%99	%99
Al Madar Real Estate Development K.S.C (Closed)	State of Kuwait	Real estate	%98.50	%98.50
Al Thuraya for Warehousing and Cold Storage K.S.C (Closed)	State of Kuwait	Warehousing	%96	%96

The financial statements for the subsidiaries have been consolidated based on audited financial statements as of December 31, 2018.
The consolidated financial statements include the financial statements of Dar Al Thuraya K.S.C (Public) and its following subsidiaries:

	Country of incorporation	**Activity**	**Shareholding percentage %**	
			2018	2017
AL-Thuraya Star company W.L.L	State of Kuwait	General Trading and Contracting	%99	%99
Kuwait Buildings Real Estate Company K.S.C (Closed)	State of Kuwait	Real estate	%96	%96
Pack & Move Holding K.S.C (Holding)	State of Kuwait	Holding	%99.88	%99.88
Golden Madar Real Estate Company W.L.L	State of Kuwait	Real estate	%98	%98

6- Non-controlling interests

The details of the subsidiary with material non-controlling interests to the Group are as below:

Name of subsidiary	Country of incorporation	Voting rights and equity interest %		Carrying value of non-controlling interests in the subsidiary	
		2018	2017	**2018**	2017
Dar Al-Thuraya Real Estate Company K.S.C. (Public) ("Dar Al-Thuraya")	State of Kuwait	**11.65%**	11.65%	**1,734,729**	1,660,526

The summary of the financial statements of the subsidiary ("Dar Al-Thuraya real estate") with non-controlling interests at material percentage to the Group before eliminating the intra-group transactions:

Dar Al-Thuraya Real Estate Co. K. S.C. (Public)

Summary of consolidated statement of financial position:

	2018	2017
Assets		
Current assets	**3,071,557**	1,675,729
Non-current assets	**20,079,753**	21,782,166
Liabilities		
Current liabilities	**2,058,878**	2,564,915
Non-current liabilities	**6,202,051**	6,639,539
Equity attributable to shareholders of Dar Al-Thuraya Real Estate Company	**14,890,381**	14,253,441
Voting rights and equity interest for the non-controlling interests in Dar Al-Thuraya Real Estate Company	**11.65%**	11.65%
Carrying value of non-controlling interests	**1,734,729**	1,660,526

Summary of consolidated statement of profit or loss and other comprehensive income:

	2018	2017
Revenues	**3,579,676**	2,483,618
Expenses	**(2,772,097)**	(3,074,490)
Gain/(loss) for the year attributable to shareholders of Dar Al-Thuraya Company	**807,579**	(590,872)
Other comprehensive income/(loss) attributable to shareholders of Dar Al-Thuraya Company	**371**	(109,657)
Total comprehensive income/(loss) attributable to shareholders of Dar Al-Thuraya Company	**810,215**	(695,180)
Loss related to the non-controlling interests	**(2,265)**	(5,349)

Total non-controlling interests for other subsidiaries are not material to the Group.

Summary of consolidated statement of cash flows:

	2018	2017
Net cash generated from/(used in) operating activities	**596,709**	(1,763,274)
Net cash generated from/(used in) investing activities	**1,273,189**	(38,113)
Net cash (used in) /generated from financing activities	**(310,718)**	2,000,000
Net increase in bank balances and cash	**1,559,180**	198,613
Bank balances and cash at beginning of the year	**433,964**	235,351
Bank balances and cash at the end of the year	**1,993,144**	433,964

7- Bank balances and cash

	2018	2017
Cash at banks	**2,168,801**	910,366
Cash on hand	**98,044**	50,193
	2,266,845	960,559

Cash at banks includes current and saving accounts with local banks.

The annual effective return rate on saving accounts was 0.59% as of December 31, 2018 (December 31, 2017: 0.75%).

8- Financial assets at fair value through statement of profit or loss

This item is as follows:

	2018	2017
Investments in unquoted local shares	**38,776**	53,101
Investments in portfolio - local funds	**41,147**	41,147
Investments in portfolio - foreign funds	**53,943**	53,943
	133,866	148,191

Financial assets at fair value through profit or loss include certain shares retained for certain creditors of KD 13,776 (December 31, 2017: KD 22,601).

Valuation techniques for financial assets at fair value through profit or loss are disclosed in Note (33).

9- Receivables and other debit balances

	2018	2017
Trade receivables	**1,783,252**	4,415,577
Provision for expected credit losses	**(1,749,649)**	(4,324,222)
	33,603	91,355
Receivables of financial , properties and service investments	**1,639,929**	741,737
Accrued income	**13,682**	178,431
Staff receivables	**29,813**	19,947
Prepaid expenses and Prepayment	**140,860**	387,569
Other receivables	**1,483,819**	1,524,184
	3,341,706	2,943,223

- Receivables from sale of financial and real estate investments and services have been presented after deducting expected credit losses provision of KD 780,916 as of December 31, 2018 (December 31, 2017: KD 820,179).

- Accrued revenues have been presented after deducting expected credit losses provision amounting to KD 776,404 as of December 31, 2018 representing provisions recorded in subsidiaries (December 31, 2017: KD 617,258).

- Other receivables have been presented after deducting expected credit losses provision amounting to KD 516,843 as of December 31, 2018 representing provisions recorded in subsidiaries (December 31, 2017: KD 283,256).

- The maximum exposure to credit risks at reporting date is the fair value of each class of receivables. The Group holds guarantees of KD 33,603 for trade receivables as of December 31, 2018 (December 31, 2017: KD 474,491).

- During the financial year ended December 31, 2018, the Parent Company has signed a settlement contract with a creditor on May 16, 2018 against settlement of Wakala payables balance of KD 16,999,319 including assignment of certain finance customers' receivable balances and others, which were estimated at a total amount of KD 2,285,177, resulted in realized gain of KD 1,664,621 from such transaction. An amount of KD 1,395,171 has been recognized under reversed provision of finance transactions, an amount of KD 156,479 related to the deferred revenue has been recognized under finance revenues and an amount of KD 112,971 under realized gain on settlement of Wakala payables. Furthermore, assignment of certain finance customer's balance of KD 1,545,055, which has been written off during the previous year as per the Parent Company's board of directors meeting held on November 19, 2017 resulted in realized gain of KD 1,545,055 from such transaction, which have been recognized in the consolidated statement of profit or loss under realized gain on settlement of Wakala payables.

- On adoption of IFRS 9 on January 1, 2018 the Group estimated its ECL under IFRS 9 and recognized KD 97,715 for the year, it also recognized the additional amount of the impairment of receivable balances of KD 352,097 and these amounts have been adjusted in the opening balance of accumulated losses.

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For risk profiling purpose, the Group has segregated its receivables and other debit balances portfolio into two subgroups, 'receivables from corporates' and 'receivables from individuals' based on the historical credit loss and recovery patterns from the customers.

For further details on receivables aging and the expected credit losses, please refer to note 33.

The following table shows the movement in lifetime ECL that has been recognized for receivables and other debit balances in accordance with the simplified approach set out in IFRS 9.

	2018		
	Receivables from corporates	**Receivables from individuals**	**Total**
Balance at beginning of the year	**2,315,084**	**3,729,831**	**6,044,915**
IFRS 9 transition impact	**147,355**	**204,742**	**352,097**
ECL charged for the year	**42,629**	**55,086**	**97,715**
Reversed provision of finance transactions	**(1,679,761)**	**(991,154)**	**(2,670,915)**
Balance at the end of the year	**825,307**	**2,998,505**	**3,823,812**

	2017		
	Receivables from corporates	Receivables from individuals	Total
Balance at beginning of the year	2,322,527	3,974,668	6,297,195
Charged for the year	-	850,693	850,693
Reversed provision of finance transactions	(7,443)	(66,089)	(73,532)
Write off provision of finance transactions	-	(1,029,441)	(1,029,441)
Balance at the end of the year	2,315,084	3,729,831	6,044,915

The maximum exposure to credit risk at the consolidated statement of financial position date is disclosed in note 33 to these consolidated financial statements.

The Group does not incur any financial charges on outstanding receivables.

10- Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are non-trading equity securities for which the management has made an irrevocable decision on initial recognition to recognize changes in fair value through other comprehensive income, As they are strategic investments and are considered to be more relevant as a result of the adoption of IFRS 9 as of January 1, 2018, the Group has chosen to reclassify the investments by KD 55,289 from assets available for sale (Note 11).

	2018	2017
Investments in quoted local shares	**2,696**	-
Investments in unquoted local shares	**13,678**	-
Investments in unquoted foreign shares	**36,194**	-
	52,568	-

Financial assets at fair value through other comprehensive income include certain shares retained for a creditor amounted by KD 8,677 (December 31, 2017: KD 8,264).

Financial assets at fair value through other comprehensive income include unquoted foreign shares at an actual cost of KD 3,698,839 (December 31, 2017: KD 3,698,839) brought forward from 2009. Since these investments are the subject of a legal dispute, management decided to reduce the cost of these investments in full in the previous years until they are finally resolved.

Financial assets at fair value through other comprehensive income were evaluated according to the evaluation methods disclosed in (Note – 33).

11- Available for sale investments

	2018	2017
Investments in quoted local shares	-	5,126
Investments in unquoted local shares	-	13,969
Investments in unquoted foreign shares	-	36,194
	-	55,289

On January 1, 2018, the Group adopted IFRS 9, accordingly the Group reclassified available for sale investments with a book value of KD 55,289 to Financial asstes at fair value through statement of profit or loss (Note – 10).

12- Investment properties

	2018	2017
Investment properties		
Balance at beginning of the year	**17,611,217**	14,839,420
Disposals	**(2,900,737)**	(780,000)
Transferred from properties under development	**2,065,639**	3,357,730
Transferred from Property, plant and equipment (Note – 14)	**5,595,000**	-
Change in fair value	**753,228**	262,361
Foreign currencies translation differences	**18,501**	(68,294)
Balance at end of the year	**23,142,848**	17,611,217

Properties under development		
Balance at beginning of the year	**5,952,117**	9,012,769
Additions	**15,119**	39,880
Disposals	**(442,844)**	(96,968)
Transferred to investment properties	**(2,065,639)**	(3,357,730)
Change in fair value	**(124,554)**	408,797
Foreign currencies translation differences	**17,368**	(54,631)
Balance at end of the year	**3,351,567**	5,952,117
	26,494,415	23,563,334

- The fair value of the Group's investment properties as of December 31, 2018 was determined based on evaluation made by independent valuers, of which one of them a local bank, and the management recorded the lower value.
- Investment properties include utilization right for five years in Al Shuwaikh area for use in garages, warehouses and exhibitions. The contract was renewed for a period of five years beginning on 11 May 2017.
- During the current financial year, the Group sold two investment properties amounting to KD 1,150,000, resulting in losses of KD 50,000 recorded in the consolidated statement of profit or loss under realized gain on sale of investment properties.
- During the current financial year, the Group sold properties under development in the Sultanate of Oman amounting to KD 71,337, resulting in losses of KD 2,982 recorded in the consolidated statement of profit or loss under realized gain on sale of investment properties.
- During the current financial year ended, the Parent Company has signed a settlement contract with a creditor on May 16, 2018 against settlement of Wakala payables balance of KD 16,999,319 including assignment of certain investment properties and properties under development, which were estimated at total amount of KD 4,130,000 while its cost amounted to KD 2,122,244, resulted in realized gain of KD 2,007,756 from such transaction, which have been recognized in the consolidated statement of profit or loss under realized gain on sale of investment properties.
- The Group owns certain investment properties under Ijara contracts with a promise for purchase by a local bank (Note 17).

13- Investment in associates

Name of associate	Country of incorporation	Measurement method	% Ownership percentage 2018	2017	Activity	2018	2017
Interpack Kuwait Limited for General Trading and Contracting Company W.L.L	State of Kuwait	Equity method	-	%40	General trading and contracting	-	848,510
Egyptian Saudi Company for Medical Equipment (S.A.E)	Arab Republic of Egypt	Equity method	**%30.26**	%30.26	Medical equipment and devices	**253,425**	249,991
						253,425	1,098,501

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The Group's shares in result and net assets from associates are as follows:

Associate	**Total assets**	**Total liabilities**	**Revenue**	**Expenses**	**Group's share in results**	**Last available Financial statements**
Egyptian Saudi Company for Medical Equipment (S.A.E)	**1,470,202**	**632,710**	**1,825,820**	**1,723,823**	**30,864**	**December 31, 2018**

Associate	Total assets	Total liabilities	Revenue	Expenses	Group's share in results	Last available Financial statements
Interpack Kuwait Limited for General Trading and Contracting Company W.L.L	4,917,044	(2,795,770)	2,953,560	(3,151,705)	(79,258)	December 31, 2017
Egyptian Saudi Company for Medical Equipment (S.A.E)	1,422,844	(596,700)	1,457,765	(1,364,969)	28,080	December 31, 2017
					(51,178)	

The movement on investment in associates is as follows:

	2018	2017
Balance at January 1	**1,098,501**	1,131,460
Additions	**-**	26,725
Disposals	**(822,292)**	-
Dividends received	**(12,846)**	(17,191)
Foreign currencies translation differences	**(14,576)**	8,685
Group's share in associates results	**4,638**	(51,178)
Balance at December 31	**253,425**	1,098,501

- The Group's share in results of Egyptian Saudi Company for Medical Equipment (S.A.E) based on financial statements prepared by management as of December 31, 2018. The Group's share in results of Interpack Kuwait Limited for General Trading and Contracting Company W.L.L until the date of sale, losses which amounted to KD 26,226.
- During the year, the associates company "Egyptian Saudi Company for Medical Equipment (S.A.E.)" distributed cash dividends of 10% of the nominal value of the share totaling KD 12,846 (December 31, 2017: KD17,191) in accordance with the decision issued by the company's board of directors.

- During the current financial year, the Parent Company has signed a settlement contract with a creditor on May 16, 2018 against settlement of Wakala payables balance of KD 16,999,319 including assignment of an associate "Interpack Kuwait Limited for General Trading and Contracting Company W.L.L.", which were estimated at total amount of KD 1,800,000, its carrying value amounted to KD 822,292 in addition to the assignment of the associate's debt balance of KD 547,935, resulted in realized gain of KD 429,773 from such transaction, which have been recognized in the consolidated statement of profit or loss under realized gain on sale of investment in an associate.

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14- Property, plant and equipment

	Utilization right	Buildings	Containers	Vehicles	Equipment	Total
Cost						
As of January 1, 2018	4,948,386	2,475,494	353,291	186,606	1,673,057	9,636,834
Additions	-	2,850	17,815	-	5,013	25,678
Disposals	-	(678,941)	-	(96,301)	(742,819)	(1,518,061)
Transfer to investment properties	(4,948,236)	(1,729,095)	-	-	-	(6,677,331)
As of December 31, 2018	150	70,308	371,106	90,305	935,251	1,467,120
Accumulated depreciation						
As of January 1, 2018	699,231	960,833	148,839	104,689	963,884	2,877,476
Charged for the year	-	88,770	23,785	25,789	23,046	161,390
Disposals	-	(649,239)	-	(79,338)	(95,713)	(824,290)
Transfer to investment properties	(699,231)	(380,222)	-	-	-	(1,079,453)
As of December 31, 2018	-	20,142	172,624	51,140	891,217	1,135,123
Net book value						
As of December 31, 2018	**150**	**50,166**	**198,482**	**39,165**	**44,034**	**331,997**
As of December 31, 2017	4,249,155	1,514,661	204,452	81,917	709,173	6,759,358

- Buildings are constructed on land leased from the State of Kuwait for five years and renewable for similar periods.
- During the current financial year, the Group has sold property, plant and equipment with a net book value of KD 693,771 for others, resulting in a loss of KD 634,802 recorded in the consolidated statement of profit or loss.
- During the current financial year, the Group transferred property and equipment to investment properties with a net book value of KD 5,597,878 due to lease to others, resulting in realized loss of KD 2,878 recorded in the consolidated statement of profit or loss.

15- Intangible assets

	Key money	Programs	Total
Cost			
As of January 1, 2018	543,530	474,940	1,018,470
Disposals	(292,280)	-	(292,280)
As of December 31, 2018	251,250	474,940	726,190
Accumulated Amortization			
As of January 1, 2018	141,740	189,976	331,716
Charged for the year	150,540	47,494	198,034
Disposals	(292,280)	-	(292,280)
As of December 31, 2018	-	237,470	237,470
Net book value			
As of December 31, 2018	**251,250**	**237,470**	**488,720**
As of December 31, 2017	401,790	284,964	686,754

- The amount of KD 251,250 is a key money for which the Group has not amortized. The group has not utilized it till the date of the consolidated financial statements and there is a legal case with the other party that has not been settled by final judgment.

16- Wakala payables

	2018	2017
Wakala payables	**4,091,766**	21,164,197

The average effective cost rate on wakala was 6.3% annually as at December 31, 2018 (December 31, 2017: 5.8%).

Wakala payables include past due wakala of KD 3,636,816 (December 31, 2017: KD 3,636,816). The Parent Company was obliged to pay based on the judicial decision taken against the Parent Company, while an amicable settlement is currently in progress with the prevailing party.

During the current financial year, the Parent Company has signed a settlement contract with a creditor on May 16, 2018 against settlement of Wakala payables balance of KD 16,999,319, which was due during the previous years. The settlement items included the following:

- Cash payment of KD 400,000.

- Assignment of certain finance customers' receivable balances, which were estimated at a total amount of KD 2,285,177, resulted in realized gain of KD 1,664,621 from such transaction. An amount of KD 1,395,171 has been recognized under write-back of finance transactions provision, an amount of KD 156,479 related to the deferred revenue which has been recognized under finance revenues and an amount of KD 112,971 under realized gain on settlement of Wakala payables.
- Assignment of certain finance customer's balance of KD 1,545,055, which has been written off during the previous year as per the Parent Company's board of directors meeting held on November 19, 2017 resulted in realized gain of KD 1,545,055 from such transaction, which has been recognized in the consolidated statement of profit or loss under realized gain on settlement of Wakala payables (Note 9).
- Assignment of certain investment properties and properties under development, which were estimated at total amount of KD 4,130,000 while its cost amounted to KD 2,122,244, resulted in realized gain of KD 2,007,756 from such transaction, which has been recognized in the consolidated statement of profit or loss under gain on sale of investment properties (Note 12).
- Assignment of an associate "Interpack Kuwait Limited for General Trading and Contracting Company W.L.L.", which were estimated at total amount of KD 1,800,000, its carrying value amounted to KD 822,292 in addition to the assignment of the associate's debt balance in total carrying value of KD 547,935, resulted in realized gain of KD 429,773 from such transaction, which has been recognized in the consolidated statement of profit or loss under realized gain on sale of investment in an associate(Note 13).

- The remaining debt amount of KD 6,839,000 has been deducted against the Parent Company's commitment to the content of the settlement concluded with the creditor, which has been recognized under realized gain on settlement of Wakala payables.
- Total gain of KD 12,486,205 have been resulted from the settlement, which have been recognized in the consolidated statement of profit or loss for the year ended December 31, 2018 as per the above mentioned items.
- During the current financial year, the parent company paid KD 73,113 to a creditor based on the decision of the competent court.

17- Ijarah payables

	2018	2017
Ijarah payables	**2,393,953**	2,648,641
Future financing costs	**(68,280)**	(70,162)
	2,325,673	2,578,479

Ijara payables represent facilities contracts granted by a local bank in return for lease contracts concluded with the bank related to investment properties, with a promise for purchase as follows:

- Amount of KD 481,153 (2017: KD 533,341) represents deferred rental value due at end of the contract period on 17 April 2018. The effective yield rate is 6.30% per annum (December 31, 2017: 6.05%). During the current financial year, Ijarah contract was renewed in the amount of KD 452,709 and the maturity date was extended by 12 installments starting from April 18, 2018 and ending on April 17, 2019.

- Amount of KD 717,337 (December 31, 2017: KD 793,275) represents deferred rental value due at end of the contract period on June 3, 2019. The effective yield rate is 6.29% per annum (December 31, 2017: 5.79%).During the current financial year, Ijara lease has been renewed in the amount of KD 675,000 and the maturity date has been extended by 12 monthly installments starting from June 3, 2018 and ending on June 3, 2019.
- Amount of KD 1,195,463 (December 31, 2017: KD 1,322,025) represents deferred rental value due at end of the contract period on August 5, 2019. The effective yield rate is 6.28% per annum (December 31, 2017: 5.78%). During the current financial year, the Ijara lease has been renewed to KD 1,125,000 and the maturity date has been extended by 12 installments starting from August 6, 2018 and ending on August 5, 2019.

18- Payables and other credit balances

	2018	2017
Trade payables	**46,549**	548,091
Accrued expenses	**400,058**	631,669
Purchase of land and financial investments payables	-	235,575
National Labor Support Tax (NLST)	**291,352**	-
Zakat	**117,815**	-
Other payables	**1,827,683**	1,462,289
	2,683,457	2,877,624

19- Share capital

The Parent Company's authorized, issued, and fully paid up capital is KD 21,386,865 (2017: KD 21,386,865) divided into 213,868,650 shares (2017: 213,868,650 shares), each of 100 fils and all shares are in cash.

20- Statutory reserve

In accordance with the requirements of Companies' law and the Parent company's articles of association, 10% of the net profit before contribution to Kuwait Foundation for the Advancement of Sciences, National labor support tax, Zakat and Board of Directors' remuneration has been transferred to the statutory reserve. That may discontinue such transfer when the reserve equals 50% of share capital. Statutory reserve is not available for distribution except as stipulated by law. There is no transfer to reserve during the year due to accumulated losses.

21- Voluntary reserve

In accordance with the parent company's memorandum of association 10 % of the annual net profit before contribution to Kuwait Foundation for the Advancement of Science, National labor support tax, Zakat and Board of Directors' remuneration has been transferred to the voluntary reserve as suggested by the Board of Directors and are approved by the Shareholders General Assembly. According to the proposal of the parent company's Board of Directors and shareholders' General Assembly, There is no transfer to reserve during the year due to accumulated losses.

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22- Treasury shares

	2018	2017
Number of shares purchased (share)	**6,845,096**	6,845,096
Ownership percentage (percentage to total share capital)	**%3.2**	%3.2
Cost	**4,573,296**	4,573,296
Market value (KD)	**1,143,131**	169,758

The Parent Company is committed to retain share premium equal to the purchased treasury shares cost which is deemed as non-distributable along acquisition period by the Parent Company in accordance with instructions of the concerned regulatory authorities. Treasury shares are retained for some creditors.

23- General and administrative expenses

	2018	2017
Staff cost	**1,669,670**	2,564,737
Depreciation and amortization	**359,424**	464,633
Other	**1,396,538**	1,159,699
	3,425,632	4,189,069

24- Basic and diluted earnings /(loss) per share attributable to shareholders of the parent company/(fils)

Basic and diluted profit/(loss) per share attributable to the shareholders of the Parent Company is calculated by dividing net profit/(loss) attributable to the shareholders of the Parent Company by the weighted average number of outstanding shares excluding Treasury shares during the year as follows:

	2018	2017
Net profit/(loss) for the year attributable to equity holders of the Parent Company	**14,876,767**	(2,182,537)
Weighted average outstanding shares during the year/(shares)	**213,868,650**	213,868,650
Weighted average treasury shares /(share)	**(6,845,096)**	(6,845,096)
Weighted average number of outstanding shares during the year/(share)	**207,023,554**	207,023,554
Basic and diluted earnings /(loss) per share attributable to shareholders of the parent company/(fils)	**71.86**	(10.54)

25- Other income

Other income includes:

- An amount of KD 796,476 represents the assignment of some of key management personnel labor benefits to the Group during the year ended December 31, 2018 as well as revised provision of benefits related to previous years.
- An amount of KD 1,750,000 represents collection of an amount due from one of the parent company's customer that was written off in previous years.

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26- Revenues

	December 31, 2018				
	Real estate	**Financial Investments**	**Corporate Finance**	**Others**	**Total**
Rents	1,885,144	-	-	-	1,885,144
Services	-	21,966	-	476,314	498,280
Sales	-	-	-	1,008,458	1,008,458
Other income	2,583,451	423,239	340,779	13,427,817	16,775,286
	4,468,595	445,205	340,779	14,912,589	20,167,168
Geographic markets					
State of Kuwait	2,514,350	440,567	340,779	14,912,589	18,208,285
Outside state of Kuwait	1,954,245	4,638	-	-	1,958,883
Revenue verification timing					
Services performed at a certain point in time	2,583,451	445,205	340,779	14,912,589	18,282,024
Services provided over a period of time	1,885,144	-	-	-	1,885,144
	4,468,595	445,205	340,779	14,912,589	20,167,168
Revenues					
Clients in Kuwait	2,514,350	440,567	340,779	14,912,589	18,208,285
Clients outside Kuwait	1,954,245	4,638	-	-	1,958,883

	December 31, 2017				
	Real estate	**Financial Investments**	**Corporate Finance**	**Others**	**Total**
Rents	1,928,772	-	-	-	1,928,772
Services	-	48,227	-	-	48,227
Sales	-	-	-	764,810	764,810
Other income	672,751	28,081	47,000	441,485	1,189,317
	2,601,523	76,308	47,000	1,206,295	3,931,126
Geographic markets					
State of Kuwait	1,642,865	48,227	47,000	1,206,295	2,944,387
Outside state of Kuwait	958,658	28,081	-	-	986,739
Revenue verification timing					
Services performed at a certain point in time	672,751	76,308	47,000	1,206,295	2,002,354
Services provided over a period of time	1,928,772	-	-	-	1,928,772
	2,601,523	76,308	47,000	1,206,295	3,931,126
Revenues					
Clients in Kuwait	1,642,865	48,227	47,000	1,206,295	2,944,387
Clients outside Kuwait	958,658	28,081	-	-	986,739

27- Fiduciary assets

Fiduciary assets comprise of investments and funds managed on behalf of clients. These are not assets of the Group and accordingly, are not included in the Group's consolidated financial statements. On the consolidated financial position date total fiduciary assets managed on behalf of clients amounted to KD 4,072,000 (December 31, 2017: KD 4,194,000) including a portfolio managed on behalf of a related party of KD 7,369 as at December 31, 2018 (December 31, 2017: KD 12,884).

28- Related parties transactions

Related parties principally comprise of shareholders, directors and executive officers of the Parent Company, their families and companies of which they are the principle owners. Parent Company determines the terms and conditions of the transactions and services received or rendered from/to related parties besides other expenses. Amounts due from/to related parties have no fixed maturity date.

The balances and transactions with related parties included in the consolidated financial statement are as follows:

	2018	2017
Consolidated statement of financial position		
Due from related parties	**22,226**	601,126
Receivables of financial , properties and service investments (Note - 9)	**1,600,000**	-
Due to related parties	**343,510**	333,266
Consolidated statement of profit or loss	**2018**	2017
Change in fair value of Financial assets at fair value through profit or loss	-	(184)
Top management's salaries and benefits	**144,125**	341,202
Provision for employees' end of service benefit	**20,909**	113,996

29- Segmental information

The operating segments are identified based on the internal reports of Group segments which are regularly reviewed by the chairman and managing director who take the main operating decisions in the Group so as allocate resources and to evaluate performance of these segments on an ongoing basis.

The operating segments that meet the conditions and criteria for reporting them in the consolidated financial statements and are used in the internal reports regularly submitted to decision makers are as follows:

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A) Real estate:
This sector represents investing in investment properties to generate rental income, gain from capital appreciation, or for trading purposes.

B) Financial investments:
This sector represents investment in short term money market instruments and investment in shares of listed and unlisted companies whose articles of association and activities comply with the rules of noble Islamic Shari`a.

C) Corporate finance:
The activity of this segment is to provide finance to companies by using the various islamic financing instruments, i.e. Murabaha, Wakala, future sales, and other contracts compliant with the rules of noble Islamic Shari`a.

D) Other:
This includes the revenue and expenses that do not belong to the above sectors.

The information of the Group's segments reports are summarized as follows:

A) Revenue and sector results:

	Segment revenues		Segment profit /(loss)	
	Year ended December31,		Year ended December31,	
	2018	2017	2018	2017
Real estate	4,468,595	2,601,523	3,990,941	2,148,097
Financial investments	445,205	76,308	445,205	(187,392)
Corporate finance	340,779	47,000	197,652	(37,549)
Other	14,912,589	1,206,295	14,243,950	1,469,800
Total	20,167,168	3,931,126	18,877,748	3,392,956
General and administrative expenses			(3,425,632)	(4,189,069)
Provision for expected credit losses			(97,715)	(850,693)
Bad debts			-	(472,499)
Debts settlement loss			-	(54,062)
National labor support tax			(291,352)	-
Zakat			(117,815)	-
Profit /(Loss) for the year			14,945,234	(2,173,367)

B) Segment assets and liabilities:

For the purposes of monitoring segment performance and allocating resources between segments, the segment assets and liabilities are as follows:

	2018	2017
Segment assets		
Real estate	26,494,415	23,563,334
Financial investments	439,859	1,301,981
Corporate finance	33,603	91,355
Other	6,417,891	11,859,665
Total segment assets	33,385,768	36,816,335

	2018	2017
Segment liabilities		
Real estate	-	235,575
Corporate finance	**6,417,439**	23,742,676
Other	**3,735,244**	4,185,337
Total segment liabilities	**10,152,683**	28,163,588

30- General Assembly of Shareholders

The annual general assembly of the shareholders was held on July 24, 2018 and approved the consolidated financial statements of the Group for the financial year ended December 31, 2017. It also approved Board of Directors' recommendations for non-distribution of dividends for the financial year ended December 31, 2017 and non-distribution of remuneration to the Board of Directors' members for the financial year ended December 31, 2017.

31- Proposed dividends and Board of Directors' remuneration

On March 27, 2019 the Board of Directors has proposed not to distribute dividend for the financial year ended December 31, 2018 and not to grant remuneration for the Board of Directors members for the financial year ended December 31, 2018.

These proposals are subject to the approval of the General Assembly of Shareholders of the parent company.

32- Legal suits and claims

On the basis of the judgment against the Parent Company by obligating it to pay KD 4,887,212 , charges, and fees in favor of one of the creditors, the Group entered into an agreement with that party during the previous year whereby a partial payment of the wakala due to that party would be made through the assignment of a property owned by the Group amounting to KD 750,000 A cash amount of KD 250,396 and a payment of KD 250,000 have been paid by a related party to the balance of the wakala as KD 3,636,816 as at December 31, 2018 (Note 16).

33- Financial instruments and management of risk

A) Financial instruments:

Significant accounting policies

Details of the significant accounting policies - including the criteria for measurement and recognition of revenues and expenses - in respect of each class of financial assets and liabilities are disclosed in (Note 3) to the consolidated financial statements.

Categories of financial instruments

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

	2018	2017
Financial assets		
Bank balances and cash	**2,266,845**	960,559
Financial assets at fair value through profit or loss	**133,866**	148,191
Receivables and other debit balances	**3,341,706**	2,943,223
Due from related parties	**22,226**	601,126
Financial assets at fair value through other comprehensive income	**52,568**	-
Available for sale investments	**-**	55,289
	5,817,211	4,708,388

	2018	2017
Financial liabilities		
Wakala payables	**4,091,766**	21,164,197
Ijarah payables	**2,325,673**	2,578,479
Payables and other credit balances	**2,683,457**	2,877,624
Due to related parties	**343,510**	333,266
	9,444,406	26,953,566

Fair value of financial instruments

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group has used the assumptions and accepted methods in the assessment of fair values of financial instruments. The fair values of the Group's financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Fair value of the financial instruments that were included by their extinguish cost is not materially different from its respective carrying value.

The hierarchy levels of fair value are set out below:

- Level 1: prices included (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (inputs relating to prices).
- Level 3: inputs for assets and liabilities that are not based on observable market information (non observable information).

Financial assets and liabilities are classified in the level was based on the lower level for the important information.

	Level 1	**Level 2**	**Total**
December 31, 2018			
Financial assets at fair value through profit or loss	-	**18,317**	**18,317**
Financial assets at fair value through other comprehensive income	**2,696**	**8,677**	**11,373**
Total	**2,696**	**26,994**	**29,690**

	Level 1	Level 2	Total
December 31, 2017			
Financial assets at fair value through profit or loss	-	44,659	44,659
Available for sale investments	5,154	8,941	14,095
Total	5,154	53,600	58,754

There have been no transfers between levels during the year.

B) Financial risk management

The Group use of financial instruments exposes it to financial risks such as credit risks, liquidity risks and market risks.

The Group periodically reviews its risks exposures and takes the necessary steps to limit these risks to acceptable levels.

- **Credit risks**

Credit risks are the risks that one party to a financial instrument will fail to pay an obligation causing the other party to incur a financial loss. The financial assets that primarily expose the Group to credit risks are representing in bank balances and cash, receivables and other receivables and due from related parties. Credit risk relating to receivables and other receivables is limited due to multiple customers and the distribution of credit to a large number of customers. For more details, refer to note 9. The balance of accounts receivable is recognized by net after deducting expected credit loss provision. Cash and cash equivalents are also deposited with financial institutions with a high credit rating.

The expected loss rates are based on the aging of customers over a period of 3 years before December 31, 2018 and January 1, 2018 respectively and historical credit losses corresponding to that period. Historical rates are adjusted to reflect current and future economic factors that affect the customer's ability to pay the due amount. However, due to the short period of exposure to credit risks, the impact of these economic factors is not material during the period of the consolidated financial statements.

The expected credit losses of trade receivables are as follows:

The Group has calculated the equivalent of 100% as expected credit losses for all receivables relating to financing operations in accordance with the Central Bank's instructions.

December 31, 2018	**More than 365 days**	**Total**
Expected credit losses rate (%)	%100	-
Expected credit losses	1,749,649	1,749,649

December 31, 2017	**More than 365 days**	**Total**
Expected credit losses rate (%)	%100	-
Expected credit losses	4,324,222	4,324,222

The following expected credit losses for the accrued rent are shown below:

December 31, 2018	***Less than 90 days***	***From 91 to 180 days***	***From 181 - 365 days***	***more than 365 days***	***Total***
Expected credit losses rate(%)	%74	%81	%94	%100	-
Expected credit losses	10,123	6,853	24,760	734,668	776,404

December 31, 2017	*Less than 90 days*	*From 91 to 180 days*	*From 181 - 365 days*	*more than 365 days*	*Total*
Expected credit losses rate(%)	%74	%81	%94	%100	-
Expected credit losses	29,748	17,358	67,295	617,258	731,659

The following expected credit losses for other receivables are shown below:

December 31, 2018	***Less than 90 days***	***From 91 to 180 days***	***From 181 - 365 days***	***more than 365 days***	***Total***
Expected credit losses (%) rate	%8	%25	%40	%100	-
Expected credit losses	13,155	19,484	37,052	447,152	516,843

December 31, 2017	*Less than 90 days*	*From 91 to 180 days*	*From 181 - 365 days*	*more than 365 days*	*Total*
Expected credit losses (%) rate	%8	%25	%40	%100	-
Expected credit losses	13,827	17,407	29,957	283,256	344,447

The expected credit loss rates represent the weighted average of those rates calculated between the Group's companies as of January 1, 2018 based on aging of customers over 3 years prior to that date.
Trade receivables are written off (derecognition) when there is no reasonable prospect of recovery. A default of 365 days from the date of the invoice and an inability to make an alternative payment arrangement, among other matters, with the Group is an indication of an unreasonable recovery expectation and is therefore considered to be a credit loss.
The Group considers that the maximum exposure to credit risk is as follows:

	2018	2017
Bank balances	**2,168,801**	910,366
Receivables and other debit balances	**3,200,846**	2,555,654
Due from related parties	**22,226**	601,126
	5,391,873	4,067,146

Geographic concentration of maximum exposure to credit risks
The maximum exposure to credit risks for financial assets at the consolidated financial date by geographic region and segment were:

	GCC	**Total**
December 31, 2018:		
Cash at banks	**2,168,801**	**2,168,801**
Receivables and other debit balances	**3,200,846**	**3,200,846**
Due from related parties	**22,226**	**22,226**
	5,391,873	**5,391,873**

	GCC	Total
December 31, 2017:		
Cash at banks	910,366	910,366
Receivables and other debit balances	2,555,654	2,555,654
Due from related parties	601,126	601,126
	4,067,146	4,067,146

	2018	2017
Segment:		
Real Estate and Commercial	**3,223,072**	3,156,780
Banks and financial institutions	**2,168,801**	910,366
	5,391,873	4,067,146

- **Liquidity risks**

  Liquidity risks are the risks that the Group will be unable to meet its obligations. The management of liquidity risks consist of keeping sufficient cash, and arranging financing sources through enough facilities, keeping highly liquid assets, and monitoring liquidity on a periodically basis by method of future cash flows.

  The maturity of liabilities stated below based on the period from the consolidated statement of financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed to settle the obligation.

The maturities of liabilities are as follows:

December 31, 2018:

	Within 1 month	**1 – 3 months**	**3-12 months**	**Total**
Wakala payables	**4,091,766**	-	-	**4,091,766**
Ijara payables	-	-	**2,325,673**	**2,325,673**
Payables and other credit balances	-	-	**2,683,457**	**2,683,457**
Due to related parties	**343,510**	-	-	**343,510**
	4,435,276	-	**5,009,130**	**9,444,406**

December 31, 2017:

	Within 1 month	1 – 3 months	3-12 months	Total
Wakala payables	21,164,197	-	-	21,164,197
Ijara payables	-	-	2,578,479	2,578,479
Payables and other credit balances	-	-	2,877,624	2,877,624
Due to related parties	-	-	333,266	333,266
	21,164,197	-	5,789,369	26,953,566

As of December 31, 2018, the current liabilities of the Group exceeded its current assets by KD 3,679,763 (KD 22,300,467 as of December 31, 2017). Whereas the Group maintains adequate cash reserves and owns investment properties of KD 26,494,415 as of December 31, 2018 (KD 23,563,334 as of December 31, 2017) which the Group intends to sell or utilize them in settlement of its debt with creditors related to wakala payables of KD 4,091,766 as of December 31, 2018 (KD 21,164,197 as of December 31, 2017). In addition, the Group maintains guarantees of KD 33,603 as of December 31, 2018 (KD 474,491 as of December 31, 2017) against receivables due from customers. This indicates that the Group will be able to meet its short-term liabilities

- **Market risks**

Market risks comprise of foreign currencies risks, interest rate risks and equity price risks. These risks arise due to change in market prices, interest rates and exchange rates.

Foreign currencies risks

Foreign currencies risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign currencies rates.

These risks arise from transactions with foreign currencies. The Group manages these risks by setting limits on transaction in other foreign currencies and limits its transaction business in major currencies.

The following are the net positions of foreign currencies as at the consolidated financial statements date:

	2018	2017
Omani Riyal	**3,158,316**	3,497,604
UAE Dirham	**3,813,100**	5,384,495
Egyptian Pound	**253,425**	249,991
	7,224,841	9,132,090

The effect on the consolidated loss or profit (due to change in the fair value of monetary assets and liabilities), as a result of change in currency rate, with all other variables held constant is shown below:

	Effect of increase in currency rate by 5% On the consolidated loss or profit	
	2018	2017
Omani Riyal	**157,916**	174,880
UAE Dirham	**190,655**	269,225
Egyptian Pound	**12,671**	12,500

Interest rate risks
Interest rate risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates in the market.

Interest rate risks arise from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flows as a result of interest rate risks.

The Group has no significant assets with an interest rate. Accordingly, the Group's profit or loss and its cash and operating flows are not affected by changes in market interest rates.

Equity price risks
An equity price risks are the risks that the fair value of equities fluctuates as the result of changes in the levels of equity indices and the value of individual stocks. These risks results due to the changes in the fair value of the investments in stocks.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases detailed below, the Group is not materially exposed to equity price risk.

The effect on equity as a result of a change in the fair value available for sale investments as of December 31, due to a reasonably possible changes in stock exchange markets index (±10%), with all other variables held constant, is as follows:

	Effect on equity	
	2018	2017
Financial assets at fair value through other comprehensive income	**5,257**	-
Available for sale investments	-	5,529

34- Commitments and contingencies

	2018	2017
Letters of guarantees	**85,237**	107,623

Operating lease commitments
The minimum operating lease commitments under non-cancellable operating leases are as follows:

	2018	2017
Not more than one year	**124,172**	156,080
After one year but not more than five years	**323,289**	452,183
	447,461	608,263

35- Capital risks management

A) capital risks management objectives

The Groups' objectives when managing capital are:

- To safeguard the Groups' ability to continue as a going concern and as a successful entity to be able to provide returns for shareholders and benefits for other stakeholders.
- To maintain an optimal returns for shareholders by pricing its products and services in a way that are reasonable with risk level.

The Group determines share capital that is adequate for risks manages its capital structure and adjusts it according to changing market economic conditions and risks related to assets for maintaining its capital structure and adjusting profit distributed to shareholders.

B) Debts to equity ratio

Consistent with others in the same field, the Group monitors capital on the basis of the net debt to equity ratio. This ratio is calculated as net debts divided by total adjusted capital. Net debts calculated as total Wakala payables, as shown in the consolidated financial position less cash and cash equivalents. Adjusted capital comprise of all components of equity (share capital, reserves, share premium, treasury shares, and accumulated losses) plus the net debts as follows:

	2018	2017
Wakala payables	**4,091,766**	21,164,197
Ijara payables	**2,325,673**	2,578,479
Less: Bank balances and cash	**(2,266,845)**	(960,559)
Net debts	**4,150,594**	22,782,117
Total equity attributable to the shareholders of the Parent company	**21,400,813**	6,863,788
Total capital	**25,551,407**	29,645,905
Debt ratio	**%16.24**	%76.85